

LIME. For Living. Everyday.

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Our ref: GRCR 15.4
March 11th, 2011

Mr. David Archbold,
Managing Director,
Information, Communication Technology Authority,
P.O. Box 2502GT,
3rd Floor Alissta Towers,
Grand Cayman.

Dear Mr. Archbold:

Re: Cable & Wireless Virtual Office Service

Pursuant to paragraphs 8 and 26 of Annex 5 of the Licence issued 10 July 2003 to Cable and Wireless (Cayman Islands) Limited, trading as "LIME" ("**LIME**"), LIME is applying to the Authority for authorization to revise and amend its Virtual Office service and tariff (General Tariff Item 604).

1. Modifications to Existing IP Centrex Service

LIME's Virtual Office service currently offers three packages, Silver, Gold and Web Collaboration Suite. With LIME's revised service, the Silver and Gold packages will be renamed Virtual Office Pro and Virtual Office Pro Plus, respectively; the Web Collaboration Suite will be discontinued and offered instead as part of a Virtual Conference service; and a third package, called Virtual Office Receptionist, will be added to the Virtual Office service. Business customers will also enjoy new features added to the existing packages. In addition to the base packages, LIME will also offer optional and enhanced bolt-on features that will give subscribers additional business productivity tools. Appendix 1 to this letter outlines the new features that will be offered with Virtual Office Pro and Virtual Office Pro Plus, as well as new packages and features available under the revised Virtual Office service. Base package features, upgraded packages and optional features and bolt-ons of the Virtual Office service are further explained in Appendix 2 to this letter.

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While customers will continue to have the option of managing their Virtual Office service themselves, via a web interface provided free-of-charge, those customers who still wish to have LIME manage their Virtual Office service will have two additional options. Option one is the LIME Administration Plan where LIME will manage the service and the customer will be billed per handset at the rates listed in Appendix 3 attached hereto. Under option two the customer would be billed at the regular LIME hourly service charge rate.

2. Rates and Charges / Imputation Test

The rates and charges for the revised LIME Virtual Office service are set out in Appendix 3 attached hereto.

Virtual Office also offers customers a volume discount based on the number of users. With the volume discount option the customer will pay the full price for the first ### users and will receive a ### discount for the next ### users and ### discount for the next ### users. The discount structure is outlined below:

Number of Users	Discount
###	###
###	###
###	###
###	###

Optional bolt-on features and services (as outlined in Appendix 2) are also available at additional set-up and monthly fees (outlined in Appendix 3).

Calls between “stations,” or to other Virtual Office users in the same business group, (extension to extension dialing) will continue to be free of charge. Calls to Virtual Office lines outside the customer’s business group, calls to LIME landlines, calls to other fixed lines or mobile telephones, and international calling from the Virtual Office service will be charged at standard rates, billed per second.

The results of LIME’s imputation test for modification to the Virtual Office service are summarized in the attachment to this letter. A previous imputation test was submitted by LIME and approved by the Authority in July 2007.

3. Proposed Tariff Pages

Proposed Tariff Pages (in clean and redline form) are attached.

4. Effective Date

LIME plans to begin offering the revised Virtual Office service beginning ###.

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5. Confidentiality Claim

LIME is filing this application, including the attached imputation test description and proposed tariff pages, in confidence to the Authority and requests that the Authority not disclose either its contents, or the fact of its filing. The marketing and pricing plans of LIME are information of a commercial nature and are consistently treated in a confidential manner by LIME until they are implemented. Any untimely disclosure would mean that LIME's competitors and potential competitors would gain advance knowledge of LIME's marketing and pricing plans, even before the information could be made available to LIME's customers or to the general public. Disclosure of this information would enable them to develop competitive and targeted marketing and pricing responses, even before LIME would be able to implement its own plans. Furthermore, this letter contains sensitive marketing information which if placed in the public domain would adversely affect LIME and cause direct and indirect financial harm because it is a record containing proprietary commercial information which is customarily guarded from competitors. LIME requires confidential treatment until such time as the service and products described in this letter have been made public.

An abridged version of this letter will be filed. All confidential information has been replaced by "###". LIME proposes not to provide an abridged version of the attached proposed tariff pages, as abridged versions of these documents would be meaningless, unless the Authority directs LIME otherwise.

Please contact me regarding any questions you may have.

Yours faithfully,
Cable & Wireless (Cayman Islands) Ltd.

'Signed'

Anthony Ritch
General Manager

c.c. Frans Vandendries, VP Legal Regulatory and Corporate Affairs, LIME
David E. Burnstein, Regulatory Finance Manager, LIME

Encl.

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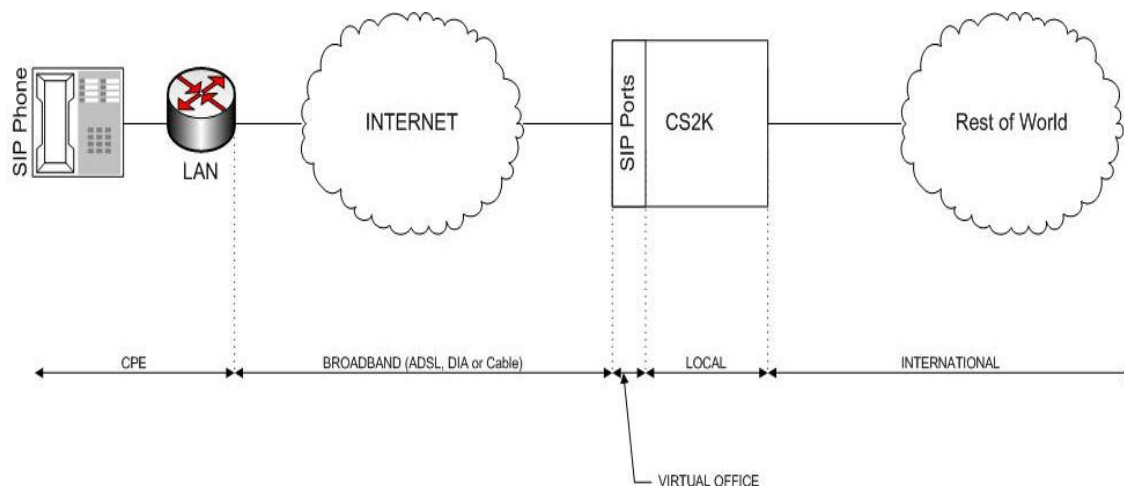
Imputation Test for Virtual Office Service

Based on the determination of the Authority that the Virtual Office (“**VO**”) service represents a Category 4 bundle containing a Category 1 service, in particular access to the PSTN, it is subject to an *ex ante* imputation test according to Part 3 of Annex 5 of LIME’s Licence.

VO service is an IP-equivalent of Centrex service; IP Centrex calls are transmitted over the Internet via the subscriber’s broadband access facility, such as ADSL or DIA access. The broadband access facility is purchased separately from the VO service, as are the subscriber’s accompanying local and international calling plans. These associated services are charged at prices set out under existing and separate tariffs and therefore need not be a part of the imputation test. The VO imputation test set forth herein is based upon the same framework and many of the same assumptions as the company’s previously-approved VO imputation test.

The VO service, for purposes of imputation analysis, is comprised of two components: (1) the VO platform; and (2) access to the LIME PSTN network. The imputation test for VO service, therefore, needs to determine whether the retail price for VO covers the cost of provisioning these two components. We note that in both cases the adjusted FAC model does not contain information that could be used for much of this analysis, as the VO product and the equipment used for access from the VO platform to the LIME PSTN did not exist at the time of the FAC modeling. We therefore use current vendor pricing for the VO platform equipment (network cost) and the access to the PSTN separately. We use the adjusted FAC model results for retail and common cost estimates.

In the diagram below we show how a Virtual Office customer is provisioned. We note that the Virtual Office platform includes the cost of the “SIP ports” shown below. The access costs are the costs of those facilities that join the SIP ports to the LIME PSTN (in the form of the CS2000 (“**CS2K**”) switch).



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SIP Port Equipment

The SIP platform is to be used to provision ####. We identify the total SIP platform costs and allocate total costs to each service based upon average projected lines (over a five-year forecast period). The forecasted lines for #### during the initial five years following launch are presented in Table 1.

**Table 1. SIP Platform Usage:
Forecasted Lines**

Yr.	###	% of Total	###	% of Total	###	% of Total
1	###		###		###	
2	###		###		###	
3	###		###		###	
4	###		###		###	
5	###		###		###	
Avg.	###	###%	###	###%	###	###%

SIP platform cost calculation is set forth in Table 2 on the following page. The SIP platform includes SIP Platform Software, User Application Software, SIP Platform Hardware, and Conference Servers (specific to the VC service). We also include the cost of engineering and installation costs charged by the vendor to the cost calculation. We treat these vendor charges as a capitalized cost. The total associated capital expenditure is CI\$ ####, which is allocated to each service as follows: ####. We take a simple annuity approach to capital cost assuming a five-year life for these assets and the cost of capital figure of 13.5% from the adjusted FAC model. The annualized capital cost for Virtual Office is CI\$ ####, or a monthly cost of CI\$ ####. Using the expense factor analysis that has come out of the FLLRIC proceeding, we have assumed annual maintenance and repair costs of 2.65% of capex ("Provide and Maintain Other Service Platforms" at row 45 of the Expense Factor Sheet of the Fixed Network model). This is a monthly cost of CI\$ #### for maintenance and repair of the Virtual Office service.

The imputation analysis is based upon the average number of in-service VO lines over the five-year forecast period, which is ####. Dividing monthly equipment and maintenance costs by lines results in a per line per month cost of CI\$ ####.

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Table 2. Virtual Office Equipment Costs

			###	###	###	
			###	###	###	A
			###	###	###	B
Virtual Office Equipment Costs	US\$	CI\$	CI\$	CI\$	CI\$	
	###	###	###	###	###	
### Software	###	###	###	###	###	C
### Software	###	###	###	###	###	D
### Hardware	###	###	###	###	###	E
### Servers	###	###	###	###	###	F
Installation	###	###	###	###	###	G
Total	###	###	###	###	###	H = G+F+E+D+C
Annualized Capital Cost	###	###	###	###	###	I = -PMT(13.5%
Monthly Capital Cost	###	###	###	###	###	J = I/12
Monthly Maintenance and Repair	###	###	###	###	###	K = H*2.65%/1
VO Equipment Costs per Line			###	###	###	L = (J+K)/A

Equipment providing PSTN Access

The PSTN access portion of the service is provided by eight Ethernet cables that connect to two Cisco switches (four cables per switch), and eight fiber cables that connect from the two Cisco switches to four separate cards in the CS2K switch. That is, two slots are required for each card. These cards are shared by other services on the CS2K, and in fact provide the interface for all services provided by the CS2K switch. We note that actual use at any given time would be four Ethernet cables, one Cisco switch, and four fiber cables, connecting to two cards in the CS2K switch, but each are doubled up for redundancy purposes: should one of the cards fail, the service would switch to another card.

The per-subscriber PSTN access cost is derived in Table 3. Each card can accommodate thirty-two (32) slots. The current actual fill is ### slots, with an implied fill factor of over ###%. Installed in 2003, the CS2K switch had a fill-factor of ###% in 2004, and an average fill factor of ###% between 2004 and early 2007. The imputation analysis is based upon the more conservative average fill-factor from 2004-2007, which in our opinion is a better estimate of the long-run average fill factor.

We identify the cost associated with each card, which is CI\$ ###. Additional housing costs for these cards are not material. Again, two slots are needed per card for the VO product. The VO access cost per card is therefore ### of CI\$ ###, or CI\$ ###. Four cards are required, so the total investment cost associated with the cards is CI\$ ### * 4 = CI\$ ###. The landed cost of the Ethernet and fiber cables is about CI\$ ###

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and CI\$ #### per cable, respectively. As we use eight Ethernet cable and eight fiber cables, the total investment in cabling is CI\$ ####. The Cisco switches cost CI\$ #### per switch. The Cisco switches have a capacity of #### ports per switch and, thus, a switch cost of CI\$ #### per port. Since the VO service occupies #### ports in total, the total investment in Cisco switching is CI\$ #### (####). The total investment in equipment necessary to provide the PSTN access element of the VO service, therefore, is CI\$ #### (\$#### Cards + \$#### Cabling + \$#### Switching). Assuming a five-year life for these assets at 13.5% cost of capital, the monthly capital cost is CI\$ ####. Using the same 2.65% assumption for maintenance and repair, the monthly maintenance is CI\$ ####. Using the average five-year forecast of #### VO lines, the monthly cost of PSTN access per line per month is CI\$ ####.

Table 3. PSTN Access Equipment Costs

Access to CS2K	US\$	CI\$	
Cost per CS2K Card	###	###	A
Slots per CS2K Card		###	B
Average fill Rate per CS2K Card		###	C
Average used Slots		###	D = C*B
IP Centrex Slots per CS2K Card		###	E
IP Centrex Cost per CS2K Card		###	F = A*E/D
IP Centrex CS2K Cards		###	G
IP Centrex CS2K Card Cost		###	H = G*F
Unit Ethernet Cable Cost	###	###	I
IP Centrex Ethernet Cables		###	J
Unit Fiber Cable Cost	###	###	K
IP Centrex Fiber Cables		###	L
IP Centrex Cabling Costs		###	M = (I*J)+(K*L)
Unit Cisco Switch Cost	###	###	N
Ports per Cisco Switch		###	O
IP Centrex Cisco Switch Cost per Port		###	P = N/O
IP Centrex Cisco Switch Ports		###	Q
IP Centrex Cisco Switching Cost		###	R = P*Q
Total PSTN Access Cost		###	S = H+M+R
Annualized Capital Cost		###	T = -PMT(13.5%, 5, S)
Monthly Capital Cost		###	U = T/12
Monthly Maintenance and Repair		###	V = S*2.65%/12
Avg. VO Lines (5 yr. forecast)		###	W
PSTN Access Cost per Line		###	X = (U+V)/W

Retail Cost Calculation and Common Cost contribution

The imputation test regulation requires the inclusion of both a common cost contribution and, of course, a retail mark-up.

For direct retail costs, we use the methodology that underlies similar submissions made to the Authority previously. See Table 4 below. In particular, we drew on the FAC opex for the following activities for the corresponding service category, in this case

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CPE. Our estimate of advertising cost is CI\$ ### for the first year, CI\$ ### for the second and third years, and CI\$ ### for the fourth and fifth years. This works out to an average advertising expenditure over the five year period of CI\$ ### per year.

Table 4. Annual Total Retail Costs, based upon FAC

<i>Retail Activities</i>	<i>FAC Cost</i>
Advertise	###
Collect call data	###
Develop products	###
Generate bill	###
Manage products	###
Manage sales and revenue	###
Prepare quotes/sell services	###
Provide credit control/manage bad debt	###
Provide customer relations	###
Respond to customer queries	###
Schedule installations	###
Schedule repairs	###
Support billing systems	###
Total	###

To obtain a per customer retail cost, we take the annual FAC cost of CI\$ ### presented in Table 4, subtract the advertising (for CI\$###) and spread it over ### customers, which figure is found in the Drivers sheet, cell A17, of the adjusted FAC model. This averages out at CI\$ ### per customer per year. Applying this figure to our estimated average ### VO customers, we expect annual VO retail costs, less advertising, to total CI\$ ### (###). Adding back annual VO advertising costs of CI\$ ### results in total annual VO retail costs of CI\$ ###. Using the average five-year forecast of ### VO lines, the monthly retail cost per line per month is CI\$ ### (###).

Based on the Authority's 11 January 2007 determination on LIME's NetSpeak Residential service, we use the common contribution value of ### for the non-network common cost, which we apply to total retail cost, for a total annual non-network common mark-up of CI\$ ### (###).

Likewise, we include a mark-up for network common cost based upon the FAC model. In particular, the ratio of network common depreciation to total direct network depreciation is ###% (Cell O8 over the sum of B6 to N6 in the Assets sheets in the Network_Cayman_2003_adjusted workbook in the Cayman adjusted model). Applying this ratio to the annual network capital costs of the access and the SIP platform, we obtain the total annual network common mark-up for capital of CI\$ ### (###).

The share of network common expenses over total direct network expenses is ###% (Cell O8 over the sum of B6 to N6 in the Expenses sheet). Applying this ratio to the annual network opex of the access and the SIP platform, we obtain the total annual network common mark-up for opex of CI\$ ### (###).

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Therefore, the total common cost on a per line per month basis is CI\$ ### (###).

Imputation Test Results

To determine whether the proposed VO retail service offering passes the imputation test, it is sufficient to compare the per-line costs of serving an average customer to the proposed retail rates for a VO line. We have made this comparison and in all cases the proposed rates comply with the imputation requirements. In order to demonstrate that point herein, we present a comparison of the per-line costs of serving an average customer to the lowest contracted retail rates for a VO line, which are the rates under a 3-year contract. As detailed in Table 5 below, the monthly costs of a VO line for the Pro, Pro Plus, and Receptionist packages are CI\$ ###, CI\$ ###, and CI\$ ###, respectively, and the proposed monthly retail prices per line for the Pro, Pro Plus, and Receptionist packages are CI\$ ###, CI\$ ###, and CI\$ ###, respectively. Even if we consider the extreme case of a customer on a 3-year contract taking over 50+ lines, and qualifying for a 25% discount on each line in excess of 10, the discounted per-line price exceeds cost by a margin of at least #CI\$4.70# per line $\#(17 \times (1 - 25\%) - 8.05)\#$. Therefore, the proposed prices for the VO service offering comply with the imputation test requirements.

Table 5. Virtual Office Profit

3 Year Contract Retail Prices and Costs			
	<i>Pro</i>	<i>Pro Plus</i>	<i>Receptionist</i>
VO Platform & Maintenance	###	###	###
PSTN Access & Maintenance	###	###	###
Retail Cost	###	###	###
Common Cost	###	###	###
Regulatory 6.7%	###	###	###
Total Cost per line	###	###	###
Retail price per line	###	###	###
Net Profit	###	###	###

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