



PO BOX 2502 G.T
Grand Cayman
Cayman Islands
Tel: (345) 945 8283
Fax: (345) 945 8284
web: www.icta.ky

Information & Communications Technology Authority

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Email: info@icta.ky

Further Decisions of the ICT Authority with respect to Cable & Wireless rates for postpaid mobile services

On 7th April 2004, the Authority required Cable & Wireless (Cayman Islands) Ltd. (“Cable & Wireless”) to increase some of the rates for its cellular plans as they were being provided below cost. Cable & Wireless was also instructed to submit additional information that the company had omitted from the data that it originally provided. The Authority reserved the right to review again the costs, revenues and rates for Cable & Wireless’ postpaid mobile service once this information had been provided. Such a review is referred to as an “imputation test”.

On 21st April 2004, Digicel requested a reconsideration of the Authority’s decisions on the grounds that the increases that Cable & Wireless was required to make were not sufficient to prevent anti-competitive pricing. After hearing submissions from all interested parties, the Authority ruled that there were sufficient grounds to carry out a further imputation test.

That test is now complete and full details are given in ICT Decision 2004-4 (Supplemental) which is available on the Authority’s web site at www.icta.ky.

For the second time, Cable & Wireless’ rates for its postpaid mobile services have been found to be below cost. Of paramount importance to the Authority are the long term interests of consumers. The Authority believes that, as has been found in other countries all over the world, the development of a strong competitive market is the best way to ensure that consumers receive the benefits of liberalisation, including the latest in technology, a choice of providers and competitive rates. The Authority is concerned that Cable & Wireless’ current rates, if left in place, could seriously harm or significantly delay the development of a strong, competitive mobile services market in the Cayman Islands.

The Authority received, very late in the process and after all formal proceeding were closed, a submission from Cable & Wireless to the effect that certain cost estimates were overstated and certain revenue sources were excluded. The company has been severely criticised by the Authority for failing to make this submission at the proper time. It should have been submitted much earlier in the process. This would have allowed the Authority to take the information fully into account in the current decision. Instead, the Authority has balanced the need for immediate corrective action with the possibility that minimum rates might be reduced as a result of future imputation tests. The Authority therefore has required Cable & Wireless to increase its postpaid

mobile service rates by only 60% (and not 100%) of the amount by which they failed the current imputation test.

Accordingly Cable & Wireless has been directed to increase its rates by the following amounts, effective immediately:

C&W Postpaid Plan	Current Monthly Rate	Minimum Mandated Increase (60%)	New Monthly Rate
b350	\$43	\$10	\$53
b500	\$66	\$16	\$82
b750	\$66	\$23	\$89
b1150	\$79	\$14	\$93
bBiz2200	\$129	\$9	\$138
bBiz3750	\$189	\$52	\$241
bBiz7500	\$359	\$106	\$465
bBiz20000	\$599	\$335	\$934

The majority of these rate increases are due to the additional and revised cost information provided by Cable & Wireless. The company has acknowledged that, due to an error on its part, it significantly understated some of the costs that it provided to the Authority which were used in an earlier decision.

On the matter of customer transparency, the Authority believes that clear and accurate consumer information is always important and even more so in an environment of emerging competition, where service providers are expected to compete vigorously for customers. Customers should be provided with information regarding changes to the terms of their calling plans and a clear understanding of the various options as their disposal, should they wish to change plans or providers in order to obtain the best value for their dollar.

The Authority has found that Cable & Wireless has not provided clear and timely information to all of its postpaid mobile subscribers regarding how they were automatically migrated to new calling plans in March 2004, how many of their “free” plan minutes they use each month, and what options they have to move to a smaller plan or, possibly, to another service provider. The Authority therefore has directed Cable & Wireless to fully inform all of its postpaid mobile subscribers of these matters. The Authority will monitor and evaluate Cable & Wireless’ response, and if the company’s actions are deemed insufficient, the Authority may issue appropriate directives and/or make changes to the regulatory regime to address these issues in the future.

The Authority will issue shortly “Guidance to Consumers on Choosing Mobile Plans” which will be available on its website. The Authority encourages consumers to review this Guidance. The Authority also urges postpaid mobile customers to contact their service provider to obtain itemised bills and, if necessary, to request assistance in understanding their own mobile service usage patterns to ensure that they are getting best value for money.