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Information & Communications Technology Authority

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Proposed Reduction of Rates by Cable & Wireless (CI) Ltd.

Last Wednesday, 3rd March 2004, two new licensees introduced mobile telephony services in the Cayman Islands. The rates charged for these services were lower than those offered by the incumbent operator, Cable & Wireless (Cayman Islands) Limited. In the evening of that same day, Cable & Wireless advised the Information and Communications Technology (ICT) Authority that it planned to reduce rates for its mobile services with effect from Tuesday 9th March 2004. The reduced rates would be lower than those of the new entrants.

Progressive reductions in prices are a welcome outcome of the introduction of competition. However, if such reductions by the incumbent take unfair advantage of its dominant position in the market place and threaten to stifle the development of robust and sustainable competition, they must be considered anti-competitive, and contrary to the provisions of its licence.

One of the principal functions of the ICT Authority is to promote sustainable competition that results not only in price reductions but also in more choice of providers, newer and more innovative services and improved customer services. Accordingly, the Authority has required Cable & Wireless to demonstrate that its new mobile prices are not below cost, and are not being unfairly cross-subsidised by revenue from services where it still enjoys a monopoly. Should the Authority find that the company has breached the conditions of its licence, Cable & Wireless will be required to immediately rectify the situation.

To avoid the possibility of confusing information being given to consumers, or harm being done to other licensees, the Authority strongly recommended to Cable & Wireless that it defer the implementation of its new rates until the Authority has made a determination on these issues. Unfortunately, Cable & Wireless has declined to do so. Consumers are therefore advised that the Cable & Wireless rates that come into effect on Tuesday are the subject of regulatory review and that there is the possibility that they will be revised once that review is completed. Consumers may wish to take this into account when making their purchasing decisions.