



CABLE & WIRELESS

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Mr. David Archbold
Managing Director
Information and Communication Technology Authority,
P.O. Box 2502
3rd Floor Alissta Towers
Grand Cayman, KY1-1104
CAYMAN ISLANDS

Dear Mr. Archbold,

Re: Amendments to C&W's IP-VPN Service

Cable and Wireless (Cayman Islands) Limited ("C&W") is pleased to notify the Authority of enhancements to, and a re-launch of, its IP-VPN service. The re-launched service will be marketed under the name "IP-VPN QoS" in order to underline the nature of the enhancements.

Background

In April 2002, C&W launched its "IP-VPN Internet" service to enhance the suite of fully managed IP networking solutions. This service was subsequently classified under C&W's 2003 Licence as a Category 3 "value-added" service.

The 2002 IP-VPN Service gave businesses the ability to access corporate data quickly, securely and economically between locations that are often geographically dispersed - via a Virtual Private Network ("VPN") based on IP technology. IP-VPN Service allows customers to easily create their own private networks over IP networks to facilitate site to site connectivity and remote user access. In the case of the 2002 IP-VPN Service, that IP network is the public Internet.

While this has been an effective service for some customers, the feature set of this service has also been limited in certain respects. In particular, the 2002 IP-VPN Service requires the use of specific hardware, the public Internet, and limited forms of access to the Internet, in order to establish the VPN. Because the public Internet is by its very nature is a "best effort" network, the 2002 IP-VPN Service could not include any guaranteed Quality of

Service (“QoS”). Further, this “one size fits all” service no longer meets the requirements of C&W’s corporate customers today.

Changes to IP-VPN Service

In order to increase the number of options available to its customers and to improve the value proposition of its IP-VPN service, C&W has revamped the service as a fully-managed VPN solution using a purpose-built regional IP network. The re-launched service will also support a greater number of access services, although in Cayman the access services supported will be DPLC and ADSL services.

By converting the original IP-VPN service into a fully-managed service, C&W will be able to offer its customers greater quality of service and improved SLAs (i.e. guaranteed QoS). C&W will also be offering its customers more of a turnkey VPN solution, insofar as C&W will be responsible for monitoring and maintaining the VPN up to and including the equipment in the customer’s premises. As noted above, in order to reflect the change to the VPN service C&W was offering, the upgraded service will be marketed under the new name “IP-VPN QoS”.

A VPN is “built” using two or more IP-VPN Services terminating at each location on the customer’s network. C&W’s upgraded VPN service will be a regional service, and C&W has teamed up with its sister companies in #

#, to enable customers with offices in multiple countries within the region to purchase equivalent services in those other countries, in order to provide end-to-end solutions. This process will be coordinated via a shared Service Operation Centre (SOC), which will be available 24/7 for customer support. While there are plans to connect the Caribbean network supporting IP-VPN QoS services in the short term to similar networks operated by C&W affiliates outside the region, these connections have not yet been implemented.

MPLS Technology

As noted above, the revamped IP-VPN QoS service is supported by a new purpose-built regional IP network. The key feature of this new network is that it is “multi-protocol label switching” (“MPLS”)-enabled, which allows C&W to offer improved quality of service, and allows customers to prioritize their traffic depending upon their specific requirements.

MPLS is a new data-carrying technology that enables IP networks to efficiently carry both real-time and non real-time data. MPLS enhances an IP network by adding full QoS functionality and the ability to uniquely classify traffic using a predefined Class of Service (“CoS”). It does this by attaching a small label to each data packet that identifies the route that packet must take on its trip through the network. This enables the packet to be transferred faster through the network than using traditional routing and allows packets to be prioritized as they travel to their destination, including allowing the network to detect and quickly re-route traffic around faults. It also allows application data to be tagged and given a priority level (CoS).

Some of the other advantages of the MPLS platform are that it works over existing access technologies such as ATM or Ethernet, and is fully compatible with all IP applications and

equipment. In addition, it is less complicated than ATM technology but offers the same levels of QoS.

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However, as outlined in our 31 July 2006 Answer to TeleCayman Limited's 11 July 2006 Determination Request, it is important to keep in mind that MPLS is not a service *per se*, any more than "IP" is a service.¹ These are technologies that support telecommunications services such as VPNs or VoIP services, respectively.

Details of IP-VPN QoS Service

The re-launched IP-VPN QoS Service consists of two main components: a Core Service and added-value Service Options (as further discussed below, presently only one will be available).

The Core Service itself consists of two primary components: the Port (including speed and CoS options) and the Customer Premise Equipment (the "CE", i.e. the router at the customer premises, determined essentially by the customer's chosen circuit access method, circuit presentation, and bit rate options).

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¹ C&W recognizes that customers and service providers may refer colloquially to these services as "MPLS services". However, strictly speaking, this is incorrect. "MPLS" describes a technology or platform, and "VPN" describes the services offered over that technology/platform.

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Service Category

The service category that applies to C&W's IP-VPN QoS service should be clear from the preceding – it was, and is, a Category 3 service under the terms of Annex 5 to C&W's ICT Licence. Annex 5 classifies and regulates “services”, not the means of delivering those services. A change to the means of delivering IP-VPN services does not change the nature of the service itself and should not result in a change to its classification.

However, C&W feels that it is necessary in this instance to correct statements made by TeleCayman in its 11 July 2006 and 7 August 2006 letters to the Authority. TeleCayman is wrong to say “whether MPLS is properly referred to as a technology or a service is academic”. Regulation by the Authority should be based on a proper understanding of the facts and of what they are regulating, and not on obfuscations thrown out by TeleCayman in an attempt to gain a competitive advantage.

C&W's IP-VPN Service was first launched in 2002, and it was categorized as a Category 3 Service in C&W's 2003 ICT Licence. This service provides customers with a “virtual private network over an IP network”, hence the name “IP-VPN service”. In 2002, though, the “IP network” used for this purpose was the public Internet.

The definition of the service has not changed with the evolution of the service to “IP-VPN QoS Service” – it still provides a “virtual private network over an IP network”. What has changed is the type of IP network: in 2002, the technology available to C&W required the use of the public, “best efforts”, Internet. Today, the introduction of MPLS technology into IP networks has allowed C&W to move beyond the “best efforts” public Internet.

Of course, as the Authority is aware, MPLS technology is not widely deployed in the public IP network, i.e. the public Internet. As a result, it would not have been possible to satisfy our customers' requirements for security, reliability and feature sets if the public Internet had been used, and C&W chose instead to provide the upgraded VPN service, i.e., IP-VPN QoS Service, over an IP network built specifically for this purpose. However, as should be obvious, the core definition of the service remains the same: a "virtual private network provided over an IP network".

TeleCayman also describes an AT&T service in order to support its claim that C&W's service must be regulated. C&W does not know the details of that service, either how it is marketed or the platform used to provide it. However, C&W submits that the Authority should regulate service providers in the Cayman Islands based upon the services they provide in the Cayman Islands and legislation and licences issued in the Cayman Islands, and not upon the marketing communications of other service providers located in other countries that may or may not be providing the same services.

However, C&W notes that, in its 7 August 2006 letter, TeleCayman concedes that C&W's IP-VPN QoS service could be a Category 3A service. This is precisely what C&W's IP-VPN service was and what its IP-VPN QoS service will be.

Rates and charges for IP-VPN QoS service will consist of once-off installation charges, and separate monthly recurring charges for # _____#. Customers will be required to sign contracts with a minimum term of one year. Two- and three-year terms will also be available at discounted rates. Early termination fees will apply. These are detailed in the attachment to this letter.

Effective Date

C&W intends to begin offering this service on a commercial basis on #

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Prior to that, C&W plans to “beta test” the service and associated systems and procedures with a locally-based customer who has agreed to assist us in this. #

#. While this notification is in advance of the minimum three business days required by Annex 5 of our Licence for Category 3 services, in light of recent regulatory proceedings, we believe it would be useful to the Authority to be apprised of developments in our network and services.

Confidentiality Claim

C&W is filing this notification, including the attachment, in confidence with the Authority. While C&W has been advising selected corporate customers that it intends to revamp and upgrade its IP-VPN service, such advice has been at a very high level and has not included all the details such as those included in this document. The marketing and product development plans of C&W are information that is of a commercial nature and is consistently treated in a confidential manner by C&W until they are implemented. C&W’s competitors and potential competitors would gain advance knowledge of C&W’s marketing and pricing plans, even before the information could be made available to C&W’s customers or to the general public. This would enable them to develop competitive and targeted marketing and pricing responses, even before C&W would be able to implement its own plans.

An abridged version of this letter will be filed. C&W does not propose to file an abridged version of the Attachment, as such a document would be meaningless. All confidential information will be replaced by “###”.

Please contact me should you have any questions.

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

“Signed”

Rudy B. Ebanks
Chief Regulatory and Carrier Relations Officer

c.c. Timothy Adam, Chief Executive C&W
Ian Tibbetts, Chief Operating Officer C&W
Frans Vandendries, Vice President Regulatory Affairs C&W

Encl.