



Information & Communications Technology Authority

Annual Report 2004/2005

**A Report on the ICT Authority's Performance and
Finances for the Period from
1st July 2004 to 30th June 2005**

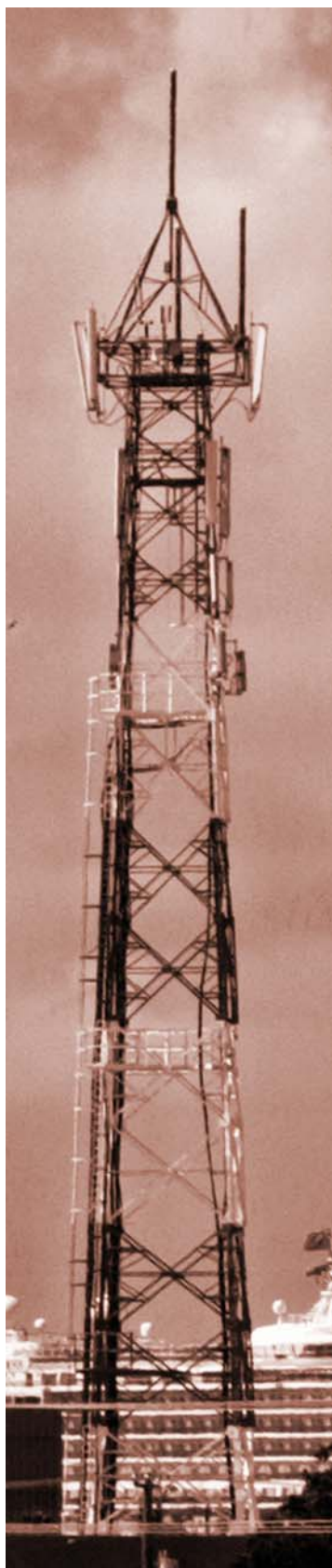


Table of Contents

Foreword	5
Foreword by Stuart Diamond, Chairman of the ICT Authority.....	5
Introduction.....	7
Scope of Activities	7
Strategic Goals and Objectives	8
Content of this Report.....	8
The Board, Staff and Operations of the Authority	9
Members of the Board	9
Departing Staff.....	10
New Staff and Promotions.....	11
Budgets and Funding	12
Workload Statistics	12
Legislation and Regulations	13
Primary Legislation	13
Subordinate Legislation	13
Authority Notices	13
Licensing	15
The ICTA Law.....	15
Section 23(2) Notice	15
Ministerial Directive	15
The Progress of Liberalisation	17
Introduction	17
Government Revenue	17
Business and Residential Telecommunications Costs.....	18
Mobile	19
Broadband (ADSL)	21
Range of Services Available	22
Quality of Service	22
Disadvantages	22
Background Events in 2004/2005	23
Liberalisation	23
Hurricane Ivan	23
General Election	23



The Impact of Hurricane Ivan on the ICT Sector	25
Introduction	25
ICT Systems During Ivan.....	25
What Caused the Failures?	26
Financial Impact on the ICT Sector	27
Potential Consequences for the Country.....	27
Lessons and Improvements	28
Impact on the Authority.....	29
Broadcasting.....	31
Television.....	31
Sound Broadcasting	31
Regulation of Broadcasting Content.....	32
Telephony and Associated Networks & Services	35
Stability in the Mobile Telephone Market	35
Local Number Portability	35
Forward Looking Long Range Incremental Costing (FLLRIC)	35
Other Public Consultations and Decisions	36
New, Revoked and Surrendered Licences.....	36
Radio.....	37
Scope.....	37
History.....	37
Current Position	37
.KY Internet Domain	39
Internet Organisation	39
History.....	39
Domain Policy.....	39
Current Position	39
Public Consultations	41
Local Number Portability (LNP) – Closed: 3 December 04.....	41
Draft Process Directive – Closed: 15 Dec 04	41
Indirect Access (Phase II) – Closed: 21 Dec 04.....	42
Promotions – Regulatory Guidelines – Closed: 15 February 05	42
Appendix 1: ICT Licensees as at 30 June 2005.....	43
Appendix 2: Audited Financial Statements for FY2004/2005	45

Foreword



Foreword by Stuart Diamond, Chairman of the ICT Authority

On 11 and 12 September 2004, Grand Cayman suffered Hurricane Ivan. The communications and information technology infrastructure was tested like never before - and in most cases beyond design and engineering parameters. All stakeholders – Government, Regulator, Consumers and Service Providers – were pressed to get a heavily damaged system working in some fashion in the shortest possible time.

The devastation hit every licensee in the ICT sector. The electricity supply was severely compromised. Generators were blown off their plinths or flooded. Most underground copper wire lines were flooded. Overhead wires and fibre were lost when the poles that carried them were snapped or ripped from the ground. Towers and antennae were lost, damaged or bent off direction. Some networks were unable to work for more mundane reasons such as salt water flooding of the fuel tank for back-up generators. Most cable TV boxes were destroyed allowing at least one licensee to hasten the implementation of its digital system over the old analog boxes. The Authority's premises were breached and heavily damaged in the storm. Yet, with resilience and hard work, the ICT sector was quickly back offering services which assisted in the vital business continuity of the Islands important financial sector.

Initially, service was extremely limited but ways of coping were found. People used mobile phones and text messaging to inquire about health and safety of loved ones and to conduct relief work and important business. The financial sector relied on alternate emergency strategies which largely showed that their business continuity plans in case of just such a disaster represented money well spent.

The aftermath of Hurricane Ivan also brought out the best in the sector. Cable & Wireless kindly allowed the use of the finished but unoccupied ground floor of their Technology Square building to serve as the RCIP headquarters after the Central Police Station was rendered inoperative at the height of the storm. Radio Cayman set up 24 hour broadcasting from temporary lodging at the Emergency Centre at Airport Fire Station. Licensees who just days before were locked in competitive battle, co-operated for the greater good of the public. Even the ICTA assisted by providing temporary accommodation to a broadcast licensee for a period until new studio accommodation could be found.

Some licensees were not so fortunate. The sector generally suffered heavy setbacks to licensees' roll-out programs, increased capital costs to replace equipment not yet deployed but damaged in the storm, and loss (in some cases permanent) of skilled personnel too traumatized to return to their positions or to these Islands. However, from the disaster many lessons were learned and now feature as part of the annual review of licensees undertaken by the ICTA. All licensees must produce and maintain emergency back-up and continuity plans and equipment to ensure that the sector is better equipped to meet the challenges of such ferocious storms and withstand nature's fury.

After Hurricane Ivan the ICTA was dealing with a sector that was vital to the Island's survival but which needed pragmatic regulatory assistance so that recovery efforts were constructive and not hampered by red tape. In that period I consider that the ICTA competently showed itself to be a regulator that, with its mandate for transparency, flexibility and consumer protection, was able to sensibly and sensitively ensure that the Islands' communications and information technology infrastructure was rebuilt in a manner that left it technically superior, more robust and better prepared after Hurricane Ivan than it had been before. I would like to extend my thanks and congratulations to all licensees for their response to and after that national crisis.

For my part I witnessed the commitment, competence and capacity of the Authority's Board including my fellow directors Glen Daykin, Paul Tibbetts and Peter Stafford, the command and guidance of David Archbold (the ICTA's Managing Director), and the supreme effort in adversity of the dedicated staff of the Authority, all without whose valuable assistance the Board's task would be a heavy one. It was a privilege to serve on the Board and to see the magnificent recovery from adversity.

Much of this Annual Report deals with the story of Ivan seen from the perspective of the ICT Sector. I commend the Report to readers and recommend that we learn from Ivan and never be complacent in our business continuity and disaster planning.

Introduction

The Information and Communications Technology (ICT) Authority was established in May 2002 by the Information and Communications Technology Authority Law 2002 (now the Information and Communications Technology Authority Law (2004 Revision)). Its powers and functions are specified in Sections 9 and 10 of that Law, and may be summarised as doing all things necessary or convenient to properly regulate and license the ICT sector in the Cayman Islands. The ICT sector includes, but is not limited to, telecommunications, broadcasting, radio, e-business and the .ky Internet domain. The Authority is also to act on any matter referred to it by the Minister responsible for ICT, or the managing director.

It also collects and verifies on behalf of Government the 6% Royalty Fee payable by all Licensees. These funds are immediately paid to Government and do not form part of the Authority's accounts.

Scope of Activities

Specifically, the ICTA Law states that the scope of the Authority's activities is to:

- allocate the electromagnetic spectrum for facilities and specified services within the Cayman Islands, or between the Cayman Islands and elsewhere;
- determine methods for assigning the electromagnetic spectrum;
- issue licences authorising the use of specified portions of the electromagnetic spectrum, including those used on any ship, aircraft, vessel, or other floating or airborne contrivance or spacecraft registered in the Islands;
- institute procedures for ensuring the compliance by licensees with any obligations regarding the use of the electromagnetic spectrum, imposed by or under the licence, any provisions of the ICTA Law or any regulations made hereunder;
- promote competition in the provision of ICT services and ICT networks where it is reasonable or necessary to do so;
- advise the Minister on ICT matters, including compliance with Government's international obligations, market liberalisation and competitive pricing;
- investigate and resolve complaints from consumers and service providers concerning the provision of ICT services and ICT networks;
- determine the categories of licences to be issued under the ICTA Law and the Electronic Transactions Law 2000;
- license and regulate ICT services and ICT networks as specified in the ICTA Law and the Electronic Transactions Law 2000;
- collect all fees, including licence fees, and any other charges levied under the ICTA Law or the Electronic Transactions Law 2000 or regulations made there under;
- resolve disputes concerning the interconnection or sharing of infrastructure between or among ICT service providers or ICT network

providers;

- promote and maintain an efficient, economic and harmonised ICT infrastructure;
- be the sole person appointed under the ICTA Law to be the Administrative Point of Contact and the only person responsible for the management and control of the top level of the global Internet Domain Name System held in trust for the Internet and the Islands;
- act on any matter referred to it by the Minister or the managing director; and
- carry out such other functions as are conferred on the Authority by or under the ICTA Law or any other Law.

In addition, the Authority may regulate the rate, prices, terms and conditions of any ICT service or ICT network that is required to be licensed where the Authority is of the opinion that it is in the interests of the public to do so.

Strategic Goals and Objectives

The key strategic goals and objectives set for itself by the Authority at the beginning of FY2004/2005 were to:

- continue with the establishment of a fair and equitable regulatory environment that will encourage the development of competition in the ICT sector, which in turn will stimulate the general economy.
- undertake public consultation on relevant regulatory issues on a timely basis.
- resolve as quickly as possible any disputes between ICT suppliers concerning interconnection, infrastructure sharing, resale tariffs and other technical and economic issues that could delay the introduction of effective competition.
- introduce any necessary retail price controls (e.g. price cap and floors) on the incumbent operator to protect the interests of consumers and prevent anti-competitive practices.
- establish and implement procedures for the assessment, collection, and validation of the coercive element of ICT licence fees on behalf of Government.
- continue the process of updating and validating the licensing information taken over by the Authority, with the aim of reducing non-compliance and increasing Government revenue.
- identify and develop, in conjunction with the private sector, niche e-business “products” to be marketed under the overall “Brand Cayman” scheme.

Content of this Report

The balance of this Report gives a background on the Authority, the relevant legislation, and its licensing procedures. It then gives an assessment of the progress of liberalisation to date, before reporting on the Authority’s work during the year, sub-sector by sub-sector. This includes a chapter devoted to the impact of Hurricane Ivan on ICT in the Cayman Islands.

The Board, Staff and Operations of the Authority

Members of the Board

ICT Authority Board members are appointed by the Governor in Cabinet and hold their office for between 3 and 5 years. They may be reappointed. The Board of Directors is responsible for the policy and general administration of the affairs and business of the Authority. For the period of this Report, the Directors were:



Mr Stuart Diamond - Chairman

Mr Stuart Diamond (B.A., LL. B.) is an attorney with almost 20 years legal experience in the private sector. He is admitted to practice in England & Wales, Australia and the Cayman Islands. He was appointed to the Board in December 2003, and appointed Chairman in March 2004.



Mr Glen Daykin - Director

Mr Glen Daykin is a local businessman with a background in the telecommunications sector. He is a partner in GMC Electric & Supply Co. Ltd. Glen was appointed a Director in May 2002.



Mr Paul Tibbetts - Director

Mr Paul Tibbetts is a local businessman with background in accounting and information technology. He qualified as Certified Public Accountant and holds a Master of Accountancy Degree with a focus on Systems. He was appointed to the Board in March 2004.

Mr Peter Stafford - Director

An attorney, and former partner in a local law firm, Mr Stafford was appointed to the Board in March 2004. He resigned in January 2005 in order to temporarily fill the appointment of Head of Licensing and Compliance on the staff of the Authority until a permanent replacement could be recruited. Thereafter, Peter left the Authority in order to pursue a Masters degree in the USA.



Mr David Archbold - Managing Director

Mr Dave Archbold holds a BA in Mathematics and Information Technology. He served in the Royal Air Force for 27 years. Thereafter, he held a number of IT management posts in BP Research, was Manager of the C.I. Government Computer Services Department, and then became Director of the Information Technology Strategy Unit. He is now responsible for the day-to-day running of the Authority.

Departing Staff

In early 2005, the Authority said thanks and farewell to a number of staff members who had made a significant contribution to setting up the Authority and establishing the regulatory framework for the development of the ICT sector in Cayman.



Mr Philip Brazeau was the Authority's Head of Licensing and Compliance from February 2003 until February 2005. When his two year contract with the Authority ended, he elected to pursue other opportunities in the telecommunications field.



Ms Elaine Leung was our Head of Economics & Regulation from May 2003 until March 2005. At the end of her contract, Elaine decided to return to Canada for personal reasons.



Prior to joining the Authority in 2003 as Office and HR Manager, **Ms Ramona Ritch** had been the Assistant Secretary in the Ministry responsible for ICT matters. Following the birth of her second child, Ramona resigned in June 2005 to spend more time with her young family.



Dr David Burnstein joined the Authority in June 2004 as Senior Economist. Hurricane Ivan destroyed his apartment and many of his belongings. He chose to return to the USA with his family in September 2004.

Mrs Tammy Rattan, who had been the Managing Director's secretary since the days of the Information Technology Strategy Unit and went on to become the Authority's Accounts Officer, left in late June 2004 to take up a new appointment with CINICO.

New Staff and Promotions



Mr Greg van Koughnett arrived on island in April 2005 to fill the post of Head of Licensing and Compliance. Coming from the private practice of law in Ottawa, Canada, Greg has twenty-six years of legal experience focussed on telecommunications and government regulation. He specializes in the introduction of competition in telecommunications markets, has established the Quality of Service Standards for international regulatory bodies, and many practices and procedures for the Canadian Radio-television and Telecommunications Commission (CRTC).



Mr Mark Connors replaced Elaine Leung as Head of Economics and Regulation in April 2005. Coming from St. John's, Newfoundland, Mark has 19 years of telecommunications experience. He was directly involved in the regulation and economic study methodology for large telecommunications corporations in dealing with the CRTC. His most recent appointment was Regulatory Manager for Aliant Telecom, the incumbent telecommunications provider in the Canadian Atlantic provinces.

In May 2004, **Mr Durl Grant** brought his experience as the Depot Superintendent of the Brac PWD Department, an avid HAM radio operator, and ex-satellite television retailer to the Authority when he was appointed Licensing and Compliance Manager.

Ms Christine Russell replaced Ms Ramona Ritch as Office and HR Manager in June 2005. Christine has considerable HR and project Management experience, much of it in the telecommunications sector.



Ms Angela Connor, previously our receptionist, was promoted to Accounts Officer in May 2004 to fill the vacancy left by Mrs Tammy Rattan.



In April 2005, **Ms Nikki Forbes** was recruited as Receptionist and trainee Licensing Analyst.

Budgets and Funding

ICTA Operating Budget

FY2004/2005 (ex Depreciation)	\$1.6 million
FY2004/2005 (Inc Depreciation)	\$1.7 million

Sources of Funding

Government (for services provided)	\$520,000 (FY2004/2005)
Licensees and Registrants	\$1.1 million (FY2004/2005)

In 2004/2005, Government paid CI\$520,000 to the ICTA for services provided. Once income from application fees, fixed price radio licence fees, .ky domain registration fees and other one-off receipts have been deducted, the balance of around \$1.1 million was recovered from licensees by a Regulatory Fee paid in addition to Government Royalty. The size of the Regulatory fee paid by each licensee is proportional to their gross turnover. The largest share was paid by Cable & Wireless.

Workload Statistics

Since liberalisation commenced in July 2003, the Authority has processed:

a. Applications for major ICT licences of which there have been:	40
Approved:	19
Withdrawn or surrendered:	8
Revoked:	2
Declined:	4
Deferred:	2
Under consideration:	5
b. Amendments to major ICT Licences	20
c. Public Consultations of 4 weeks or more	12
d. Major ICT Decisions published	10
e. Regulations drafted and approved	6
f. Regulatory Filings (e.g. new or changed tariffs, terms of service, promotions, etc)	500
g. Radio Licences (Ships, Aircraft, HAMs, etc)	3,000
h. Internet Domain Name Registrations	1,400
i. Internet Domain Registration Changes	1,000

Legislation and Regulations

Primary Legislation

The primary legislation covering the operations of the Authority is the *Information and Communications Technology Authority Law (2004 Revision)* ("ICTA Law"). In addition, the Authority has some responsibilities under the *Electronic Transactions Law 2000* and monitors the effectiveness of the *Computer Misuse Law 2000*.

Subordinate Legislation

Associated subordinate legislation consists of:

- The ICTA (Confidentiality) Regulations, 2003
- The ICTA (Dispute Resolution) Regulations, 2003
- The ICTA (Interconnection and Infrastructure Sharing) Regulations, 2003
- The ICTA (Infrastructure Sharing) Notice, 2003
- The ICTA (Interference and Equipment Standardization) Regulations, 2004
- The ICTA (Determination of Turnover) Order, 2004
- The ICTA (Penalties for Anti-competitive Practices) Rules, 2004

Authority Notices

Details of the ICT Networks and ICT Services that require a licence are published in the Cayman Islands Gazette in accordance with section 23(2) of the ICTA Law.

Licensing

The ICTA Law

The criteria for licensing an ICT company are specified in Section 26 of the ICTA Law. Unlike many other jurisdictions whose legislation and regulations have developed over many years to govern different industries such as cable and telecommunications, in the Cayman Islands these criteria recognise the convergence of technologies and so apply equally to all types of ICT operations, i.e. telephony companies, sound and television broadcasters, and cable companies are treated identically. Licences are of two main types; networks and services. As far as is possible, matters that are impacted by technology are included in networks, whilst services are technology neutral. For example, the provision of “sound broadcasting” is a service. Its method of delivery to the listener could be over-the-air, via satellite, cable, or streamed over the Internet. Each of these technology related delivery methods is a “network”, and the provider of each network requires a licence. The “service” licence and the corresponding “network” licence are often obtained by the same company, but this is not essential. For example, a company could obtain a licence to provide a television service, but employ a different company to deliver it over its cable network. In this case, only the cable company would require a network licence, the television company would not.

Section 23(2) Notice

The ICT networks and ICT services that require a licence are specified in a *Notice in Accordance with Section 23(2) of the ICTA Law*. This Notice is updated regularly to meet the requirements of changing technology and the industry. It is published in the Gazette by the Authority.

Ministerial Directive

On 26th August 2003, the then Minister issued the Authority with a policy directive under the provisions of Section 11 (1) of the ICTA Law. It stated that the Authority should not restrict the number of licences issued on any other basis than:

- the failure of an applicant to satisfy the requirements of Section 26 of the Law;
- the Authority’s responsibility to properly manage the electromagnetic spectrum; or
- the ability of the proposed system to deliver the claimed standards of quality and reliability.

In addition, the Authority was given the ability to take into account the degree of Caymanian participation in the applicant’s organisation. This latter condition was subsequently incorporated into the Law as Section 26(g).

The Progress of Liberalisation

Introduction

For liberalisation to have been a true success, the benefits must outweigh disadvantages over the long term. We must have sustainable competition. It is therefore too early to tell. Competition amongst cellular telephone providers appears to be well established, despite the likely sale of Cingular to Digicel, with at least two other providers about to enter the market using alternative CDMA technology. In the fixed-line marketplace, the situation is not so clear with Cable & Wireless currently maintaining by far the largest share of the market. However, TeleCayman and WestTel have made inroads with their data services and are launching their residential services soon. Within the next few months, CaymanOne will start operations following completion of their offices and network operations centre in the Mirco complex. They plan to use wireless technology to become a full service competitor to Cable & Wireless. They have the support of T-Systems, the overseas arm of DeutscheTelekom, the German national telecommunications company. It remains to be seen how successful they will be.

Although the jury is still out on the long term sustainability of competition in the Cayman Islands, it is still possible to examine the current benefits and disadvantages. These can be looked at under a number of headings – impact upon Government revenue, the cost of doing business, residential communications costs, range of services available, and quality of service.

Government Revenue

Under its old licence, Cable & Wireless was required to pay to Government a royalty fee equal to the greater of 6% of its total revenue or 20% of its profit, after allowing for administrative and technical support costs not exceeding 5% of its total revenue. One television licensee paid royalties of 5% of revenue, and the other 2.5%. Sound broadcasters should have paid 5% of revenue but little if any had been paid prior to 2003 as their licences had not been finalised.

Prior to liberalisation, revenue received from these sources was:

	1996	1997	1998	1999	2000	2001	2002
Telecommunications ¹	5,397,677	6,316,078	7,379,393	8,888,983	5,124,376	8,312,065	6,210,137
Broadcasting ²	49,418	579,872	273,866	432,204	484,368	457,322	652,020
Total	5,449,091	6,897,947	7,655,257	9,323,186	5,610,744	8,771,388	6,864,159

On liberalisation, Cabinet decided to “harmonise” all licence fees at 6% of gross revenue. The corresponding (total) figures since liberalisation have been:

FY2003/2004	\$6,719,197
FY2004/2005	\$7,007,833

It appears, therefore, that Government revenues have held up well despite the reduced percentage licence fee for telecommunications companies, and reducing telecommunications prices.

¹ Source: C.I. Government Budget Documents.

² Source: C.I. Government Budget documents and OFTEL archives.

There have also been indirect benefits to Government. Under its old contract, Cable & Wireless was entitled to a 100% Import Duty exemption on all imports used for its business. The exact value of this concession has never been established. Following liberalisation, this exemption was restricted to the first two years from the date of its new licence. This period has now expired, and so Cable & Wireless should be paying 20% duty on all imports. The same two year duty concession was extended to all companies making major investments in the country's ICT infrastructure. These too will begin to expire in October 2005, further boosting Customs Duty revenue.

Secondly, like any other business, Government has benefited from the overall reduction in telecommunications costs. Thirdly, reduced telecommunications costs have contributed to increased economic activity, with a corresponding increase in Government revenue from other sources, e.g. work permit fees, company registrations, import duty, etc. Lastly, the functions that were transferred to the Authority from various government departments and the Ministry of IT are now being performed by the Authority at a lower cost to Government than was previously the case.

Business and Residential Telecommunications Costs

Many different elements make up an organisation's or individual's telephone bill. Whether that bill has gone up or down since liberalisation will of course depend upon which services are used and individual usage patterns. Elasticity of demand also means that as prices go down, usage tends to go up. A price comparison as at June 2005 of the major elements is given below:

Line Rental:

	C&W Pre-Lib (2002) CI\$ per month	C&W Current (mid -2005) CI\$ per month	Remarks
Residential Line Rental	4.75 (Plus 1.50 for handset)	12.00	Increase due to "re-balancing"
Business Line Rental	11.55	30.00	Increase due to "re-balancing"

Local Calls:

	C&W Pre-Lib (2002)	C&W Current (mid-2005)	Remarks
Local Call within Grand Cayman	9c first 3 min 3c per 3 min thereafter	9c first minute 2c per minute thereafter	Increase
Local Call Between Sister Islands	9c for every 3 min		Decrease for most calls
Local Call within Sister Islands	9c per call		Increase
Local Call to/from Sister Islands and Grand Cayman	3c per 6.7 seconds		Decrease

International (IDD) Calls:

Region	Time of Day	C&W Pre-Lib (2002) \$ per min	C&W Current (mid-2005) \$ per min	Digicel Current (mid-2005) \$ per min	Remarks
USA	Day	1.20	0.45	0.37	Decrease
	Evening	0.95	0.40	0.32	
	Weekend	0.60	0.35	0.25	
UK	Day	1.40	0.45	0.45	Decrease
	Evening	1.00	0.40	0.35	
	Weekend	0.79	0.35	0.30	
Jamaica	Day	0.55	0.45	0.37	Decrease
	Evening	0.45	0.40	0.32	
	Weekend	0.40	0.35	0.25	
Canada	Day	1.25	0.45	0.45	Decrease
	Evening	0.95	0.40	0.35	
	Weekend	0.70	0.35	0.30	
Rest of World ³	Day	1.60	0.55	0.65	Decrease
	Evening	1.40	0.50	0.50	
	Weekend	0.79	0.45	0.40	

Mobile

Mobile packages are more difficult to compare because the features and minutes that have been included vary significantly over time and with different providers. The following are merely examples:

Standard Post-paid:

Small Package	Item	C&W Pre-Lib (2002)	C&W Current (mid-2005)	Digicel Current (mid-2005)	Remarks
C&W Pre: Digital 150	Package per month	\$59	\$35	n/a	Decrease
C&W Current: b150	Bundled minutes ⁴	150	150	n/a	Decrease
Digicel: No equivalent	Effective Rate/minute ⁵	39¢	23¢	n/a	Decrease

³ Pre-liberalization, C&W had individual rates for many other countries not listed above. These included Central and South America, Ireland, Rest of the Caribbean, etc. Post-liberalization, both C&W and Digicel have grouped most countries not detailed above as "Rest of the World".

⁴ In C&W plans, bundled minutes only cover C&W mobile to C&W mobile calls, i.e. they exclude international, mobile to fixed, and mobile to other carrier's mobile. In Digicel plans, bundled minutes cover both Digicel mobile to Digicel mobile calls and mobile to fixed calls, i.e. they exclude international and mobile to other carrier's mobile calls.

⁵ The Effective Rate only applies if the subscriber uses EXACTLY the number of minutes bundled with the plan. If he uses less, the Effective Rate goes up. If he uses more, he gets charged at the much higher "Additional Minutes" shown in the following table. It is therefore useful only to assess the relative costs of different plans.

Medium Package	Item	C&W Pre-Lib (2002)	C&W Current (mid-2005)	Digicel Current (mid-2005)	Remarks
C&W Pre: Digital 500 C&W Current: b450 Digicel: digiSelect 650	Package per month	\$129	\$60	\$70	Decrease
	Bundled minutes ⁴	500	450	650	Decrease
	Effective Rate/minute ⁵	26¢	13¢	11¢	Decrease

Medium Package	Item	C&W Pre-Lib (2002)	C&W Current (mid-2005)	Digicel Current (mid-2005)	Remarks
C&W Pre: Business 1000 C&W Current: b850 Digicel: digiSelect 900	Package per month	\$220	\$79	\$90	Decrease
	Bundled minutes ⁴	1000	850	900	Decrease
	Effective Rate/minute ⁵	22¢	9¢	10¢	Decrease

Additional Charges

Additional charges, for minutes in excess of, or not included in, bundled minutes are given in the following table:

Item	C&W Pre-Lib (2002)	C&W Current (mid-2005)	Digicel Current (mid-2005)	Remarks
International Calls (Peak)	25¢ plus IDD charge	Standard C&W IDD charge	Standard Digi IDD charge	Decrease
International Calls (Off-Peak)	18¢ plus standard IDD charge			
Mobile to same company mobile	28¢	20¢	Day: 22¢ Evening: 17¢ Weekend: 15¢	Decrease
Mobile to C&W Fixed	25¢ plus standard local charge	20¢	Included in plan minutes	Decrease
Mobile to other mobile	n/a	25¢	Day: 35¢ Evening: 32¢ Weekend: 30¢	Not previously possible

Prior to liberalisation, calls were charged in one minute increments. Post liberalisation, although both companies quote their prices per minute, subscribers are billed to the nearest second. This results in a significant saving over per minute billing.

It is clear from the above that post-paid mobile charges have dramatically reduced. However, to get the best value, it is important that the subscriber chooses a plan where the number of bundled minutes is very close to his actual usage, and that he selects the same mobile provider as the majority of the people he calls.

bAnywhere and DigicelWorld Plans

Both Cable & Wireless and Digicel now offer a range of post-paid plans that simplify the charges detailed above. For a higher Effective Rate (currently 20¢ for both companies), you can purchase a bundle of minutes that can be used for any type of call – international, mobile to fixed, mobile to same carrier or mobile to other carrier. There are no additional charges unless you exceed your allotted minutes. Cable & Wireless offers bundles of 200, 350 and 500 minutes, while from Digicel you can obtain bundles of 225, 350, 450 or 600 minutes. These plans should prove very cost effective for subscribers who make many international or mobile to other carrier's mobile calls. Such plans were not available prior to liberalisation, but are still cheaper than C&W's old Standard Pre-Paid Plans.

Pre-Paid Mobile

Pre-paid Mobile rates are:

	Item	C&W Pre-Lib (2002)	C&W Current (mid-2005)	Digicel Current (mid-2005)	Remarks
Mobile to same company mobile	Day	45¢	30¢	20¢	Decrease
	Evening	35¢	25¢	20¢	Decrease
	Weekend	35¢	20¢	20¢	Decrease
Mobile to other mobile, or Fixed	Day	45¢	35¢	40¢	Decrease
	Evening	35¢	30¢	35¢	Decrease
	Weekend	35¢	25¢	30¢	Decrease

Broadband (ADSL)

Over the period, broadband (ADSL) prices have dropped dramatically, and speeds have increased. The following table reflects the most recent round of price reductions that have just been made by C&W. WestTel may well follow shortly.

During the same period, the total number of ADSL customers has increased significantly (the detailed figures are commercially sensitive and are currently confidential.)

C&W Pre-Lib (2002)		C&W Current (mid-2005)		WestTel Current (mid-2005)	
Speed	Price	Speed	Price	Speed	Price
128/64	\$74			128	\$54
256/64	\$99			256	\$64
		256/128	\$40		
		512/256	\$59	512	\$94
768/128	\$199				
		1024/512	\$74	1024	\$144
1544/256	\$349				
		1544/512	\$99		
		2560/1024	\$199		

Range of Services Available

A good range of innovative services have been introduced since liberalisation, some by the incumbent and some by new entrants. These include:

- Wireless delivered fixed telephony and broadband services
- EDGE data transmission services for mobile phones
- Wireless “HotSpots”
- IP based telephones and services
- bAnywhere and DigicelWorld Mobile Plans
- New Business ADSL plans providing fixed IP addresses

Quality of Service

Quality of Service is still mixed, with variations not only between licensees but also between different services of the same licensee. This is an area where the Authority will put even more emphasis over the coming months. Nevertheless, considerable improvements have been made, particularly in making Terms and Conditions of service simpler and more user friendly. The quality of consumers' bills has improved although further improvements are necessary. For example, following complaints from the Authority, C&W withdrew the unsatisfactory new billing system it was using for GSM mobile customers, and reverted to its old system which provides more detailed information to the customer. The Authority has also been successful in persuading C&W to remove what the Authority considered to be unfair, restrictions in their customer contracts. For example, Voice over the Internet telephone calls may now be made over C&W lines, and the financial penalties for the early termination of a contract by a customer have been greatly reduced.

Disadvantages

The two disadvantages of liberalisation have been greater customer confusion about the best telecommunications options available to them, and the proliferation of telecommunications towers.

The Authority, in conjunction with licensees, must place greater emphasis on consumer education, particularly as more fixed line alternatives become available.

As far as towers are concerned, the Authority has worked closely with the Planning Department to minimise the number of towers by requiring each one to be shared amongst multiple providers. This policy has been reasonably successful, and the number of towers is significantly less than it would otherwise have been. Unfortunately, the understandable requirement in the Cayman Islands for the towers to be painted red and white to warn low flying aircraft (especially the MRCU aircraft) makes them more obtrusive than in other jurisdictions where they are painted to blend in with the surrounding environment.

Background Events in 2004/2005

Liberalisation

In our report for the period ending 30 June 2004, we described the liberalisation process and how Digicel and AT&T Wireless were the first new entrants to provide competition to Cable & Wireless with their mobile phone networks and services. The first quarter of the current period saw a number of fixed wireless operators continuing to build out their networks, commencing interconnection negotiations with Cable & Wireless, and preparing to launch their services.

Hurricane Ivan

Unfortunately, they were thwarted by the impact and aftermath of Hurricane Ivan which struck Grand Cayman in early September 2004. This catastrophic event dramatically affected Cayman's residents, infrastructure and economy. As will be seen in the next chapter of this Report, the ICT Sector was no exception, and its subsequent recovery and development has been different in several respects from what originally had been anticipated.



The Authority did not escape Hurricane Ivan. Debris broke a window and allowed wind and rain into the offices, blowing down an internal wall and flooding everywhere.

General Election

The General Election, postponed because of Ivan, took place on 11 May 2005. This resulted in a change of Government and subsequently the Governor announced a reallocation of the responsibilities assigned to each Minister. As a consequence, responsibility for the ICT Authority falls under the Honourable Arden McLean, Minister for Communications, Works and Infrastructure.

The Impact of Hurricane Ivan on the ICT Sector

Introduction

The story of the events that took place when Hurricane Ivan struck Grand Cayman on the 11th and 12th September 2004 has been told in detail elsewhere. This chapter, however, looks specifically at the impact of Ivan upon the ICT sector.

Ivan left behind 83% of the housing stock damaged, and at least 20% of all vehicles destroyed, with many more inoperable and requiring major repairs. According to the assessment subsequently made by the Economic Commission for Latin America and the Caribbean (ECLAC), with the support of the Cayman Islands' Government and the UNDP, the total cost of the damage created by Ivan exceeded US\$3,400 million.

ICT Systems During Ivan

Government's Radio Communications System worked well throughout the storm apart from a brief period when the standby generator for the Operations Centre shut down due to overloading. An additional 200 handsets were ordered by satellite phone and were delivered as soon as aircraft movements recommenced.

Government's Weather Radio station also remained on air throughout, although its information could not be updated for a period because of the failure of on-island communications. All other TV and radio stations ceased broadcasting. In the case of Radio Cayman this was due to the failure of the generator that supplied both the Government Administration Building and Radio Cayman studios. The studio was quickly relocated to the Operations Centre, and transmissions resumed from there on the Monday.

Cable & Wireless had recently built a large, hurricane proof building which, although not fully fitted out, successfully protected its staff and much of its central switching equipment. It also provided shelter to many from the general public, and subsequently housed the police HQ following serious damage to the Central Police Station. The majority of Cable & Wireless land lines failed during the night, but its mobile network survived at least in part. However this network became severely overloaded, and for a time only text messages had a reasonable chance of getting through. All other local telephony systems failed for one reason or another, and thus international voice and data services, although still working, were largely inaccessible.

The mobile Licensees flew in replacement equipment as soon as they could, and were operating again within the first week. The damage to the Cable & Wireless wired infrastructure was much more complex. In most areas, it also had to wait until the power company replaced its poles. Thus it was February 2005 before its last customers were reconnected. All broadcasters were on air again, several from temporary locations, within 3 weeks or so. The TV company provided a limited, free service within a few weeks, although few were able to receive it as they had no power or, in some cases, houses.

The Authority would also like to acknowledge that the three main companies, and

particularly Cable & Wireless, made great efforts to assist the community by donating supplies, calling cards, and even mobile phones.

What Caused the Failures?

Firstly there was, of course, major wind damage to outside plant of all kinds. Although all monopole cell towers constructed by the telephone companies survived, 3 guyed towers and 2 self-supporting towers, shared by several licensees, were seriously damaged or destroyed. This was either directly as the result of the wind, or from debris being blown into their supports. Radio broadcasters were particularly badly hit.



Several of Cable & Wireless' sub-exchanges suffered major damage and had to be rebuilt.

The vast majority of Cable & Wireless land lines were carried on poles belonging to the electricity company (CUC). A great many of these were blown down. It was noted, however, that poles made of concrete, rather than wood, had a better survival rate.



Much of the equipment at individual houses, such as TV mini-towers and satellite dishes, were destroyed. In the above photo, not only is the dish blown inside-out, but the supporting cast-iron pipe has been bent. Surprisingly, it is still firmly rooted in the ground.

Wave erosion exposed and damaged the fibre optic cable connecting the main exchange to the Maya 1 undersea cable. Although service was maintained, capacity was significantly reduced.



But perhaps most damaging of all, was the flooding by corrosive salt water as a result of the two storm surges. This water got everywhere. Most system failures were as a result of generators being swamped, but the water also crippled roadside equipment, flooded the TV studio, filled cable ducts and weakened trees and poles that subsequently toppled.

Financial Impact on the ICT Sector

It is estimated that the total loss for the ICT sector was just under US\$100 million. Of that, roughly US\$60 million was from damage and destruction of infrastructure and equipment, while a further US\$40 million arose from decreased revenue and increased operating costs.

Potential Consequences for the Country

In addition to the immediate impact Ivan had upon not only the ICT sector but also to the very fabric of the Cayman Islands and its people, the Government had potentially even more devastating longer term consequences to consider. These potential consequences were also ICT related.

In the period immediately prior to the storm, and even in the immediate aftermath, many companies – particularly in the Financial Sector, which generates about 50% of Cayman's GDP – evacuated their staff and their data to other jurisdictions. ICT allowed them to continue their business operations from these new locations. There therefore was a very real concern that unless services such as power and telecommunications were restored within the business areas of George Town very quickly, these companies would cut their losses and never return to the Cayman Islands. Were that to happen, there would be insufficient funds to recover from Ivan, let alone return the country to its former prosperity.

The Government therefore made a strategic decision to make the restoration of services to the financial sector the top priority.

Power and telecommunications were restored to most of the central George Town business district by the end of the first week, and water was turned back on at the beginning of the following week. Public Sector bodies such as the Monetary Authority, Companies Registry and the Grand Court were operating within the first seven days. As a result, the evacuated staff returned and business activity resumed. The potential crisis was averted.

Not all companies moved overseas. Several were able to continue operations by making use of the business continuity facilities provided by Brac Informatics, a privately owned company, encouraged by the Government, that had established a high quality data centre on Cayman Brac. Cayman Brac is situated some 80 miles from Grand Cayman. It is therefore most unlikely that any catastrophe impacting one island will also impact the other. Brac Informatics therefore provides a safe, remote location that meets all compliance standards, yet is within the same jurisdiction in which its prime customers normally operate. This ensures that business operations can continue under the same rules and regulations as normal, a significant advantage over alternative solutions. Needless to say, Brac Informatics proved its worth during Ivan, and has seen an upsurge in business ever since.

Government's second priority was to support the Tourism Sector, the second pillar to the economy. Unfortunately there was little that could be done initially about stay-over tourism as any undamaged hotel accommodation was being used to house individuals who had lost their homes, or those that had come to the island to assist with the recovery. On the other hand, every effort was made to quickly restore facilities for cruise ships and their passengers. Cruise ship visits resumed about 4 weeks after Ivan.

Lessons and Improvements

ICT Services played their part in warning and educating the general public about the forthcoming storm. This included regular broadcasts by Radio Cayman, the Government's Weather Radio Station, both local and satellite television, and other FM radio stations. This worked well.

Government's Motorola Radio System more than proved its worth both during the storm and during the recovery phase. Additional handsets have since been ordered.

New video links have been established between the Operations Centre, the Governor's Emergency HQ and the Sister Islands' Emergency HQ to improve command and control and to provide redundancy. Video and data monitoring of 4 new remote meteorology sites has also been introduced,

The loss of power lasted far longer than anyone anticipated, and a major problem for ICT services was the storm surges that swamped many standby generators. There was a clear need to redesign and relocate these, and this work has already been completed.

The loss of access to international communications because of the failure of the local networks was not adequately catered for. Government and the private sector have now purchased various forms of satellite communications, including telephones, BGAN (Broadband Global Area Network) devices, and VSAT.

Some older communications towers collapsed. Stronger replacements have been built, and the wind loading on all towers reassessed.

One switch, although serviceable, shut down because of the excessive vibrations it experienced. It has been re-located. Buildings have been reconstructed to a much higher standard. For example, the TV studio and head-end is now surrounded by a large drainage system, inside a protective wall. Its generator is some 10 feet above ground level. A similar approach has been adopted for generators located at cell sites.

Developers are being strongly encouraged to lay underground cables in all new sub-divisions

A major problem for Cable & Wireless and the power company was the loss of most of their specialist vehicles due to flooding. Plans are now in place to pre-position spares and vehicles in “safe” locations.

Turning to the Private Sector, although the financial industry was back in business very quickly, an even greater emphasis is now being placed on Business Continuity Plans, including remote data back-up. There is also a much greater demand for satellite telephones, and redundant communication systems.

As an aside, there were two beneficial consequences of Ivan. WestStar conducted an immediate cut over from analogue to digital television – there was no point in rebuilding the old analogue system – and the majority of its customers’ old set-top boxes had in any event been destroyed. Secondly, and for a similar reason, Cable & Wireless’ migration to its new NGN switch was significantly advanced.

Impact on the Authority

Immediately following Ivan, management of the .ky Internet domain was temporarily transferred to the technical staff located in the USA. This allowed companies to change Domain Name Servers and Web sites to alternate locations without hindrance. The Authority took back management responsibility as soon as full communications were restored.

The Authority learnt the importance of working with government and the licensees to establish fair priorities during the recovery phase. For example, TeleCayman and WestTel were on the point of completing interconnection with Cable & Wireless when Ivan struck. C&W were understandably loath to pull staff off their own recovery efforts in order to complete the final interconnection testing. On the other hand, the new companies had the potential to provide fixed wireless services much more rapidly than Cable & Wireless could restore their wireline service. Clearly, rapid reconnection was in the public interest and the Authority had to intervene to ensure that this happened.

Secondly, in the aftermath of Ivan, the Authority introduced a new type of licence that permits a private sector company to use its own satellite system to provide connectivity to international voice and data services in the event that their normal provider is unable to do so.

A private sector system is already in place that allows the broadcasting of sms messages, including weather warnings, to subscribers. However, the Authority is examining the Cellular Emergency Alert Service via Cell Broadcast to see if it is appropriate for Cayman.

Finally, the Authority, in conjunction with Government, is reviewing the Tampere Convention to determine if and how it should be extended to the Cayman Islands. It should be noted, however, that it is not believed that the Convention would have assisted in the particular case of Hurricane Ivan.

Broadcasting

Television

Prior to Hurricane Ivan, WestStar TV Limited had planned a progressive upgrade of its MMDS subscription television service from analogue to digital signals. When Ivan flooded its building, destroying much of its equipment, and also damaging customers homes leaving most without electrical power, the Company requested that the Authority grant it permission to rebuild using only digital technology. This request was granted. By six weeks or so after Ivan, WestStar was transmitting a limited free service to those that had the power and equipment to receive it. It was several months before normal service was resumed. WestStar has undertaken major works to prevent similar flooding in future, and has relocated and improved its emergency power supplies.

Sound Broadcasting

In July 2004, acting on third party technical advice, the Authority approved a sound broadcasting licence for dms Broadcasting Ltd. dms planned to launch three new FM stations; Hot, Kiss and X. At the same time and based upon the same advice, Government agreed that dms could mount its antennas on Government's communications tower alongside the Radio Cayman building in central George Town. Unfortunately the technical advice was incomplete and, as will be explained later in this report, serious problems resulted when dms commenced broadcasting in April 2005.

Sound broadcasters were badly hit by Ivan. Several third party towers on which their antennas were mounted collapsed and some studios were destroyed. Radio Cayman lost its emergency power supply at the height of the storm, but relocated and resumed broadcasting the following day from a temporary studio in the Airport Fire Station. Over the next several weeks, the Radio Cayman staff worked tirelessly in difficult conditions to maintain vital communications between Government and the general population.



*Rooster
operating from
a temporary
studio in the
ICTA Offices
(See below)*

Other radio stations found temporary accommodation where necessary (Z99 and Rooster were hosted by the Authority for three months), and temporary antennas were mounted near their respective studios in the George Town area. Stations have progressively return to permanent sites over the remainder of this period.

A mere three months after Ivan, Paramount Media Services applied for and were granted a licence for a second FM station, Spin FM.

The temporary antennas mounted in the George Town area were lower, and of a poor standard, than their permanent predecessors. A degree of interference was caused but this was considered acceptable under the circumstances, provided efforts were being made to return to normal working. However this was insignificant compared to the problems that occurred when dms began broadcasting its three new stations in April 2005.

As soon as dms commenced transmissions, Radio Cayman complained that its stations were being swamped by dms signals. Initial technical investigations were carried out by Government's Office of Telecommunications and subsequently by Broadcast Signals Lab, an independent consultancy from Massachusetts, USA, who were engaged by the Authority. These investigations disclosed that, although dms's transmissions were "clean", they were causing blanketing interference in central George Town in the area surrounding the dms antenna.

Blanketing interference is caused when the signal levels of new stations are not compatible with the characteristics of many, but not all, common types of radios. These radios get "overloaded" by the strong signal levels from the nearby tower. This interference is a common phenomenon in the vicinity of FM broadcast facilities, particularly those in populated areas with low antenna heights. In the USA and Canada blanketing interference is a consequence of FM broadcasting that is discouraged, but tolerated when necessary. FM stations are required to address certain interference complaints within a certain distance of new radio stations. However, FM stations are also encouraged to transmit from locations that are less populated and thus less sensitive to blanketing interference.

The original technical advice provided to both Government and the Authority had not taken blanketing into account. As a result, dms was legally licensed to operate, and had a legally binding lease agreement with Government for the antenna space on the Radio Cayman tower. dms agreed, however, to reduce its transmitting power to 20% of its authorised output and this partially alleviated, but did not totally remove, the blanketing problems. dms also agreed to relocate its antennas to an alternative site on Government's Northward tower provided it was structurally safe to do so. Initially, the Authority was informed that there was nothing to prevent dms moving to Northward immediately, but subsequent detailed examinations disclosed that significant repair work would be required as a consequence of Hurricane Ivan. In addition, the antennas and cabling would have to be redesigned in order to reduce wind loading. As at the end of the reporting period, none of this work had been completed and the blanketing problems were therefore unresolved.

Regulation of Broadcasting Content

Finally in this section, It is worth repeating a note that appeared in our previous Report:

It does not appear to be generally realized that the Authority has no legal

mandate to regulate broadcasting content, although it will ensure that complaints made to individual broadcasters by members of the public are properly processed. Furthermore, a broadcaster who is subject to repeated complaints about content will be closely examined when its licence comes up for renewal. The Authority believes that this is reasonable as its Board members are appointed on the basis of their technical and/or business expertise and not for their ability as censors.

The ICT Authority Law gives the Governor in Cabinet the ability to make regulations with respect to broadcasting content, and all licences issued by the Authority include a condition requiring licensees to comply with any such regulations. The Authority believes, however, that the best approach with respect to content – if any is needed – is to establish self-regulation by the broadcasting sector. This approach, which usually establishes a code of conduct and a complaints procedure, has proven to be very effective in many other jurisdictions.

Telephony and Associated Networks & Services

Stability in the Mobile Telephone Market

On 29th July 2004, the Authority was able to announce that over the previous few weeks the three current mobile telephone service providers, AT&T Wireless, Cable & Wireless and Digicel, had been able to resolve a number of outstanding issues. These included final agreement on mobile termination rates, i.e. the rates that companies pay each other for terminating calls on each other's networks. This negotiated settlement of an issue that had previously been submitted to the Authority for its resolution was an important milestone in the development of the ICT market that should lead to more stable prices for the consumer.

As part of this overall initiative, Cable & Wireless introduced restructured post-paid mobile service plans that were more closely tailored to their customers' usage patterns. The Authority determined that at that time there was no requirement for Cable & Wireless to submit an imputation test in respect of these rates. Furthermore no complaints of anti-competitive conduct had been filed with the Authority. The Authority also determined that all its previous directives to Cable & Wireless concerning its mobile services had either been satisfied or were no longer relevant.

The Authority therefore looked forward to a stable, yet highly competitive period in the mobile market that it believed would be welcomed by both the general public and operators.

Local Number Portability

Local Number Portability (LNP) allows customers to keep their existing telephone number should they decide to switch telephone providers. At the beginning of September 2004, the Authority placed on the public record a consultative document on Local Number Portability and sought comments on the potential costs and benefits from Licensees, other stakeholders and the general public. Initially, the closing date for the Consultation was set at 30th September 2004, but this had to be deferred as a result of Hurricane Ivan. Nevertheless, the Authority published an interim Decision on 29th March 2005 which established an LNP Working Group of licensees tasked with identifying the optimum LNP solution for the Cayman Islands and its associated costs. It is planned that once these costs are established, a further Public Consultation will take place to see if the general public and the business sector are prepared to pay the price.

Forward Looking Long Range Incremental Costing (FLLRIC)

During the first quarter, work on the first phase of the Proceeding to establish a FLLRIC costing methodology continued. The purpose of constructing a FLLRIC model is threefold: to establish cost-based interconnection rates, provide cost inputs for imputation tests, and quantify any access deficit. FLLRIC also may be used for other purposes and these likely will become evident as the liberalisation process evolves and competition develops. Again, Hurricane Ivan upset the

planned progress. Not only were licensees' resources diverted to concentrate on recovery efforts, but the Authority's lead economist permanently left the country with his family immediately following Ivan. Although it was originally anticipated that the Authority would issue its Phase 1 findings at the end of October 2004, in practice the public record was not closed until February 2005 and the Phase 1 Findings were eventually published a few days after the end of this reporting period (July 2005).

Other Public Consultations and Decisions

Other Public Consultations and Decisions published during the period are detailed in *Public Consultations* section of this Report.

New, Revoked and Surrendered Licences

North Rock Communications (Cayman) Ltd who were licensed in October 2003 to provide a range of fixed wireless and Internet Service Providers (ISP) services, chose to surrender its licence in July 2004.

Foster Cayman Ltd, a mobile service provider, had its licence revoked in December 2004 for failing to meet its network roll-out commitments.

In July 2004, E-Technologies Limited (trading as CaymanOne) applied for and was granted a licence to provide a wide range of fixed and CDMA mobile services. Unfortunately, CaymanOne's headquarters building suffered severe damage during Hurricane Ivan and this has significantly delayed its roll-out plans.

In December 2004, Infinity Broadband were issued with a licence to provide television and telephony services using traditional cable technology.

Finally, in July 2004, the Authority was notified of the proposed purchase of AT&T Wireless, the parent of Wireless Ventures (Cayman) Ltd, by Cingular. Approval was given for this transaction insofar as it impacted the Cayman Islands.

A full list of Licensees as at 30 June 2005 is attached at Appendix 1.

Radio

Scope

The ICT Authority is responsible for the licensing and regulation of all radio transmitters in the Cayman Islands, including:

- Radios in aircraft registered with the Cayman Islands Civil Aviation Authority
- Ground-to-air radios located in the Cayman Islands
- Radios in ships registered with the Cayman Islands Shipping Registry
- Radios in unregistered ships operating in the coastal waters of the Cayman Islands
- Land-based marine band radios used by coastal boat operators
- Amateur (HAM) Radios
- All land-based radio transmitters, irrespective of frequency, located in the Cayman Island

All radio licenses are currently annual, and therefore must be renewed on each anniversary of their initial issue.

History

This function was originally performed by the Post Office and was later taken over by Government's Office of Telecommunications. When the Authority assumed responsibility in late 2003, it was found that the licensing records consisted of multiple paper and electronic ledgers, and that each transaction involved manual entries into several ledgers. Each licence was individually created. There was no comprehensive database recording the details of licences and their expiration dates by licence category. As a result, there was a four to six months backlog of applications and renewals.

Current Position

The Authority used the partial records to create as best it could a single licensing database, and automated much of the process. By early 2004 the backlog had been removed and applications and renewals were being turned round within seven to ten days.

As at 30 June 2005, the Radio Licensing Register consisted of:

Ship Radio Stations	1,796
Aircraft Radio Stations	150
HAMs (Incl. Visitors)	195
Other Radios	1,500

.KY Internet Domain

Internet Organisation

The organisation of the Internet is based upon several organisational groupings called domains. There are two types of domain. Firstly, there are generic domains, each of which has a single world-wide register. This category includes the domain with the well known suffix, *.com*, plus others such as *.org*, *.net*, *.gov* and *.biz*. Secondly, there are country code top level domains (ccTLDs). These are organisational groupings associated with each two letter country code defined in the International Standards Organisation (ISO) Standard 3166. Within each ccTLD, the Administrative Contact (AC) is responsible for setting domain policy and for approving registrations, and the Technical Contact (TC) is responsible for the provision of technical support and for maintaining the on-line master directory of entities registered in the domain. The two letter code associated with the Cayman Islands is “ky” and the corresponding Internet domain is known as the “.ky domain”.

The Internet Corporation for Assigned Names and Numbers (ICANN) is a not-for-profit, international organisation responsible, under a contract from the US Department of Commerce, for the overall administration of Internet domains. In accordance with agreed Internet principles, ICANN delegates responsibility for the administration of a ccTLD to the first qualified individual who applies to be AC. Thereafter, any change in AC or TC requires ICANN's approval.

History

Prior to 2002, the .ky domain was managed by a private individual. Following legislative action by the Cayman Islands Government, ICANN and the US Department of Commerce re-delegated responsibility to the Authority on 2nd July 2003.

Domain Policy

When the Authority assumed effective responsibility for the domain in 2002, it re-instituted the original domain policies which restricted domain name registrations to those requested by Cayman Islands residents, companies registered in the Cayman Islands and organisations operating in the Cayman Islands. However, as part of the re-delegation agreement with ICANN, domain name registrations made by overseas individuals and organisations under the previous administration, continue to be honoured and supported.

Current Position

As at 30 June 2005, there were just over 3,500 registered names in the .ky domain.

Public Consultations

Public consultation takes place in a variety of forms depending on the nature of the issue, the number of parties potentially affected by a decision, the impact on the marketplace and, most importantly, the consequences on the consumer. Public consultation may range from the very informal to more formalized and structured public proceedings. Some of the forms of consultation available to the Authority in achieving its objectives are:

- written submissions
- individual meetings with one or more interested parties
- meetings, seminars, and workshops with representative groups and other interested parties
- surveys
- consultation with independent advisers
- discussions and consultation with regulatory professionals and regulatory institutions in other jurisdictions
- public hearings
- issuing draft documents and soliciting comments from the public at large

The intent is not only to solicit public input and participation prior to taking decisions but also for the Authority to satisfy itself that it has investigated all aspects of an issue. Public consultation is as necessary for the soundness of the Authority's decisions as it is for the public to know the various views expressed on an issue.

A brief summary of the formal, written Public Consultations completed during the period are given below. Full details are available on the Authority's web site at www.icta.ky.

Local Number Portability (LNP) – Closed: 3 December 2004

In this Public Consultation, the Authority sought comments on local number portability to promote competition and maximize the benefits of a liberalized sector for the Cayman consumer. The ICTA received responses from the general public including AL Thompson's Home Depot, IVC Group Ltd., Cayman Data Systems Ltd., Tony Welsh, Melanie McLaughlin, Andro Group Ltd., Acorn Group Ltd., and the Chamber of Commerce. Licensees Cable & Wireless (Cayman Islands), Wireless Ventures (Cingular/ AT&T), Digicel Cayman Ltd., TeleCayman Ltd., WestStar Ltd., and WestTel Ltd also responded. In its Interim Decision, the Authority established an LNP Working Group of licensees tasked with identifying the optimum LNP solution for the Cayman Islands and its associated costs. It is planned that once these costs are established, a further Public Consultation will take place to see if the general public and the business sector are prepared to pay the price.

Draft Process Directive – Closed: 15 Dec 2004

The Authority was of the opinion that Procedural rules needed to be established so that all Licensees were privy to information such as: service filings, consultations, complaints, interrogatories etc. to ensure a transparent, efficient

and uniform regulatory process. Comments were received from Cable & Wireless and Wireless Ventures. In the light of these comments, and the unreliability of a mailing list system that the Authority had hoped to implement, no further action is planned at this time.

Indirect Access (Phase II) – Closed: 21 Dec 2004

This public consultation was initiated on 11 November 2003. Originally the Authority sought comments on a number of regulatory issues associated with indirect access; the costs and benefits of indirect access; and a proposed framework for the provision of indirect access in the Cayman Islands. In an Interim Decision on 20 May 2004, The Authority found that mandated Indirect Access (“IA”) from fixed and mobile telephone was not warranted at that time. The Authority stated its intention to seek further information from interested parties before issuing a final decision on mandated Indirect Access.

The consultation was re-launched and further responses were filed by TeleCayman Ltd., Blue/Cool Call, WestTel Ltd., and Cable & Wireless Cayman Ltd.

On 7 March 2005, the Authority found that the mandating of Indirect Access in the mobile and fixed markets was not warranted at this time. There might be justification for doing so in the case of public call boxes, but there was insufficient information for doing so in the short term. The Authority would re-examine this specific case if it deemed it to be necessary.

Promotions – Regulatory Guidelines – Closed: 15 February 2005

The Authority's purpose for this Public Consultation was to seek comments on the guidelines of how the Authority would appraise and resolve legality of service promotions by licensees. The Cable & Wireless licence Annex 5 fails to outline tariff treatment of retail service promotions and the Authority has reviewed such situations on a case –by – case basis. The submissions cut off date was extended twice and closed on 14 February 2005. No determination has yet been made.

ICT Licensees as at 30 June 2005

Lic #	Licensee	Date of Licensing	Primary Networks & Services
1	Cable & Wireless (CI) Ltd PO Box 293 GT, Grand Cayman	10 July 03	Fixed and mobile telephony, ISP
2	Weststar TV Ltd PO Box 30562 SMB, Grand Cayman	10 October 03	TV Broadcasting
3	Wireless Ventures (CI) Ltd PO Box 309 GT, Grand Cayman	10 October 03	Mobile telephony
4	Grand Tel Ltd	Licence revoked 22 April 2004	
5	Digicel Cayman Ltd PO Box 700GT, Grand Cayman	17 October 03	Fixed and mobile telephony, ISP
6	West Indian Electronic Technologies Ltd PO Box 10377 APO, Grand Cayman	17 October 03	Fixed wireless, ISP
7	North Rock Communications (CI) Ltd	[Licence surrendered 2 July 04]	
8	Foster Cayman Ltd	[Licence revoked 9 December 04]	
9	TeleCayman Ltd PO Box 704 GT, Grand Cayman	29 October 03	Fixed telephony, ISP
10	United Telecommunication Services Ltd PO Box 10217 GT, Grand Cayman	29 October 03	Fixed wireless, provision of infrastructure
11	Island Electronics (Paging) Ltd PO Box 881 GT, Grand Cayman	20 November 03	Provision of infrastructure
R4	Christian Communications Association PO Box 31481 SMB, Grand Cayman	4 December 03	Sound broadcasting (Heaven 97)
R1	Radio Cayman PO Box 1110 GT, Grand Cayman	11 December 03	Sound broadcasting
R2	Hurley's Entertainment Corporation PO Box 30110 SMB, Grand Cayman	11 December 03	Sound broadcasting (Z99 and Rooster)
R3	Cerentis Broadcasting Systems Ltd PO Box 425 SAV, Grand Cayman	11 December 03	Sound broadcasting (Ocean 95)
R5	International College of the Cayman Islands PO Box 136 SAV, Grand Cayman	11 December 03	Sound broadcasting
R6	Paramount Media Services Ltd PO Box 10236 APO, Grand Cayman	11 December 03	Sound broadcasting (Vibe, Spin)
12	Blue Sky Communications PO Box 32336 SMB, Grand Cayman	18 December 03	Resale of telephony
13	Caycom Ltd PO Box 30800 SMB, Grand Cayman	23 January 04	Provision of infrastructure
14	WestTel Ltd PO Box 30563 SMB, Grand Cayman	12 February 04	Fixed telephony, ISP
15	Cayman Christian TV Ltd PO Box 30213 SMB, Grand Cayman	22 April 04	TV broadcasting
16	Government of the Cayman Islands Government Administration Building Grand Cayman	10 May 04	Telephony, ISP and ASP services to Government agencies, provision of infrastructure
R7	Panorama Productions Ltd PO Box 192 GT, Grand Cayman	3 June 04	Sound broadcasting (Style)
R8	Dms Broadcasting PO Box 31910, Grand Cayman, KY1 1208	15 July 04	Sound Broadcasting (Hot, Kiss, X)
17	E-Technologies Ltd (T/A CaymanOne) PO Box 10615, Grand Cayman, KY1-1006	22 July 04	Fixed wireless and mobile telephony, ISP
18	Infinity Broadband PO Box 30110, Grand Cayman, KY1-1201	13 December 04	TV Broadcasting, ISP, Internet Telephony

ICT Authority Audited Financial Statements for the period 1 July 04 to 30 June 05

Audited Financial Statements

A copy of the Audited Financial Statements for the period ending 30th June 2005, received by the Authority on 27th November 2006, are contained on the following 11 pages.



Financial Statements of
**Information & Communications
Technology Authority**

30 June 2005

INFORMATION & COMMUNICATIONS TECHNOLOGY AUTHORITY

FINANCIAL STATEMENTS For the Year Ended 30 June 2005

Table of Contents

Statement of Responsibility for Financial Statements	Page 1
Certificate of the Auditor General	Page 2
Balance Sheet	Page 3
Statement of Net Income and Retained Earnings	Page 4
Statement of Cash Flow	Page 5
Notes to the Financial Statements	Page 6-10

Information & Communications Technology Authority
Financial Statements
June 30, 2005

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements have been prepared by the Information & Communications Technology Authority in accordance with the provisions of the Public Management and Finance Law, (2005 Revision). The financial statements comply with generally accepted accounting practice as defined in International Financial Reporting Standards

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law, (2005 Revision).

To the best of my knowledge the statements are:

- (a) complete and reliable;
- (b) fairly reflect the financial position as at June 30, 2005 and performance for the financial year ended June 30, 2005; and
- (c) comply with generally accepted accounting practice



Mr. Stuart Diamond
Chairman
Information & Communications
Technology Authority

Date: 2 Nov 06



Mr. Dave Archbold
Managing Director
Information & Communications
Technology Authority

Date:



Information & Communications Technology Authority

CERTIFICATE OF THE AUDITOR GENERAL

To the Board of Directors of the Information & Communications Technology Authority And the Financial Secretary of the Cayman Islands

In accordance with the provisions of Section 20 of the *Information and Communications Technology Authority Law (2004 Revision)* and Section 52(3) of the *Public Management & Finance Law (2005 Revision)*, I have audited the accompanying Balance Sheet of the Information and Communications Technology Authority of the Cayman Islands (the "Authority") as of 30 June 2005, and the related statements of Net Profit and Retained Earnings and Cash Flow for the year ended 30 June 2005.

Respective Responsibilities of Management and the Auditor General

These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on the financial statements based on my audit.

Basis of Opinion

My examination was made in accordance with International Standards on Auditing which require that I plan and perform my audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at 30 June 2005, and the results of its operations and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

Dan Duguay, MBA, CGA
Auditor General

Cayman Islands
2 November 2006

Information & Communications Technology Authority

Balance Sheet

As At 30 June 2005

(Stated in Cayman Islands Dollars)

CURRENT ASSETS	Notes	2005	2004
Cash & Cash Equivalents		\$899,956	\$481,842
Accounts Receivables		308,163	481,404
Prepaid Expenses		88,010	53,916
Total Current Assets		1,296,129	1,017,162
NON-CURRENT ASSETS			
Property, Plant & Equipment	3	192,316	264,663
Total Non-Current Assets		192,316	264,663
TOTAL ASSETS		1,488,445	1,281,825
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities		69,946	79,033
Total Current Liabilities		69,946	79,033
TOTAL ASSETS LESS TOTAL LIABILITIES		\$1,418,499	\$1,202,792
NET WORTH			
Contributed Capital	4	887,500	887,500
General Reserve	5	240,000	60,000
Retained Earnings		290,999	255,292
TOTAL NET WORTH		\$1,418,499	\$1,202,792

Approved on behalf of the Board on the 2nd of November 2006

Mr. Stuart Diamond
Chairman

Mr. Dave Archbold
Managing Director

The accompanying notes form an integral part of these financial statements

Information & Communications Technology Authority
Statement of Net Income and Retained Earnings
For the Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

INCOME	Notes	2005	2004
Regulatory Fees	2e), 4	\$884,889	\$673,031
Output Revenue	2e), 4, 6	520,070	331,264
Licensing Fees	2e), 4	96,045	457,766
Radio Licences	2e), 4	12,039	24,762
Other		6,543	1,132
Operational Income		1,519,586	1,487,955
Net Insurance Proceeds	7	19,637	-
		1,539,223	1,487,955
OPERATING EXPENSES			
Staff Costs	2(f), 8	615,258	610,595
Legal & Professional fees		235,956	104,304
Travel and Subsistence		101,054	20,087
KY Domain Administration		94,836	94,836
Miscellaneous Expenses		76,802	46,528
Depreciation	3	75,977	79,256
Lease of Property & Equipment	9	57,993	58,155
Utilities		46,532	43,152
Computer Maintenance		12,702	10,943
Supplies and Materials		4,289	10,080
Loss on Disposal of Non-Current Assets		2,117	-
		1,323,516	1,077,936
NET INCOME FOR YEAR		215,707	410,019
Transfer to General Reserve	5	(180,000)	(60,000)
		35,707	350,019
Retained Earnings/(Accumulated Deficit) at beginning of year		255,292	(94,727)
RETAINED EARNINGS AT END OF YEAR		\$290,999	\$255,292

The accompanying notes form an integral part of these financial statements

Information & Communications Technology Authority
Statement of Cash Flow
For the Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

CASH FLOW FROM OPERATING ACTIVITIES	<u>Notes</u>	<u>2005</u>	<u>2004</u>
Net Income for year		\$215,707	\$410,019
Adjustment for non cash transactions:			
Depreciation		75,977	79,256
Loss on disposal of Non- Current Assets		2,117	-
		<u>293,801</u>	<u>489,275</u>
Net change in working capital			
Accounts Receivables		173,241	(481,404)
Prepaid Expenses		(34,094)	(18,439)
Accounts Payable and Accrued Liabilities		<u>(9,087)</u>	<u>59,417</u>
Net Cash provided by Operating Activities		<u>423,861</u>	<u>48,849</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Non-Current Assets		(42,526)	(1,551)
Proceed on sale of Non-Current Assets		<u>36,779</u>	<u>-</u>
Net Cash Used by Investing Activities		<u>(5,747)</u>	<u>(1,551)</u>
Net Increase in Cash and Cash Equivalents During the Year		418,114	47,298
Cash and Cash Equivalents at the Beginning of the Year		<u>481,842</u>	<u>434,544</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$899,956</u>	<u>\$481,842</u>

The accompanying notes form an integral part of these financial statements

Information & Communications Technology Authority
Notes to the Financial Statements
For The Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

1. Establishment and Principal Activity

The Information and Communications Technology Authority ("ICTA" or "Authority") is an independent Statutory Authority created on 17 May 2002 by the Information and Communication Technology Authority Law, 2002. The Authority reports on its operations to the Ministry of Planning, Communications, Works & Information Technology of the Cayman Islands Government.

The ICTA is responsible for the regulation and licensing of telecommunications, broadcasting, and all forms of radio transmission which includes ship, aircraft, mobile and amateur radio in the Cayman Islands. The ICTA conducts the administration and management of the ".ky" domain, and also has a number of responsibilities under the Electronic Transactions Law 2000.

As at 30 June 2005, the ICTA had 9 employees. The ICTA is located at 85 North Sound Way, 3rd floor of Alissta Tower, P.O. Box 2502 GT George Town, Grand Cayman, Cayman Islands.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The significant accounting policies adopted by the ICTA in these financial statements are as follows:

(a) Basis of preparation

The financial statements of the ICTA are presented in Cayman Island dollars and are prepared on the accrual basis under the historical cost convention.

(b) Property, Plant & Equipment/depreciation

Property, Plant & Equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the property, plant & equipment and leasehold improvements are accounted for over the life of the lease.

The estimated useful lives of the other fixed assets are as follows:

Office Equipment & Furniture	4 - 12 Years
IT Equipment	3 Years
Leasehold improvements	5 Years

(c) Foreign currency translation

Assets and liabilities denominated in currencies other than Cayman Islands Dollars are translated at exchange rates in effect at the balance sheet date. Revenue and expense transactions denominated in currencies other than Cayman Islands Dollars are translated at exchange rates ruling at the date of those transactions. Gains and losses arising on translation are included in the Statement of Net Income and Retained Earnings.

Information & Communications Technology Authority
Notes to the Financial Statements
For The Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(d) Cash & cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents are considered as cash held on demand and fixed deposits with an original maturity of three months or less.

(e) Revenue recognition

Output revenue is recognized when the services agreed in the Purchase Agreement are performed and the Government is invoiced. Services are billed at cost by the Authority (see also Related Party Note 4). Regulatory and Licensing Fees are recognised as revenue when they are due to the Authority. Radio Licence fee is recorded when received by the Authority.

(f) Employee benefits

The Authority participates in the Public Service Pensions Plan, a defined contribution pension fund, in accordance with the Public Service Pension Law. Contributions are charged to expenses as they are incurred based on set contribution rates. The Authority makes monthly contributions at a rate of 13% of employee's salary. The employer pays both the employer and employee contributions.

(g) Operating Lease

The Authority leases the 3rd floor of Alissta Towers under a three-year operating lease. Lease payments are recognized as an expense on a straight-line basis over the lease term. See also Note 8 - Lease of Property.

(h) Financial Instruments

(i) Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise of cash and cash equivalents and prepayments.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise of accounts payables and accrued expenses.

(ii) Recognition

The Authority recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the Statement of Net Income & Retained Earnings.

Information & Communications Technology Authority
Notes to the Financial Statements
For The Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(iii) Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

(iv) Derecognition

A financial asset is derecognised when the Authority realises the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expires.

3. Property, Plant & Equipment

Cost	Office Equipment & Furniture	IT Equipment	Leasehold Improvements	Total
Opening Balance	\$72,236	\$65,231	\$230,400	\$367,867
Additions	35,643	6,883	-	42,526
Disposals	(34,736)	(12,686)	-	(47,422)
Balance at 30 June 2005	73,143	59,428	230,400	362,971
Accumulated Depreciation				
Opening Balance	13,565	26,608	63,031	103,204
Charge for Year	10,010	19,887	46,080	75,977
Disposals	(3,908)	(4,618)	-	(8,526)
Balance at 30 June 2005	19,667	41,877	109,111	170,655
Net Book Value At 30 June 2005	\$ 53,476	\$ 17,551	\$ 121,289	\$ 192,316
Net Book Value At 30 June 2004	\$ 58,671	\$ 38,623	\$ 167,369	\$ 264,663

4. Related Party Transactions

The Cayman Islands Government appoints the Chairman and Members to the Authority's Board of Directors. The following transactions occurred during the period between the Authority and Cayman Islands Government.

	2005	2004
Accounts Receivable – Government	\$132,487	\$331,264
Government Output Revenue	\$520,070	\$331,264

During this year the Authority provided Output Services of \$520,070 to the Government under a Purchase Agreement (2004: \$331,264). These services are charged to Government at cost.

Information & Communications Technology Authority
Notes to the Financial Statements
For The Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

4. Related Party Transactions (continued)

As detailed in Note 8 the Authority on behalf of its eligible employees paid contributions of \$50,556 to the Public Service Pensions Fund during the period (2004: \$63,647).

During the 13-month period ending 30 June 2003, Government contributed capital to the Authority in the amount of \$887,500.

5. General Reserve

Section 18 of the ICTA Law (2002) requires the Authority to maintain a reserve fund; the management of such fund being at the discretion of the Authority. The Law requires the fund to be applied only for the purposes of the Authority.

The Authority's target, at present, is to grow the fund until it equates to at least four months of operating expenses. The rate of growth is kept at a level that does not significantly impact the regulatory fees charged to Licensees.

For the financial year ended 30 June 2005 the Authority transferred \$180,000 from Net Income to the General Reserve Fund (2004: \$60,000).

6. Output Revenue

During the year the Cayman Islands Government engaged the Authority to provide, on its behalf, a number of ICT-related services. The provision of these services (or "Outputs") is formalized in a Purchase Agreement which includes the collection and verification of royalties paid by ICT Licensees, policy advice on ICT matters and drafting instructions for ICT legislation and regulations. Additionally, in lieu of subsidies, the Government pays the Authority for such services as the management of the Electromagnetic Spectrum.

For the year ended 30 June 2005, the Authority, as part of services provided to Government, collected, verified and paid over the 6% Royalty Fee from ICT Licensees to the Government of the Cayman Islands. During the year \$6.751M was collected and paid over (2004: \$5.381M).

7. Hurricane Ivan Insurance Claim

The Authority made an insurance claim in respect of losses it suffered as a result of Hurricane Ivan on September 9 & 10, 2004 for physical damage. The Authority received a payment in respect of this claim in the amount of \$77,000. The Authority has recorded income in the amount of \$19,637 net of related expenses in the Statement of Net Income and Retained Earnings.

8. Pensions

The pension contributions of employees of the Authority are paid directly to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board and is operated as a multi-employer non-contributory Fund, whereby the employer pays both the employer and employee contributions.

Information & Communications Technology Authority
Notes to the Financial Statements
For The Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

8. Pensions (continued)

During the current period the Authority paid contributions of \$50,556 which is included in staff costs to the Public Service Pensions Fund (2004: \$63,647).

During the year, one employee attained the age of 60 and therefore was no longer eligible to contribute to the Public Service Pension Fund. An amount equivalent to the 12% pension which would have been contributed on his behalf to the fund was accrued in the accounts while the application was being processed by Silver Thatch Pension Plan.

9. Lease of Property

The Authority leases the 3rd floor of Alissta Towers under a three-year operating lease. The Authority has three two year options to renew the lease, upon the expiry of this first lease agreement. The lease commenced 1st December, 2002 and is set to expire in November 2005. Subsequent to year end, the lease was renewed for a further two years. The Lease payments are currently \$5,169 per month and are subject to an increase in the first two-year option term by \$1, to \$17 per sq. ft. per annum. Future lease payments are:

Period	Amount
1 July 2005 to 30 June 2006	\$64,294
1 July 2006 to 30 June 2007	\$65,909
1 July 2007 to 30 November 2007	\$27,462

At the termination of the lease, unless agreed between the Landlord and the Authority in writing, the Authority is to remove at its cost and expense any partitions, structures, additions or improvements erected by the Authority and shall reinstate the premises to the condition they were at the commencement of the term.

10. Financial Instruments

Fair values. The carrying amount of cash deposits, prepayments, and accounts payables and accrued liabilities approximate their fair value due to their short-term maturities. Fair values are made at specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

11. Comparative Information

Certain balances have been reclassified to conform to the current year's financial statement presentation.