



CABLE & WIRELESS

Our Ref: GRRCR/Comp 8.2
19th January, 2006

Mr. David Archbold
Managing Director
Information and Communications Technology Authority
P.O. Box 2502GT
3rd Floor Alissta Towers
Grand Cayman

Dear Mr. Archbold,

Re: Digicel's 17 January 2006 Correspondence – Submission on Procedure

Cable & Wireless acknowledges receipt of the above-noted correspondence. Unfortunately, it attempts to mischaracterize C&W and the process established by the Authority.

Cable & Wireless's goal, which it believes is shared by the Authority, is a robust and useful LRIC cost model, developed in the most efficient and effective manner possible. Unfortunately, by demanding the premature provision of the cost model spreadsheets, i.e., before finalization of the cost manual which was intended to guide the development of the cost model spreadsheets, Digicel has successfully diverted Cable & Wireless and Authority resources from the orderly development of the LRIC cost model, and contributed to the haphazard process that Digicel claims to want to avoid. Cable & Wireless also notes that the process originally established by the Authority in CD 2005-1, and defended by Cable & Wireless in its 20 December 2005 comments, would have enabled Digicel's consultants to contribute more cost-effectively to the development of the LRIC cost model.

Digicel has also misrepresented the comments made by Ovum, the consultancy it engaged in 2004. Digicel's statement, that "Ovum determined that C&W's model at that time was 'not fit for purpose'", is not borne by the facts. Ovum was explicit, at page 4 of its report and again in its conclusions, that "the C&W model has been constructed in a manner consistent with international practice". Further, the "flaw" that led Ovum to make the "not fit for purpose" statement misquoted by Digicel was that the C&W FAC model contained too many "hard-coded" assumptions and did not readily lend itself to

sensitivity analyses – an issue that will be harder to avoid when the orderly development of the LRIC cost model is interrupted.

Cable & Wireless does not believe that Digicel has any real interest in the development of the LRIC cost model, as that would result in a proper mobile termination rate based on the long-run incremental cost of an efficient, forward-looking operator. After all, Digicel benefits financially from the present artificially-inflated MTR, and it was only as the result of vigorous opposition by Cable & Wireless to Digicel's proposals that the people of the Cayman Islands were not saddled by an even higher MTR designed to extract cross-subsidies from fixed-line networks, and to introduce distortions into the markets for voice telecommunications services in the Cayman Islands. Nevertheless, Cable & Wireless hopes that Digicel's participation in this proceeding will be more productive than it has been so far.

Notwithstanding the recent exchange of correspondence between Cable & Wireless and Digicel, it has become clear that the various parties involved in CD 2005-1 have had divergent expectations regarding process and deliverables. Cable & Wireless, for example, did not read the Process in part 2.0 of CD 2005-1 to include the submission of a full model early in the proceeding, but rather to set out a more iterative process of change and refinement to the model and manual throughout the process.

In order to accommodate the process the Authority appears to have envisaged, as well as the resource and time constraints Cable & Wireless faces, Cable & Wireless proposes that the Process outlined by the Authority in its CD 2005-1 be restructured as follows:

- the Authority would give additional time to the other interested parties to comment on the draft manual submitted by Cable & Wireless on the 13th of December.
- Cable & Wireless would file its full model with all its proposed inputs, and any consequential revisions to the draft manual, with the Authority on 10 March 2006
- The remaining process would then proceed as envisaged initially; however, the model and manual would remain unchanged through the interrogatory and comment rounds.
- The Authority would then issue its final determination on the changes to be required to the model and to the manual at the end of the process.

The process proposed here by Cable & Wireless would add no more than a month to the overall proceeding, would be more consistent with Authority's expectations, and would allow parties to comment on a more complete set of evidence. The new dates could therefore appear as follows:

<i>Current Process</i>	<i>Proposed Process</i>
20 January 2006 , Parties other than C&W to file 1) proposed changes to draft manuals, 2) any proposal on allocating common costs, 3) evidence on expense factors	27 January 2006 , Parties other than C&W to file 1) proposed changes to draft manuals, 2) any proposal on allocating common costs, 3) evidence on expense factors
	10 March 2006 , C&W submits its full model and any consequential changes to the manual, and addresses any submissions filed by parties on January 27th
6 February 2006 , Parties, including C&W, may address interrogatories to any other party that filed a submission on January 20th	31 March 2006 , Parties, including C&W, may address interrogatories to any other party that filed a submission on January 27th
6 March 2006 , Parties file responses to interrogatories	28 April 2006 , Parties file responses to interrogatories
10 April 2006 , Parties file comments	12 May 2006 , Parties file comments
26 April 2006 , Parties file reply comments	26 May 2006 , Parties file reply comments

Yours sincerely
Cable & Wireless (Cayman Islands) Ltd.

“Signed”

Rudy B. Ebanks
Chief Regulatory and Carrier Relations Officer

Cc: Mr. Timothy Adam, Chief Executive, Cable & Wireless
Mr. Ian Tibbetts, Chief Operating Officer, Cable & Wireless
Mr. Frans Vandendries, Vice President Regulatory Affairs, Cable & Wireless
Interested Parties in CD (2005) 1 (by email)