

**WRITTEN STATEMENT OF ANDREW McGRATH
CABLE & WIRELESS PLC
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
March 21, 2002**

Good morning Chairwoman Kelly, Congressman Gutierrez, and members of the Subcommittee.

My name is Andrew McGrath. I am President of Cable & Wireless' Service Providers division. Cable & Wireless is a global provider of telecommunications services headquartered in the United Kingdom. Cable & Wireless, with annual revenues of \$11 billion, provides services ranging from local telephone service to Internet backbone and web-hosting services in more than 70 countries. Cable & Wireless has been in business for over one hundred years. It is well-financed and has no net debt. We are proud to have a substantial presence in the United States, where we provide IP and data services and solutions to business customers.

I have been with Cable & Wireless since 1991 and currently head the global group within Cable & Wireless that provides a broad range of services to carriers, ISPs, and content owners. I hold an engineering degree from Surrey University and an MBA from London Business School. I have been invited to appear today to address the Subcommittee's inquiry regarding telecommunications capacity transactions typically called infeasible rights of use or "IRUs."

The nature of the telecommunications industry makes it essential for carriers to contract with each other to provide services to their respective customers. It is not always cost effective for a carrier to build all aspects of its global network for its own exclusive use. It has been a long-established industry practice for carriers to interconnect with other carriers and to purchase network capacity from other carriers, either through leases or IRUs. Cable & Wireless has undertaken IRU purchases for the purpose of obtaining the network capacity necessary to support its customer requirements. Our internal governance policies are designed to ensure that, in each case, our acquisition of capacity serves a legitimate commercial need.

Cable & Wireless has also sold network capacity to other carriers. These IRU sales are a very small part of Cable & Wireless' business. At their peak, in the year ending March 31, 2001, such sales accounted for less than 5 percent of Cable & Wireless' revenues, and have since declined as carriers largely completed their network build-out programs.

In building its global network, Cable & Wireless has purchased capacity from several operators. A small proportion of these transactions has been with Global Crossing. As always, the network capacity we obtained through these transactions served specific commercial needs.

Cable & Wireless states its accounts in accordance with Generally Accepted Accounting Principles ("GAAP") as adopted in the United Kingdom, as it must do as a U.K. public limited company. As an additional disclosure, Cable & Wireless separately reports the amount of its IRU sales. Our accounting policies with regard to the treatment of such transactions are disclosed as part of our financial statements and are readily available to the public.

Because Cable & Wireless ADRs (American Depositary Receipts) trade on the New York Stock Exchange, it also discloses its financial results in SEC Form 20-F. For these purposes, Cable & Wireless states its results, including IRU transactions, in accordance with U.S. GAAP. A reconciliation of the net income under U.K. GAAP with that under U.S. GAAP is disclosed as part of our financial statements and is also readily available to the public.

Thank you for the opportunity to appear today. I welcome any questions from the members of the Subcommittee.