



CABLE & WIRELESS
CAYMAN ISLANDS

Cable & Wireless (C.I.) Ltd.
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Our ref: GR/CR/GR/15.24
3 June 2008

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

Dear Mr. Archbold:

Re: New Cable & Wireless Service

Pursuant to paragraph 31 of Annex 5 of the Licence issued on 10 July 2003 to Cable and Wireless (Cayman Islands) Limited ("**C&W**"), C&W hereby applies to the Authority for authorization to provide a mobile calling service, "**Business Calling Circle**" Service, which incorporates certain fixed network calling features. C&W appreciates the time that the staff of the Authority have taken with C&W over the past few weeks to discuss the details of this service.

1. Business Calling Circle

Postpaid C&W mobile account holders whose accounts are classified as "Business" accounts are eligible to subscribe to Business Calling Circle and to include C&W fixed-line PSTN and NetSpeak and mobile postpaid and prepaid telephone numbers in their "calling circle" in exchange for paying a flat monthly fee per "nominated" number. Nominated numbers can then make unlimited calls to each other, i.e., within the calling circle, for no additional usage charges (with one exception discussed below). Nominated numbers do not have to be from the same account as the "core" postpaid C&W mobile account holder. Notwithstanding that nominated numbers can make unlimited calls among each other without incurring usage charges, regular roaming charges will apply to calls made to or from numbers when the customer is roaming, whether or not the number that is roaming is included in a Calling Circle.

Nomination of a number is free, but there is a \$5 change fee, when Calling Circle customers want to change or cancel a nominated number. This change fee applies on a transactional basis, i.e., one charge irrespective of the number of nominated numbers being canceled or changed at the same time. Business customers can nominate an unlimited number of numbers but have to nominate the main number of their account, if they want it to be included in their Calling Circle (i.e., it is not automatically included when the customer sets up the Calling Circle).

For the avoidance of doubt, prepaid C&W customers are not eligible to subscribe to Business Calling Circle, although an eligible Business postpaid mobile account holder can add a prepaid number to their calling circle. Only C&W numbers can be nominated to a C&W Calling Circle.

2. Service Category

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3. Imputation Test

An imputation test, a description of the imputation test, and the underlying data are attached in confidence to this letter. C&W notes that ##

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would be the requirement to impute an artificially-high mobile termination rate that is not cost-oriented and that does not reflect the actual costs of any mobile operator in the Cayman Islands.

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#. C&W considers it particularly inappropriate to impute as its "costs" for on-net traffic a mobile termination rate that bears no relation to the real costs of terminating calls on a mobile network, while it must compete with other operators who can base their prices on their real costs of providing services. C&W requests, therefore, clarification from the Authority that C&W is not required to apply the MTR in imputation tests for its on-net mobile services.

4. Rates and Charges

The rates and charges for Business Calling Circle Service are set out below.

Core Number Account Type	Monthly Charge per nominated number	Maximum number of nominated numbers
Business	\$15.00	Unlimited

C&W proposes that it be permitted to charge its Business customer \$15.00 per month per nominated number. As noted above, this price passes the imputation test ###

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###. There is, therefore, no public policy reason or anti-competitive practices concerns that would justify requiring a higher price.

In the event that the Authority disagrees and orders C&W to increase its price, C&W proposes that it be ordered to charge its Business customers #XXXX# per month per nominated number. If the Authority does so order C&W, C&W will file and publish tariff pages reflecting that rate. Please note that this should not be taken to mean C&W agrees that this price is appropriate.

Following the review of the Calling Circle product over the last few weeks, C&W has decided not to extend to Residential customers the ability to nominate fixed or NetSpeak numbers in Residential calling circles, and ###

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5. Tariff Pages

Proposed General Tariff pages are attached.

6. Effective Date

C&W requests that the **Business Calling Circle** be effective immediately.

7. Confidentiality Claim

C&W is filing this application and its attachments in confidence with the Authority. The costs and the marketing and pricing plans of C&W are information that is of a commercial nature and is consistently treated in a confidential manner by C&W until they are implemented. C&W's competitors and potential competitors would gain advance knowledge of C&W's marketing and pricing plans, even before the information could be made available to C&W's customers or to the general public. Disclosure of this information would enable them to develop competitive

and targeted marketing and pricing responses, even before C&W would be able to implement its own plans. In addition, the cost information set out in this letter, if disclosed to the public at any time, would cause C&W specific and direct harm.

An abridged version of this letter will be filed. All confidential information has been replaced by "###". C&W proposes not to file a redacted version of the various attachments, including the imputation test and the raw data workbooks.

Please contact me regarding any questions you may have.

Yours faithfully,
Cable and Wireless (Cayman Islands) Limited

Rudy B. Ebanks
Chief Regulatory and Carrier Relations Officer

c.c. Timothy Adam, Chief Executive C&W
Ian Tibbetts, Chief Operating Officer C&W
Frans Vandendries, VP Legal and Regulatory C&W

Encl.

ATTACHMENT

Business Calling Circle Service Imputation Test Description

3 June 2008

Business Calling Circle allows C&W postpaid mobile business customers to nominate numbers to be part of a calling circle whereby, in exchange for a flat fee per month per nominated number, all local calls between numbers in that circle are free of per minute charges.

The Business Calling Circle Plan charges the postpaid mobile business customer (or "nominating" customer) \$15 per month per nominated number. There is no limit to the amount of numbers that can be nominated numbers, which may be fixed, mobile or NetSpeak numbers. The Business Calling Circle product was launched in November 2006.

Imputation Test

The imputation test for the Business Calling Circle Plan is shown in the spreadsheet "08_06_03 Business Calling Circle Imputation.xls".¹

Monthly data for the period January 2007 to March 2008 was extracted for the Business Calling Circle Plan and tracks, for each Calling Circle, the quantity of numbers nominated and the amount of calling that occurs between each of the numbers nominated for each month. Please note that because regular roaming charges will apply to calls made to or from numbers when the customer is roaming, we do not distinguish whether the mobile callers are roaming. Any incremental cost of the roaming is covered through the roaming charges.

Row 6 of the worksheet "Usage and call data" shows that as at the end of March 2008, there was a total of #XX# Business Calling Circle Plans, with the average number of Plans for the whole period being #XX#. As at the end of March there was a total of #XXXX# numbers nominated as part of Business Calling Circles, comprising #XXXX# mobile numbers and #XX# fixed numbers. Over the whole period, an average of #XXX# numbers have been nominated, made up of #XX# fixed numbers and #XXX# mobile numbers. #XX# NetSpeak numbers have been nominated within Business Calling Circles.

Rows 16 to 22 of the worksheet show the actual minutes of calls, by month, for each type of call that can be made amongst the calling circle of business subscribers. Calls may be nominated Fixed number to nominated Fixed number ("**FTF**") as shown in row 16, nominated Fixed number to nominated Mobile number ("**FTM**") as shown in row 17, nominated Mobile number to nominated Fixed number ("**MTF**") as shown in row 19, or nominated Mobile number to nominated Mobile number ("**MTM**") as shown in row 20. Row 22 is the sum of all calls.

¹ The underlying raw data for this test has also been provided to the Authority, and is shown in the separate confidential spreadsheets "Calling Circle Usage (conf).xls" and "Calling Circle Customers (conf).xls"

The number of calls per month by type are shown in rows 29 to 35 and average call durations by month for each type of call are shown in rows 39 to 43. Cells T29 to T33 show the average number of calls per nominated number by call type.

Cells T16 to T20 show the average usage per month for each category of call. Cells U22 to U26 then calculates the average usage per nominated service per month for each type of call, by dividing through by the appropriate total nominated numbers for that type of call. For example, the total of #XXXXXX# average monthly minutes for FTF calls (cell T16) is divided by #XX#, which is the average number of fixed nominated numbers (cell R8) over the 15 month period, to give an average usage for FTF calls of #XXX# minutes per month (cell U16).

T26 through T33 calculates the average calls per nominated service by call type.

Cost calculations

The worksheet "Imputation test" includes the cost calculations.

Row 10 shows the average number of calls per nominated number, by call type, whilst row 12 shows the average call minutes per nominated number by call type.

The cost calculations are divided into the costs of origination and the costs of termination. The fixed costs are further made up of per call costs and per minute costs, whilst mobile costs consist of per minute costs only.

Row 15 shows the per call origination costs for a FTF call (cell C15) and for a FTM call (cell I15) as #XXXXXX#. This cost is consistent with the costs accepted by the Authority in the Simplicity National filing and was taken from the Adjusted FAC Model ###

###. The cost in the Adjusted FAC Model is for an end-to-end call, so C&W has applied half of this cost as the origination cost involved in setting up a fixed call. As noted above, mobile originated calls do not have any call set-up costs so cells F15 and L15 (for MTF and MTM calls respectively) show zero cost.

Row 16 shows the per-minute origination costs for each type of call. The cost for FTF and FTM calls is #XXXX# which again is half the end-to-end per-minute cost for a fixed call, taken from the Adjusted FAC Model ###

For the per-minute origination costs for MTF and MTM calls, C&W sought clarification from Authority staff on the costs that it believed should be imputed here, having had an earlier indication that the mobile costs should be "...consistent with the Authority's determinations from 2004". Authority staff replied that the cost should be half the end-to-end costs of a mobile call, as identified in the Adjusted FAC Model as #XXXX#, adjusted upwards by 25% to reflect the Authority's determination as set out in paragraph 89 of ICT Decision 2004-1. This results in a cost of #XXXXXX# and these are the costs that C&W has used in the imputation test, although it should be noted that it does not believe that it is appropriate to adjust these

costs in the way Authority staff has suggested. The effects of not making this adjustment on the results of the test are discussed further below.

The termination costs are included in rows 18 to 20. There are only per-call terminating charges for calls terminating on the fixed network, with Row 18 showing the per-call terminating charges for FTF and MTF calls.

For the per-minute costs, these are #XXXXXX# for calls terminating on the fixed network and are taken from the Tariff Schedules of C&W's Interconnection Agreements currently in effect.

For calls terminating on the mobile network, the Authority has stated that C&W should use the MTR rate of C\$ 0.1845. C&W has indeed input this cost but, as we discuss further below, this overstates the costs of terminating an on-net mobile call.

Calls terminating on the fixed network also have per-minute interconnect-specific costs, which are shown in cells C20 and F20. These costs are taken from the Tariff Schedules of C&W's Interconnection Agreements currently in effect.

The total network and termination charges by call type are shown in row 22.

Other non-conveyance costs

As explained above, a customer needs to already have a C&W postpaid mobile number in order to subscribe to the Business Calling Circle product. As such, non-network costs will already have been incurred by the mobile subscriber and covered by the margin on the mobile service. There are therefore only two types of incremental costs associated with Business Calling Circle that are not already covered by the mobile service of the nominating customer. These are specific advertising costs associated with Business Calling Circle, plus the Regulatory and Royalty fee levied on the incremental revenues of the Calling Circle tariff.

A royalty and regulatory fee of 6.7% of the incremental revenues has been added to the imputation test.

Incremental Retail costs

The upfront advertising costs associated with Calling Circle product have consisted of ###

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###, which cost a total of #XXXXXXX#. We believe that on-going advertising of this product over the foreseeable future is #XXXXXX# per year at most. If we amortize the #XXXXXXX# over a #XXXXXX# period and add them to the on-going costs, we arrive at total annual costs of #XXXXXXX# per year or #XXXXX# per month. Expecting subscribership of this service to rise to at least #XXX# on average over the next #XXX# years, we can estimate the costs per subscriber to be at most around #XX# per month per subscriber.

Imputation test results

Rows 24 to 36 show the results of the imputation test for a fixed nominated service and a mobile nominated service separately.

For the fixed nominated service the revenue per nominated service is \$15 as shown in cell C25. From this revenue is deducted the total average cost per nominated service, which is the sum of the total network and termination charges for FTF and FTM calls.

The estimated retail costs of #XX# per subscriber are divided by the average number of fixed nominated numbers to give the retail costs per fixed nominated number. Finally the royalty and regulatory fee is subtracted. The same approach is then used for the mobile nominated service.

Row 38 then shows the weighted average result. As can be seen there is ###
per customer. C&W believes, however, that this is the result of being directed by the Authority to use an artificially high mobile termination rate and an inflated mobile origination cost. If a more realistic on-net MTR of 10.7 cents was used together with an unadjusted mobile origination cost, #####. Indeed, given that the MTR of 10.7 cents is an FAC cost, C&W believes that even this is artificially high and that a LRIC cost of mobile termination would be lower still and would therefore increase the margin by which the imputation test passes.

PART H BUNDLED SERVICES – continued

Item 805 Business Calling Circle Service - continued

1. Service Description

- 1) Business Calling Circle is an optional plan that provides unlimited calling between nominated Telephone Numbers, subject to the terms and conditions below.
- 2) Eligible Customers may nominate any C&W Fixed Line, NetSpeak or Mobile Telephone Number. However, Business Calling Circle is only available to Business Customers on a postpaid Mobile Service, and all charges for Business Calling Circle will be invoiced to the account associated with that Mobile Service.

2. Definitions

"**Core Number**" means the Telephone Number associated with the postpaid Business Mobile Service account to which Calling Circle numbers are nominated and to which Calling Circle charges are invoiced.

3. Terms and Conditions

- 1) Business Calling Circle is subject to the terms and conditions in this Tariff Item, as well as the terms and conditions contained in the C&W Mobile Terms and Conditions applicable to the Customer's Core Number. Business Calling Circle is not available to Residential Customers.
- 2) Business Calling Circle Customers may nominate as many numbers as they want, up to the maximum number of nominated numbers specified in sub-Item 805.4 below. The Core Number is not automatically included in the Calling Circle, but the Customer may also nominate it if he or she wishes to include it in the Calling Circle. However, the Core Number does not count towards the Customer's maximum number of nominated numbers, if any.
- 3) Non-C&W and Overseas Telephone Numbers are not eligible for nomination in a Calling Circle.
- 4) Each nominated Telephone Number is subject to a per-month charge, as specified in sub-Item 805.4 below, which shall be billed to the account of the Core Number.

PART H BUNDLED SERVICES – continued**Item 805 Business Calling Circle Service - continued**

- 5) Nominated numbers can make unlimited Local Calls to any other nominated number within the Calling Circle and to and from the Core Number, if the Core Number is a nominated number, without incurring additional Usage Charges.
- 6) Notwithstanding anything else in this Item, standard roaming charges will apply to calls to and from a nominated Mobile number, if the associated Mobile Service is roaming Overseas. Calling Circle charges still apply, notwithstanding that the Mobile Service is roaming Overseas.
- 7) Prepaid Mobile Services can make calls to other nominated numbers even with a zero-balance on the prepaid account, provided the prepaid account balance is topped up within ninety (90) days of first falling to zero balance.
- 8) There are no set-up Charges associated with Calling Circle. After set-up, Business Customers will be charged a \$5.00 change fee to add, change or remove a number from their list of nominated numbers.

4. Rates and Charges

- 1) The following rates and Charges apply.

Core Number Account Type	Monthly Charge per nominated number	Maximum number of nominated numbers
Business	\$15.00	Unlimited

- 2) Notes:

- (a) The “Core Number Account” must be a post-paid Mobile Service account classified as a “Business” account.
- (b) The Monthly Charge is prorated on activation and cancellation of the nomination of a number.