



**CABLE & WIRELESS**  
CAYMAN ISLANDS

Cable & Wireless (C.I.) Ltd.  
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Our Ref: GR/GR/15.23  
16 February, 2006

Mrs. Gloria Glidden  
President and Chief Executive Officer  
TeleCayman Limited  
Cayman Corporate Centre, Fourth Floor  
P.O. Box 704 GT  
George Town  
Grand Cayman

Dear Mrs. Glidden:

**Re: Interconnect Transit and Termination Rates**

I am writing further to our letter of 24 May 2005 to Mr. Philip Brazeau on the above-noted subject, to which we have never received a response. In light of the lack of response from TeleCayman, C&W considers that a dispute has arisen between our two companies, and invokes the dispute resolution procedures in Clause 34 of our 11 May 2004 Interconnection Agreement. We expect acknowledgement of receipt of this letter within the timeframes stipulated in clause 34.1.1. This letter also represents our Notice of Grievance pursuant to section 3(1) of the *ICTA (Dispute Resolution) Regulations*.

In our 24 May 2005 correspondence, we stated explicitly that TeleCayman had no reasonable grounds for disputing the pass-through charges for terminating traffic on a third party's network, when that traffic is transited via the C&W PSTN. We reiterated this position in our 13 October 2005 response to TeleCayman's Determination Request regarding Mobile Termination Rates ("MTR"). Notwithstanding this, TeleCayman continues to pay C&W less than the \$0.1845 MTR charged by Digicel Cayman Ltd (and by Wireless Ventures (Cayman Islands) Limited, now acquired by Digicel) to terminate traffic on their mobile networks. TeleCayman's arrears in respect of this service now amount to ###, as at 31 December 2005.

Please note that the information in this letter that is highlighted in yellow and redacted by "###" is confidential information.

## Services Provided to TeleCayman

Under the terms of the 11 May 2004 Interconnection Agreement between our companies, C&W provides TeleCayman with the following nine services grouped into the following four categories:

### Part 1: Joining Services

- Optical In-Span Joining Service

### Part 2: Termination Services

- PSTN Terminating Access Service
- PLMN Terminating Access Service
- Incoming International Terminating to PSTN Service
- Incoming International Terminating to PLMN Service

### Part 3: Special Access Services

- Emergency Services Access Service
- National DQ Service
- International DQ Service

### Part 4: Transit Services

- PSTN Transit Service

These services are described in detail in the “Services Description Schedule” of the Interconnection Agreement. Rates for these services are set out in the “Tariff Schedule”, and are grouped into the same four “Parts” to avoid confusion.

### PSTN Transit Service

The service for which TeleCayman refuses to pay all sums due is the last one, “PSTN Transit Service”. With this service, C&W transits across its fixed network calls originating on TeleCayman’s fixed network in the Cayman Islands, and destined for a third-party network in the Cayman Islands (i.e. a network other than C&W’s fixed or mobile networks). The key feature to note with respect to this service is that C&W is not responsible for the termination of the call. C&W’s responsibility is limited to carrying the call from TeleCayman to the third-party network.

In exchange, TeleCayman is expected to pay C&W its cost-based call transit charges, as well as whatever the third-party network charges for terminating calls on its network. This charging structure is described in section 1.5 of Part 4 of the Service Descriptions Schedule. For ease of reference, paragraph 1.5.3 is reproduced below:

1.5.3 Usage Charges include:

- Call Setup Charges,
- Interconnect Specific Charges depending on duration,
- Call Duration Charges depending on duration;
- An Access Deficit Contribution if such a charge is approved by the Authority, and in the form approved by the Authority; and
- Payments to the Third Party National Telecom Providers and Paging Providers for completion of the Call.

“Third Party National Telecom Provider” is defined in the Definitions Schedule as “a Telecom Provider licensed to provide services in the Cayman Islands, other than the Service Supplier and the Service Taker”. The definitions of Service Supplier and Service Taker in that same Definitions Schedule are clear that they refer to the two Parties to the Interconnection Agreement (i.e., C&W and TeleCayman), and do not refer to other persons. As a necessary consequence, the charges for the completion of calls on the third-party networks cannot be found in the Interconnection Agreement, more specifically in each Part 2 of the Service Descriptions and Tariff Schedules, which only specify the rates to be charged for the termination of calls on the networks of C&W and TeleCayman.

Consistent with the description of the service in Part 4 of the Service Descriptions Schedule, the rates set out in Part 4 of the Tariff Schedule (i.e., for the PSTN Transit Service) identify only the charges for the transit portion of the service:

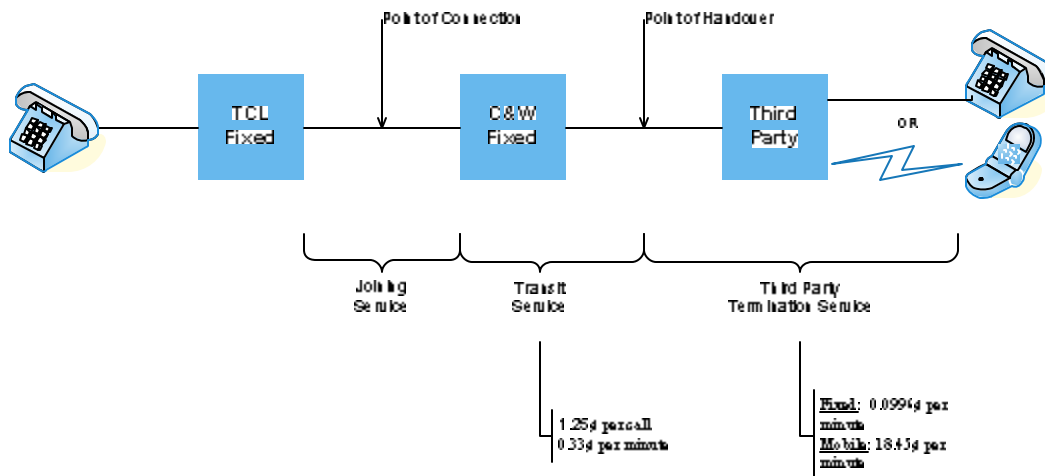
**Usage Charges**

Payable by Service Taker to Service Supplier.

Call Setup charge	Call duration charge	Interconnect-specific charge
CI\$ per call	CI\$ per 60 secs	CI\$ per 60 secs
0.0125	0.0026	0.0007

This structure for the PSTN Transit Service is appropriate and reasonable for a number of reasons. First, it ensures, for example, that C&W charges a cost-oriented rate for its transit services. Second, it ensures that the user of the transit service pays the termination rate appropriate to the type of network on which the call is being terminated (e.g., mobile versus fixed). Third, it would be inappropriate for the cost of call termination to vary by the method by which the call is handed over to the network terminating the call (i.e. direct versus indirect interconnection), something which has no bearing on the cost of termination.

The C&W PSTN Transit service can be described graphically as follows:



**Figure 1 - C&W PSTN Transit Service**

#### PLMN Terminating Access Service

This PSTN Transit Service differs materially from the PLMN Terminating Access Service (more colloquially known as “mobile termination”), which is one reason why the two services are placed in different categories for purposes of the Interconnection Agreement. With the PLMN Terminating Access Service, C&W terminates on its own mobile network calls originating on TeleCayman’s fixed network in the Cayman Islands. Because TeleCayman’s network is not interconnected directly with C&W’s mobile network, the calls are transited across the C&W fixed network before being delivered to C&W’s mobile network for termination. The key feature here is that C&W is directly responsible for terminating the call, not just transiting the call to the destination network.

In exchange, TeleCayman is expected to pay C&W its mobile termination rate for termination of the call on C&W’s mobile network, as well as a call transit charge. This charging structure is described in section 2.5 of Part 2 of the Service Descriptions Schedule.

2.5.3 Usage Charges include:

- Transit Charges, where applicable, which shall include:
  - Call Setup Charges
  - Interconnect Specific Charges, depending on duration;
  - Call Duration Charges depending on duration;
  - An Access Deficit Contribution, if such a charge is approved by the Authority, and in the form approved by the Authority, and
- Payments to the Mobile provider based on duration.

Because TeleCayman does not operate a mobile network in the Cayman Islands, “Mobile provider” refers to C&W.

The structure of the charges for this service described in the Service Descriptions Schedule is echoed in the Tariff Schedule. The rates set out under the “PLMN Terminating Access Service” section of Part 2 of the Tariff Schedule clearly distinguish between the “Mobile Termination Part” and the “Transit Part”:

**Mobile Termination Part**

Termination Charge
CI\$ per 60 secs
###

**Transit Part**

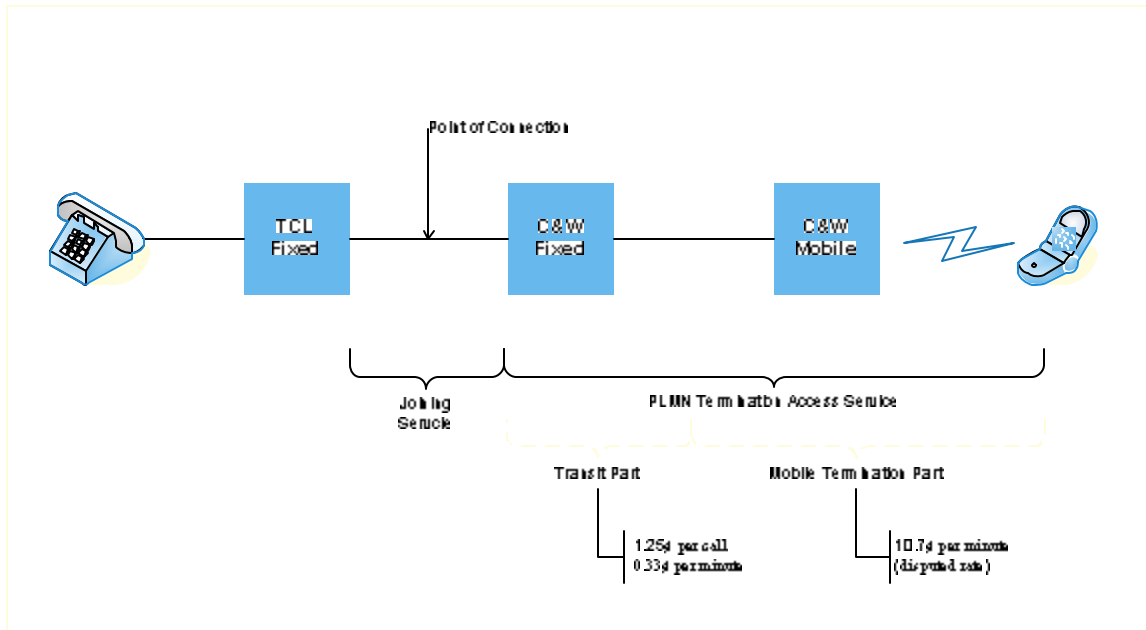
Call Setup charge	Call duration charge	Interconnect-specific charge
CI\$ per call	CI\$ per 60 secs	CI\$ per 60 secs
0.0125	0.0026	0.0007

In order to be absolutely clear, the MTR described in the “Mobile Termination Part” above applies ONLY to the termination of calls on the C&W Mobile network. It is patently obvious from the language and from the structure of the Interconnection Agreement that the MTR described above is not, and was never, intended to apply to calls transited via C&W’s fixed network and destined for termination on the networks of third party carriers.

Further, the Authority’s ICT Decision 2005-6, “Decision on TeleCayman Application for Determination of Mobile Termination Rates”, of 24 November 2005 in no way endorsed a view that the MTR in the Interconnection Agreement between C&W and TeleCayman should apply to calls from TeleCayman and terminating on third-party mobile networks. While C&W believes that the Authority’s decision was in error, as it in effect forces C&W to continue discriminating against third-party mobile carriers and to continue conferring an unfair advantage upon TeleCayman (both of which are prohibited by the ICTA Law and the Interconnection and Access to Facilities Regulations), it is clear from paragraph 15 of that

Decision that the MTR described above is a “mobile termination rate between C&W and TeleCayman”, in other words, that it does not apply between TeleCayman and other mobile network operators in the Cayman Islands.

The PLMN Terminating Access Service can be described graphically as follows:



**Figure 2 - C&W Mobile Termination Service**

### Consequences of TeleCayman’s Actions

C&W continues to believe that the parties intended that TeleCayman pay the same MTR as all other operators in the Cayman Islands. Nevertheless, the MTR paid by TeleCayman to terminate calls on C&W’s mobile network is not the issue that we are addressing in this particular Notice of Grievance.

C&W is required to pay third-party mobile networks the full MTR of CI\$ 0.1845 when it transits calls from TeleCayman to those third-party mobile networks. TeleCayman’s refusal to pay the charges of the third-party mobile carriers, as required by the plain language of the Interconnection Agreement, leaves C&W out of pocket for the difference.

It is contrary to public policy in the Cayman Islands for any one licensee to subsidize any other licensee. Further, C&W will not subsidize any competitor. Yet, the practical effect of TeleCayman’s actions has been to extract a subsidy from C&W in the amount identified in the second paragraph of this letter.

### Notice of Dispute

As a result, C&W hereby invokes the dispute resolution procedures set out in Clause 34.1.1 of the Interconnection Agreement between C&W and TeleCayman. We await your

acknowledgement of receipt in accordance of 34.1.1, and communication from you as required by clause 34.1.2 with respect to commencing good faith negotiations. We reserve all of our rights in this matter, including our rights under clause 23.1(b) of the Interconnection Agreement, and our rights in respect of the MTR paid by TeleCayman to terminate calls on C&W's mobile network.

In addition, given the nature of your position with respect to the payment of third-party charges associated with C&W PSTN Transit Service, C&W demands immediate payment of all arrears associated with that service, as an indication of TeleCayman's good faith.

Yours sincerely  
Cable & Wireless (Cayman Islands) Ltd.

“Signed”

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Rudy B. Ebanks  
Chief Regulatory and Carrier Relations Officer

Cc: Timothy Adam, Chief Executive, C&W  
Frans Vandendries, Vice President Regulatory Affairs, C&W  
Lawrence McNaughton, Executive Vice President Carrier Services, C&W  
David Archbold, Managing Director, ICTA

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