



21 April 2017

VIA EMAIL

Utility Regulation and Competition Office ("URCO")

85 North Sound Road

Alissta Towers, 3rd Floor

Grand Cayman KY1-1104

Cayman Islands

Dear Sir/Madam:

Re: Industry Working Group – Provision of ICT Infrastructure to 3rd Parties – installing and maintaining attachments of communications cables to CUC's electricity poles

On behalf of WestTel Limited, trading as Logic, and all of its subsidiaries, we are writing to provide the following comments regarding the issues raised in your letter dated 9 December 2016. For convenience, unless otherwise indicated, all numbering references and defined terms set out in your letter will be used herein.

1. Issue #1 – Standard Pole Attachment Contracts

At the outset, it should be noted that Logic has invested significant time and resources in the development of its current contractual relationship with DataLink and CUC. As a commercially negotiated agreement, which was entered into following litigation in respect to access to the poles, it is not entirely in Logic's favour, but we recognize the need to honour our commitments of the contractual term. It is, therefore, commercially difficult to suggest very specific changes to our current arrangement in this regulatory context. As we have been directed to respond to the issues raised we will, however, do so.

Paragraph 14. Logic is in general agreement that the terms and conditions of attachment agreements should be substantially the same.

Paragraph 15. On the topic of whether "Reservation Fees" and "Total Minimum Annual Payments" are appropriate in the circumstances, Logic believes additional fees can only make sense if a carrier is paying for, and receiving, additional actual benefit, as opposed to a merely theoretical benefit under the contract.

The Authority also noted that minimum annual fees "may have acted as a disincentive for DataLink to issue pole attachment permits to" the industry in a timely manner. As stated above,

Logic supports a standardization of terms including fees paid, but cannot comment on the disincentive comment made by the Authority.

We note that regulated action on build out requirements and timelines may change our view of reservation fees and minimum annual payments. For example, the number of poles necessary to meet a newly limited build out requirement would drastically change our position on the actual benefit of the current 'all poles on the island' reservation fee. In essence, there is no actual benefit to in paying reservation fees on poles outside of the newly stipulated buildout requirements.

Having briefly reviewed how this topic is managed outside Cayman it seems that reservation fees are not a common feature of contractual or regulatory obligations between utilities. While we appreciate that historically they have been a feature in this jurisdiction, it might be prudent to examine international best practice. It may well be that the use of reservation fees is not the most effective method of encouraging investment in infrastructure.

Paragraph 16 In keeping with the above, we are supportive of standardizing processes and contractual timelines. Logic's MOU with Datalink sought to clarify the issues raised by the Authority in this paragraph but we note that our MOU does not detail consequences or penalties in the event that timelines are not met. If a standardized contract is to be developed, it should detail consequences of non-performance, particularly in cases where specific fees are paid in relation to an action with a stipulated timeline.

We further note that there is similar vagueness on the true-up of costs for later attachment by a competitor. Logic has invested significant sums in make ready work for poles, and is entitled to reimbursement of a portion of those costs when a competitor attaches to the "made ready" pole. Further clarification of the timing and amount of that charge to the follow-on carrier, and subsequent reimbursement to the first carrier, is needed, as it affects future capex planning and the overall approach to network deployment.

Paragraph 18. If an industry standard agreement is to be implemented, consideration should be given to how make ready costs are shared where one provider seeks to attach at a later date. In Logic's opinion, it could be argued that the two years set out in the current pole attachment agreement may not be long enough and could motivate some of the other carriers to wait until that period is over before attaching and building out their own networks. This lagged deployment approach is not a good policy outcome, amounts to the second carrier gaming the system by using the capital of the first carrier for make ready purposes. This relatively short two year reimbursement window might provide a motivation to wait for deployment if the regulator specifies a build out requirement that specifies a term more than 2 years out. Rather than shortening the build out period, Logic suggests the period for reimbursement of make ready costs period be much longer (ie: lifespan of the pole), which would motivate industry players to not wait. As it stands, the current 2 year window either rewards 2nd carrier delay, or discourages any carrier from being the first carrier to build.

Consistent with the above, Logic supports a standardization of terms.

2. Issue#2 – Pole Attachment Specification Standards

Paragraphs 19 and 20. Logic does not have any specific concerns with CUC and/or DataLink continuing to set the applicable standards.

3. Issue #3 - Permit application process

Paragraphs 21 and 22. We acknowledge the challenge of the permit process and the limited resources of CUC to carry out the make ready work in a timely manner. This issue is a continuing concern for Logic as we continue to make investments and deploy fibre infrastructure.

Delays in the processing of permits and progression of make ready work must be taken into account when considering if a carrier has breached its roll out commitments for fibre infrastructure. The pole attachments are a key component of the network infrastructure and progress cannot be made unless and until the poles have been made ready and the permits issued.

Paragraph 23. Given Logic's current arrangements, we have no issue with properly certified contractors doing some of the work instead of DataLink, provided the work is done to a sufficiently high standard, and that the cost-sharing benefits accrue to all carriers on the pole.

4. Issue #4 – Roll Out Obligations

Paragraphs 25 and 26. Aside from the challenges of pole attachment and other multi-party issues that arise in fibre deployment efforts, it is increasingly clear that focusing on a single technology medium for roll out obligations may need to be reconsidered. Topography, population density and demographics, are key factors in determining if the economic business case exists for the deployment of a certain kind of network infrastructure. For many parts of Grand Cayman, a clear business case exists for fibre-based deployment, and Logic is investing accordingly. In other parts of Cayman where the population density is significantly lower, fibre-based deployments may be too costly to justify at the current time.

As we go through a process of re-examining commitments by all Licensees, it would make sense to consider the possibility that the roll out obligations be amended to allow for other technologies that could be deployed to offer comparable services in lower density areas. For example, 5G wireless services are completing market testing in other parts of the world, with broader market deployments being announced in the coming years. These services could potentially provide a new method for reaching less dense areas of Cayman.

When considering boundary lines for deployment, Logic takes the position that deployment decisions are best done based on market forces. Where density and demand exist, carriers will deploy facilities appropriate to meet the need and earn commensurate revenue. If allowed, the choice of type of facility (e.g. wired vs next generation wireless), should also be determined on that basis. The arbitrary determination of a boundary line for deployment interferes with the market dynamic and may lead to unintended negative outcomes on an operational, financial and socio-political basis. What message is being sent to those households just on the outside of the specified boundary? What rules will apply beyond the boundary line, especially if the discussions

regarding a shared build are pursued? Will pricing be different on each side of the boundary, given that there are multiple competitors on one side of it, and the relative costs are lower? These are only some of the questions that need to be considered before taking the extreme step of specifying a build boundary.

5. Issue #5 - Pricing/Costing elements applicable in the Pole Sharing Agreements

Paragraph 28. Consistent with our comments above, we are bound by our existing agreements, and the related MOU we have negotiated. We would obviously want to have the benefit of lower costs across the board, but we are committed to fulfilling our contractual obligations.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert McNabb".

Robert McNabb
CEO – Logic Communications