Questions from ICTA Consultative Document

1. C&W is pleased to submit the following updated answer to the Authority's Question 16, originally submitted on 21 December 2004.

Question 16. At paragraph 33 of its comments dated 12 December 2003, C&W stated:

While Cable & Wireless appreciates that the ICTA has given some recognition to the need to conduct a cost benefit analysis, the issues need to be more fully explored and costs and benefits quantified for the ICTA to fulfil its obligations under the Liberalisation Agreement and accurately assess whether introduction of indirect access would be appropriate to Cayman.

A) Assume that the Authority determines that carrier preselection and call-by-call selection must be implemented by all providers of fixed-access switched local exchange services, effective 1 January 2006. Provide C&W's best estimate of the costs that it would incur in complying with such a mandate, for each of the following broad cost categories:

i) one-time general system provisioning costs (future-worthed to 1 January 2006 using a discount rate of, for example, 13.5%) caused by the modifications to network and operating systems necessary to enable C&W to offer carrier preselection and call-by-call selection (i.e., equal access or Feature Group D);

ii) any ongoing costs caused by the need to maintain the capability referred to in i) above, expressed both in annual cash flow terms for each of the years 2006-2010 and in present worth terms as at 1 January 2006;

iii) the one-time costs caused by enabling carrier preselection and call-by-call selection for an individual IDD licensee, including the setting up of commercial arrangements for the electronic transfer of customer orders; and

iv) costs caused by implementing the end-customer's carrier preselection for any given access line.

B) Identify and describe in detail all cost components/activities included in each cost estimate provided in response to A)i) to A)iv) above. Provide, for each cost inclusion, the rationale for C&W's view that the cost component/activity is caused by the requirement to offer or provide mandated carrier preselection and call-by-call selection.

C) Provide a breakdown of each of the cost estimates provided in response to A)i) to A)iv) above into amounts associated with each of the cost inclusions identified in response to B) above.

D) Assuming that the Authority determines that carrier preselection and call-by-call selection must be implemented both by providers of fixed-access switched local exchange services and mobile wireless services, effective 1 January 2006, provide information comparable to that requested in A) to C) above in respect of any additional costs associated with the extension of the IA mandate to cover mobile wireless providers.

76. For a response to questions A-D, it is important to recognize that the actual technical implementation costs associated with the move to indirect are low relative to the other costs that we have identified in our response to question 1, in particular the negative impact on domestic infrastructure investment and possibly consumer protection.

77. We also note that we do not quite understand why the Authority has posed this question to C&W alone, particularly when the question posits that all fixed service providers provide IA. Surely, given that indirect access, if implemented, may and ought to be implemented across a number of carriers, the likely costs to other carriers is an important consideration.

78. The costs associated with the technical implementation of indirect access would depend a great deal on timing. As the Authority is aware, C&W is in the middle of transitioning its fixed line subscriber base to its new NGN switch. Before the Hurricane Ivan, we had planned completion of this transition by ###. Although delay we still hope to be on track to accomplish this before the end of ###. Costs for implementing in terms of software upgrades is under $US###.

<u>28 February 2004 Update</u>

C&W advises the Authority that since 21 December 2005, the information submitted in the preceding paragraph has not changed.

Prior to Hurricane Ivan, C&W had expected to conduct the NGN transition in #
#
#
#.[1]

As a result of Hurricane Ivan, # # was put on hold, with all efforts redirected to restoration of the network. However, # # were completely destroyed, and it was decided to restore them by

[1] ###

transitioning them to the NGN, rather than to rebuild them on the old platform and transition them later. # # # .#

This assumes that the resources presently occupied with restoration will be able to be released on a timely basis. The rescheduling of # # in question did not result in an acceleration of the overall NGN transition project. At this time, the plan still calls for # # #, for a final completion of the overall project by the end of ###.

However, C&W is already receiving indications of increased corrosion and therefore premature failure of the # #, and expects a number to fail in the middle of this year. If this occurs, C&W will divert its resources from # # and will focus on restoring service at the failed # # by rescheduling when # .# While this may advance the time those specific locations are transitioned, it is possible that the overall project might be delayed beyond the end of ###.

79. If Indirect Access were required before the migration to the NGN switch, C&W would have to make investments in its AXE switch. At the time of this writing, we have been unable to get Ericsson quotes for any upgrades to this switch. However, the modification will involve both more investment and engineering time than modification of the NGN switch. In particular, there will be substantial labour costs of setting the routing tables in the switch up to do this, which will include local staff costs and supplier support costs. There will be additional software required and possibly RTU fees. The billing system will also have to be modified. We note that C&W is not sure whether the AXE can support carrier pre-select services without substantial investment.

80. We are still awaiting vendor estimates for additional GSM costs.