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Information & Communications Technology Authority

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6 December 2007

Mr Rudy Ebanks
Chief Regulatory and Carrier Relations Officer
Cable and Wireless (Cayman Islands) Limited
PO Box 293 GT
Grand Cayman KY1-1104
CAYMAN ISLANDS

Dear Mr Ebanks,

Re: Application for Forbearance of High-speed Internet Access Service

In a letter dated 9 November 2007, Cable and Wireless (Cayman Islands) Limited ("C&W") requested that the Information and Communications Technology Authority ("ICTA" or "Authority") forbear from regulating C&W's high-speed Internet access services. C&W submitted that there is effective competition in the relevant market for the supply of high-speed Internet access services and that rate regulation is not necessary to protect consumers.

The Authority has reviewed the information supplied in C&W's letter as well as the service and market information from the Authority's Quarterly Monitoring Data reports.

The ICTA concurs with C&W that, for the purposes of this application, "high-speed Internet" will mean dedicated Internet connections provided at speeds in excess of 56 kilobits per second and provided over wireline or wireless based technology. However, as the business and residential markets are separately addressable customer bases, the Authority considers that the business and residential markets are separate relevant markets for the provision of high-speed Internet service.

The Authority notes that C&W's General Tariff Item 100 provides the C&W definition of which type of accounts are classified as "Business Customer" accounts and which are classified as "Residential Customer" accounts. The ICTA also notes that the Quarterly

Monitoring Data reports provided by telecommunications service providers use definitions that are similar to those in C&W's General Tariff for the reporting of information on the residential and business markets.

Services to Residential Customers

Upon review of the information before it, the Authority is satisfied that the retail high-speed Internet services provided to the residential customer market in the Cayman Islands is subject to competition sufficient to protect the interests of customers. Therefore, the Authority finds it appropriate to forbear from the regulation of those services and remove the regulatory requirements from high-speed Internet services provided to residential customers by C&W.

Pursuant to paragraph 20.1 of Annex 5 of C&W's 10 July 2003 Licence, services classified as Category 3 services (of which high-speed Internet access service is now one) are to be assigned to one of two sub-categories. Sub-category A services are services for which C&W is required to publish all of its rates, terms, and conditions and C&W is required to notify the Authority in advance of any change to the rates, terms, or conditions of these services. Also, the Authority may require an ex post imputation test for rate decreases of Category 3, Sub-category A services. Sub-category B services are services whose rates, terms, and conditions C&W will not be required to publish and there are no notification requirements to the Authority for any changes to these services.

In order to remove the regulatory requirements from C&W's retail high-speed Internet services provided to residential customers, the Authority determines that those services should be re-classified from Category 3, Sub-category A to Category 3, Sub-category B.

With this re-classification, the Authority need no longer be notified of changes to prices, terms, or conditions under which C&W provides retail high-speed Internet services to residential customers nor will rate decreases for these services be subject to an ex post imputation test.

However, where retail high-speed Internet services provided to residential customers are bundled with retail price regulated services, the current regulatory treatment will continue to apply.

Services to Business Customers

The Authority notes that C&W's market share in the retail high-speed Internet services for the business market is dramatically higher than the corresponding figure for the residential market and, in the ICTA's view, is not reflective of a very competitive

market. Given this, the Authority is not satisfied that there is effective competition in the high-speed Internet business market. In addition, the Authority is concerned that removing the remaining regulatory constraints on C&W's pricing ability may harm the establishment of effective competition in this market. Therefore, the Authority determines that there should be no change to the current regulatory treatment for high-speed Internet services provided to business customers.

Yours sincerely,

[signed by]

David A Archbold
Managing Director