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Utility Regulation and Competition Office

BY EMAIL

16 January 2026

The Editor
Cayman Compass

Dear Editor,

Subject: Response to Letter to the Editor *"Cayman Pays up to seven times more access than UK for internet"*

I write in response to the recent "Letter to the Editor" published on the Cayman Compass website on the 5th January 2026, regarding internet pricing in the Cayman Islands. As a general statement, the Utility Regulation and Competition Office welcomes public engagement on matters affecting consumers and appreciates when residents raise important questions about affordability and access to essential services.

Acknowledging the Concern
The writer is correct that Internet pricing in the Cayman Islands is higher than in the UK, and we recognise that this may create affordability concerns, particularly for those in lower-income families. The Office takes these concerns seriously and is actively considering regulatory measures to improve affordability whilst ensuring resilient and reliable networks and services, with sustainable investment in telecommunications infrastructure.

The Price Differential: Facts and Context
Whilst the writer's analysis is informed by his own experience working with a UK telecommunications operator, there are fundamental structural differences between the UK and Cayman Islands markets that materially affect pricing.

Global and Regional Ranking
Independent research from The Cable (UK), analysing data collected as of November 2023 (see https://bestbroadbanddeals.co.uk/broadband/pricing/worldwide-comparison/), provides clear evidence of the price differential raised in the letter:

- Cayman Islands ranking: 215th out of 223 countries globally (8th most expensive worldwide)
- Average monthly broadband cost: USD $155.04 (approximately CI$128)
- Caribbean regional context: Not the most expensive in the Caribbean. The British Virgin Islands (USD $189.00) and Turks & Caicos Islands (USD $212.00) rank higher.

However, the same study found that when comparing the broadband packages based on the "*Average cost of broadband (Per megabit per month in USD)*", the Cayman Islands ranked 117th and the United Kingdom 96th, with average cost per megabit per month of USD $0.57 and USD $0.36 respectively (i.e., a ratio of 1.6:1)

Comparison to UK Pricing
The study by The Cable (UK) found the United Kingdom ranked 92nd globally, with average monthly broadband costs of USD $38.79 (approximately CI$32). This means:

- **Cayman broadband pricing was on <u>average</u> 4.0 times higher than UK average pricing**

The study also found the following:

- Cheapest broadband package in the Cayman Islands (CI$ 54.99) was priced approximately **2.9 times higher** than the cheapest broadband package in the United Kingdom (GBP 17.99).
- Most expensive broadband package in the Cayman Islands (CI$ 207.25) was priced approximately **3.7 times higher** than the most expensive broadband package in the United Kingdom (GBP 54.66).

Accordingly, the claim by the writer that "***Cayman pays up to seven times more than UK for internet access***" appears to be inaccurate from the above. Also, the cost-of-living comparison on Numbeo.com, the world's largest crowdsourced cost of living database, shows that consumers pay for "*Broadband Internet (Unlimited Data, 60 Mbps or Higher)*" on average **2.5 times more** in George Town compared to London. This cost-of-living comparison further confirms that writer has overstated the price differential between the Cayman Islands and the United Kingdom (see https://www.numbeo.com/cost-of-living/compare_cities.jsp?country1=Cayman+Islands&city1=George+Town&country2=United+Kingdom&city2=London).

These figures do highlight a notable price difference. However, the question is: why does such a price differential exist, and what can be done about it?

Economic Realities That Drive Cost Differences
While the price differential is real and documented, direct price comparisons between the Cayman Islands and the UK can be misleading without understanding the structural factors that drive costs in small-island markets, such as the Cayman Islands. These factors do not justify excessive pricing where market power exists (which is precisely what our Telecommunications Sector Review starting this year will investigate) but they do explain why cost structures differ materially.

Economies of Scale
The UK spreads infrastructure costs across 69 million people; the Cayman Islands across approximately 89 thousand. **This represents a 750:1 population differential**. Small Island Developing States consistently face 3 to 6 times higher telecommunications costs due to lower subscriber density, higher per-capita infrastructure investment, and limited competition driving efficiency.

What this means in practice:

- **A submarine cable system costing USD $50 million translates to approximately USD $0.75 per UK resident vs. USD $562 per Cayman resident for capital recovery.**
- Network operations centres, customer service infrastructure, billing systems, and technical support teams serve vastly different subscriber bases.
- Infrastructure repairs costs and related insurance costs are higher due to the geographic reality that the Cayman Islands sit in the Atlantic Hurricane belt and sustain threats and damage almost every year.
- Wholesale capacity purchases on international cables: large markets negotiate volume discounts; small markets pay premium rates per Megabit per second (Mbps).

Small Island Economies

Small island economies face a range of structural challenges arising from their geographic isolation and limited resource endowments. Remoteness from major markets, small domestic demand, and limited transport connectivity typically result in high import and export costs. At the same time, narrow productive and resource bases restrict opportunities for economic diversification, increasing dependence on external markets for essential goods, energy, and key sources of income such as tourism and foreign investment. This high degree of external reliance leaves small island economies particularly vulnerable to global price volatility, supply chain disruptions, and fluctuations in international demand. These external shocks, in turn, exert significant upward pressure across all segments of the economy, contributing to higher production costs and living expenses. Indeed, cost-of-living comparisons from Numbeo indicate that the cost of living in the Cayman Islands is approximately 90% higher than in the United Kingdom.

As a consequence, small island economies consistently face 3 - 6 times higher telecommunications costs due to lower subscriber density, reduced economies of scale, higher per-capita infrastructure investment, and limited competition driving efficiency and higher operational costs. This is a structural economic reality, not a regulatory failure.
Further, the study by The Cable (UK) indicates that broadband prices in the Crown Dependencies - Jersey, Guernsey, and the Isle of Man - average approximately 1.8 times higher than those in the United Kingdom. Notably, these small island territories continue to experience substantial cost differentials despite their close geographic proximity to the UK and the presence of multiple direct telecommunications infrastructure links, with each island connected by between four and six submarine cables. This evidence highlights the persistence of structural economic factors commonly associated with small island economies - including limited market scale, higher per-unit infrastructure and operating costs, and reduced competitive intensity - which together contribute to elevated broadband prices in the Crown Dependencies relative to the UK mainland.

Public Investment and Subsidy

UK broadband pricing reflects over **£6 billion** in direct government subsidies for infrastructure rollout, rural connectivity, and social tariffs:

- £5 billion for Project Gigabit (rural gigabit broadband)
- £1 billion for Shared Rural Network (4G coverage)
- £90+ million in gigabit broadband vouchers
- Additional 5G, satellite, and hard-to-reach area investments

The Cayman Islands has no equivalent public subsidy regime. All infrastructure costs - submarine cables, terrestrial fibre, network electronics, customer installations - are recovered entirely from consumer and business subscribers. Any move toward subsidised basic tariffs would require funding through mechanisms such as cross-subsidy from higher-income users, government grants, customs duty allocations, or universal service levies.

Consumer Cross-Subsidy
UK social tariffs (£12.50 - £20/month for basic broadband) are funded partly through consumer cross-subsidy, where higher-income customers effectively subsidise lower-income access. Whether the Cayman Islands community supports a similar model is a question that must be answered through public consultation. If the community supports cross-subsidy to ensure universal affordable access, the Office can mandate it within its regulatory authority.

Submarine Cable Capital Intensity
Submarine cables serving small island populations create unavoidably high per-capita capital burdens:

- The Maya-1.2 upgrade (2,386 km) represents tens of millions in capital expenditure that is ultimately recoverable from the users in serviced jurisdictions
- Standard submarine cable deployment costs range from USD $30,000-$50,000 per kilometre, with transatlantic systems typically costing ~USD $250 million
- Ongoing costs include maintenance reserves, repair vessels, spare capacity, and technology refresh cycles (typically 15-20 years)
- Small islands pay premium rates for international transit capacity because they lack negotiating leverage in global wholesale markets due to demand size

For comparison: A submarine cable serving Ireland (population approx. 5 million) distributes capital costs across 56 times more subscribers than Cayman; a cable serving the UK distributes costs across 750 times more subscribers.

Operating Cost Environment
The cost of doing business in the Cayman Islands is materially higher than in the UK or most other jurisdictions:

- Skilled labour: Network engineers, technicians, and customer service staff command premium salaries reflecting Cayman's cost of living
- Imported equipment: All network hardware, customer premises equipment, and spare parts must be imported with associated freight and duty costs
- Real estate: Datacentres, retail locations, network operations centres, and office space reflect Cayman's commercial property costs
- Insurance and business overhead: Hurricane risk, business interruption insurance, and regulatory compliance costs are proportionally higher in small markets

These costs cannot be "regulated away" without risking service quality, network resilience, or the ability to attract and retain qualified technical staff.

Wholesale and Backhaul Market Structure

UK providers access highly competitive, cost-based wholesale markets with multiple infrastructure owners (Openreach, CityFibre, Virgin Media O2, and regional altnets) competing for traffic. Wholesale prices are regulated, transparent, and driven by competition.

The Cayman Island's wholesale market has limited infrastructure diversity, with higher per-Mbps costs for international transit and constrained negotiating power. The Office's various investigations and determinations into Fixed and Wireless Network Infrastructure sharing and access issues are in significant part aimed at identifying and addressing excessive pricing issues, by ensuring use-efficiency and cost-based practices are adhered to where operators share access to poles, ducts, towers, and backhaul the cost of which is passed on to consumers.

Regional Caribbean Pricing Context
Comparisons to other Caribbean markets with similar constraints provide additional perspective:

Jamaica (population ~2.8 million, two main providers: Flow and Digicel):
- Digicel Fibre 250Mbps: JMD $7,499/month (approx. CI$40)
- Flow packages: JMD $5,000 -$15,000/month (approx. CI$27 -$80)

Trinidad & Tobago (population ~1.5 million, three providers: bmobile, Digicel, Flow):
- bmobile Smart 300 (300Mbps): TTD $300/month (approx. CI$37)
- Digicel 200Mbps fibre: TTD $320/month (approx. CI$39)
- Flow Link Up 300Mbps: TTD $299/month (approx. CI$37)

Barbados (population ~280,000, two providers: Flow and Digicel):
- Average package: USD $106.54/month (CI$89)
- Digicel Fibre 400Mbps: BBD $130/month (approx. CI$54)
- Flow fibre: BBD $120+/month (approx. CI$50+)

Key observations:
- Larger Caribbean markets (Jamaica, Trinidad) achieve 50-70% lower pricing than the Cayman Islands through greater scale (15-30x population)
- Markets with three competing providers (Trinidad) show more competitive pricing than two-provider markets
- Small-island markets with populations closer to Cayman (Barbados at 280,000) face comparable pricing (CI$89 average vs. Cayman's CI$129)
- The Cable study notes that price comparisons do not account for speed variations, service quality differences, or local affordability relative to income levels

Critical insight: Even within the Caribbean, where all markets face similar submarine cable costs, limited competition, and small subscriber bases, population scale and number of competitors materially affect pricing. Cayman's pricing is high even regionally, which is precisely why the Office's upcoming Sector Review, new regulations and ongoing infrastructure sharing investigations and determination are essential regulatory tools.

The Starlink Comparison
The writer asks why terrestrial providers cannot match Starlink's CI$90/month pricing if satellite delivery is inherently more expensive. The answer- while not absolute, lies in Starlink's global scale: its satellite constellation cost is amortised across millions of subscribers worldwide, and its business model excludes local customer service, retail

presence, installation teams, and billing infrastructure - costs that terrestrial ISPs must bear. Additionally, SpaceX/Starlink has multiple US Government contracts that pays millions of dollars to advance network development and service delivery whether public or defence related. Starlink's pricing reflects global economies of scale and funding from US government contracts, not the narrow cost of serving a 89,000-person market. That said, we anticipate that the introduction of satellite services to the market will encourage more competitive pricing.

10. What This All Means for Regulatory Action

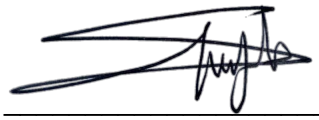
The data demonstrates that Cayman's pricing sits at the high end both globally and regionally. The Office does not dispute this. The relevant regulatory questions are:

1. How much of the price differential reflects legitimate structural cost differences (scale, subsidy, submarine cables, operating environment)?
2. How much reflects insufficient competition or the exercise of market power by operators with dominant positions?
3. What regulatory interventions can drive prices down where evidence shows pricing exceeds efficient costs plus reasonable returns?

The Office's ongoing infrastructure sharing and access investigations, Sector Studies, infrastructure sharing mandates, and licensing of additional competitors are specifically designed to answer these questions with rigorous economic evidence and to intervene where the data supports action.

11. Addressing the Specific Complaint

The letter describes an instance where a provider allegedly implemented an unsolicited service upgrade and price increase despite customer objection. If accurate, this is exactly the kind of practice the draft Consumer Protection Regulations in-part are designed to prohibit. Any consumer who experiences unilateral contract variation without reasonable notice or compensation is encouraged to file a formal complaint **here** (https://www.ofreg.ky/on-line-complaint-form) or by email to complaints@ofreg.ky for formal investigation and where warranted, enforcement action.



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