



Office of Utility Regulation

Media Release

Regulator announces next steps to introduce Mobile telephony competition in Guernsey

Regina Finn, Director General of Utility Regulation, today (19th April 2002) published a report setting out the next stages in the process for bringing competition to the mobile telephony market in Guernsey. The report follows a public consultation earlier this year on the future regulatory regime for the mobile telephony sector in Guernsey.

“The consultation was particularly focussed on finding out the views of parties interested in entering the Guernsey market”, said the Regulator, “and we were very pleased with the comments we received from those market players.”

She went on to say, “The responses have shown a level of interest in the market that has led to the decision to offer two distinct packages of radio spectrum for mobile services, meaning that at least one and possibly two new licensees could enter the market. The licences on offer will cover both third generation (3G) and second generation services (the equivalent of existing GSM services).”

Another important decision is how the licences will be awarded. The OUR will run a comparative selection competition or beauty contest, which will allow for the evaluation of applications on the grounds of the added value they bring to the telecoms sector in Guernsey and their provision of value for money, innovative, high quality services to telecoms users in Guernsey.

As Guernsey Telecoms (“GT”) already has a mobile telephony network licence and is providing second generation (2G) mobile services, there is a need to put measures in place to facilitate the entry of new competitors into the market and decisions in this area include the decision to allow new entrants to use the GT network for a limited period of time while they roll out their own networks.

The OUR hopes to see the development of strong network competition within this framework and so the report does not require network operators to allow non – network operators to access their networks, e.g. ISPs (“independent service providers”). However, this does not prevent operators entering into commercial agreements with ISPs if they so wish.

The Regulator said “My Office will be keeping this market under review and as the market develops we will ensure that the regulatory regime adapts to meet the needs of the market so that operators have the framework that allows them to provide the best deal to Guernsey consumers.”

The report sets out the next steps in this process including:

- The publication of a consultation paper on mobile telephony license conditions in May 2002;
- A call for interest to apply for licences later in the summer of 2002;
- The publication of an information memorandum for interested parties that will set out key prequalification criteria and a description of the rules of the comparative selection process; and
- New entrant licences issued by 1st April 2003.

The Regulator said, “Mobile communications are very important in the Guernsey economy where businesses need the flexibility to operate as part of their wider global business environment. It is essential that Guernsey stays at the forefront of technological innovation and service quality so that infrastructure and services underpinning the

Guernsey economy keep pace with, and even outstrip those in our competitor islands and economies. This is how Guernsey can keep its competitive edge.”

“Introducing competition into the mobile market will focus operators on innovating and maintaining high standards so as to meet customer needs”, she went on. “This report is part of the process to make that possible.”

The Report and Decision Notice is available on the OUR website – www.regutil.gg – or from the OUR office at Suite B1&B2, Hirzel Court, St Peter Port, Guernsey GY1 2NH, Tel 01481 711120.

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For further information contact the Office of Utility Regulation on 01481 711120

Additional Information for Editors

Guernsey Market

The Guernsey economy includes a sophisticated international financial business sector, for which telecommunications (fixed and mobile) forms an increasingly critical part of the infrastructure and trading environment, as well as an affluent residential customer base¹ and an active tourist industry. Combined with a committed strategy to encourage and support e-business, Guernsey's communications requirements are like to continue to grow in both quantity and sophistication. Opening the market up for competition will be a key contributor to ensuring that these requirements are met through innovative and cost-effective operation of telecommunications facilities in the Bailiwick.

Drivers for Review

The drivers of the Director General's review of Guernsey's mobile telecommunications sector include:

- The planned liberalisation of the mobile telecommunications market from 1st April 2003 and the need to foster competition within the market in order to maximise the benefits to consumers in terms of prices, innovation and quality of service;
- The need to have a fair and impartial way of deciding who should be allowed to use the frequency spectrum in Guernsey, thus ensuring a level playing field between new entrants and the existing incumbent;
- The need to maximise the efficient use of frequency spectrum in Guernsey as this is a finite and valuable resource in the building of Guernsey's telecommunications sector; and
- A desire to ensure that Guernsey keeps pace with international developments in the use of the frequency spectrum for telecommunications services.

¹ GDP per capita is STG£21,370; Source 2001 Economic and Statistics Review, available from States of Guernsey website www.gov.gg

Benefits of Competition

Given the importance of mobile telecommunications to the continuing success of Bailiwick's economy and the fact that the introduction of competition has proven internationally to be a successful means in increasing choice and quality as well as improving value for money in telecommunications, the Director General's decisions demonstrate her intention to create a regulatory framework which will facilitate the introduction of competition in Guernsey's mobile market.

The introduction of competition in general delivers a series of direct and indirect benefits to consumers and the economy alike. The absolute and relative size of such benefits will depend on the specific market conditions and the regulatory framework under which competition is introduced as well as the actions of market entrants. For example the Nordic countries were amongst the first to introduce competition in mobile markets in Europe and of the OECD area countries that is where penetration is highest² and correspondingly the cost of consumer mobile charges (non business users) are the lowest³.

Mobile Spectrum

The Director General's decision on spectrum packaging will permit access by two separate operators in the 3G spectrum range that are similar to those awarded to UK 3G licensees. This amount of spectrum should be sufficient to build and operate 3G networks providing coverage throughout Guernsey.

A package of 2G spectrum is also available that should be sufficient to enable a new operator to build and operate a 2G network in the 1800MHz range.

This presents an opportunity for operators to gain access to 2G and 3G spectrum in Guernsey which is strategically located within Europe.

² According to the OECD Communication Outlook 2001 the number of cellular mobile subscribers per 100 inhabitants in 1999 is highest in Finland, Iceland, Norway and Sweden – see figure 4.3, page 71

³ See figure 7.12, page 185 of the OECD Communications Outlook 2001.

Extract from the Report (Foreword by the Director General)

Not so long ago, mobile telephones were considered to be a gadget, a fad; and an annoying one at that. But already that sounds like a dated statement. Now, mobile telephones are an essential part of our lives, and before long we will all be struggling to explain to the children of today how anyone ever had use for a communications device that was stuck in one location, when we as human beings are always on the move.

Right now mobile telephony underpins the economy of Guernsey as well as its society in a way that we have in common with all of Western Europe and indeed most of the developed world. Businesses in Guernsey use mobile communications to operate as part of their wider global business networks, with employees able to work on the move and independent of their location. In our private lives, many of us have friends and family in the UK and elsewhere who use mobile telephones to keep in touch when travelling, and we co-ordinate our busy lives with our children, parents and friends increasingly by mobile. We can even see new forms of social communication being invented by the community that are using the technology daily – the most obvious example being the emergence of a whole new language based on text messaging.

With all this happening today, who knows what the future will bring – certainly data communications on the move, with internet access on mobiles being an application that is eagerly anticipated by many. What is important is that Guernsey keeps pace with these developments and stays at the forefront of technological innovation and development so that the economy and society of Guernsey maintains its position and reputation as a highly developed place to live and do business.

Competition between mobile operators provides the greatest incentive to innovate and provide high quality value for money services as operators strive to meet customer expectations. This paper sets out the next steps in opening the Guernsey mobile market to competition and I look forward to the contribution of the telecoms sector in Guernsey to developing a framework that will facilitate that industry in delivering on customer expectations.