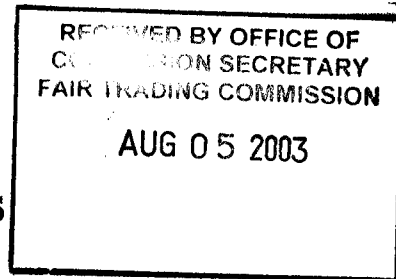




CABLE & WIRELESS



Cable & Wireless (Barbados) Limited

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Fair Trading Commission
"Manor Lodge"
Lodge Hill
St. Michael

31st July 2003



Dear Sirs:

Re: Application for rate adjustments pursuant to Sections 16 of the Utilities Regulation Act 2000-30

Cable & Wireless (Barbados) Limited (hereinafter called 'Cable & Wireless') hereby applies to the Fair Trading Commission ("the Commission") pursuant to:

- a. Memorandum of Understanding ("MOU") dated 16th October, 2001 entered into between the Government of Barbados and Cable & Wireless
- b. Government Policy in the Green Paper
- c. Utilities Regulation Act 2000-30, Section 16

For:

1. an adjustment to the domestic line rate for business and residential customers
2. the introduction of flat rate charging plans and usage based rates for domestic calls made from fixed lines



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3. such further of other relief not inconsistent with the above as the Commission sees fit. Furthermore, Cable & Wireless will be seeking an abridgement of time pursuant to rule 7.1 of the Utilities Regulation Act 2000-30 Procedural Rules.

Cable & Wireless reserves the right to seek to amend its application if so advised. This Application proposes two price changes to achieve the movement to cost oriented pricing. Cable & Wireless proposes to effect these price changes no less than six months apart so as to:

1. allow customers to become familiar with the new price plans and have sufficient time to select a plan which reasonably suits their usage patterns and financial circumstances and
2. achieve Government's Timetable on the liberalization of the telecommunications in accordance with the MOU and Government policy.

The Commission is therefore requested to approve both the Phase 1 and Phase 2 rates with the proviso that the Company can apply for an adjustment of the Phase 2 rates if necessary, depending on whether the Phase 1 pricing plans achieve/exceed the revenue requirement. It is proposed that the Phase 1 rates take effect from 1st October, 2003.

The proposals for adjustments in the domestic line rates and the introduction of flat rate charging plans and usage based rates are set out in Schedule 6 attached hereto. The introduction of revised rates for domestic services is required since



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Cable & Wireless does not presently earn revenue for most domestic calling services.

Cable & Wireless also intends to implement an awareness programme to provide customers with the rate proposals and assist them in selecting an appropriate pricing plan. The Company will also display the monthly domestic usage of customers on their bills commencing September 2003. This will allow customers to have information regarding their usage patterns ahead of the implementation of the adjusted rates.

Cable & Wireless' proposals seeks to redistribute costs among customers based on their usage of the domestic services. There is no intention to exceed the total revenues derived from domestic and international telecommunications services in the test year. Cable & Wireless is not seeking any adjustment to the rate of return on equity prescribed by the PUB in the 1994 Order and is not making an application in relation to depreciation.

In the event that the Commission accepts Cable & Wireless' proposals set out in Schedule 6, Cable & Wireless also intends to adjust international direct dialed (IDD) rates below the existing maximum rates pursuant to the Utilities Regulation Act. The adjustment made to the international telecommunications rates will depend on the domestic rates approved by the Commission. The adjusted international rates are expected to take effect from the date the new domestic line rates, flat rate charging plans and usage based rates come into effect.



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As a consequence of these rate changes the revenue sharing ratio under the Barbados (Revenue Apportionment) Order of 1989, which remains in force under section 114(3) of the Telecommunications Act of 2001-36, will have to be adjusted. This will facilitate the policy objective of Government enshrined in paragraph 4 (3) of the First Schedule of the Telecommunications Act which provides that “the revenue sharing arrangement of the former Act will be systematically altered to manage the reduction of the subsidy during the transition to achieve the objective of gradually removing or eliminating the revenue sharing arrangement between the international rates and the domestic rates.”

In accordance with Schedule 6 of the MOU an interim pricing mechanism was required to be developed to deliver price movement from existing levels to cost oriented rates. Pursuant to Suit No 432 of 2003, Cable & Wireless (Barbados) Limited v Fair Trading Commission, Cable & Wireless has challenged the interim pricing mechanism issued by the Commission in its Determination Notice dated 8th November 2002 on the grounds that it did not comply with the requirements set out in Government Policy contained in the MOU.

Since this matter is still pending in the High Court, this Application is being filed ‘without prejudice’ to Cable & Wireless’ legal rights.

As the Commission is aware, the Government has expressed urgency for all stakeholders to facilitate the acceleration of the liberalisation timetable. Cable & Wireless is committed to facilitating this mandate which is geared inter alia, at ensuring that Barbados keeps pace with other islands in the Caribbean which have



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moved to cost oriented pricing and which in some instances have completed the liberalisation of their telecommunications sectors.

This concern is also highlighted in the Green Paper at page 58 as follows: 'Affordable and competitive international calling rates are critical to Barbados in its efforts at continuing to attract international business and grow offshore business. Jurisdictions which have been able to transition their prices towards cost, thereby effecting lower international rates, are better placed to effectively compete with Barbados for the off-shore and international business. Traditionally Governments across the world permitted the international telecommunications prices to be set high to subsidise the domestic service prices which were below cost. This arrangement is not sustainable in a competitive environment. There is now an urgent need to move the prices of telecommunications services to cost. In addition, the first phase of transition to cost based pricing must be completed before the provision of domestic line service is liberalized.'

To accommodate the introduction of the first price change within the context of the Government's liberalisation timetable, an efficient abridged process has to be applied for the review of these rate proposals.

This Application comprises this letter and the Memoranda in the Schedules and Attachments thereto which are incorporated into and form an integral part of this Application. Support for the Company's Application will be made by any Affidavits and other evidence presented to assist the Commission to consider this Application.



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In addition, the Company reserves the right to claim confidentiality of documents produced in accordance with the Fair Trading Commission Act 2000-31, the Telecommunications Act and the relevant regulations under that Act and rule 13 of the Utilities Regulation Act 2000-30 Procedural Rules, on the grounds that the disclosure of this information will be injurious to Cable & Wireless.

We anticipate having a meeting with the Commission to discuss and agree the procedural requirements for progressing the determination of this Application in a timely manner.

We look forward to hearing from you.

Cable & Wireless reserves its legal rights.

Dated this 31st day of July 2003.

Signed:



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Donald Austin

President

For and on behalf of

Cable & Wireless (Barbados) Limited