



Office of Utility Regulation,
Suites B1 and B2,
Hirzel Court,
St Peter Port,
Guernsey,
GY1 2NH.

7th August 2008

For the attention of Mr John Curran - Director General

Dear John,

Guernsey Airtel Limited Response to the OUR Mobile Market Review

Further Competition is Good for Guernsey

Guernsey Airtel Limited fully supports broader and improved competition in the Guernsey mobile market and a relaxation of mobile market regulation.

Guernsey Airtel Limited maintain that real market competition can only be consistently and effectively delivered where there are three or more players in a market. This is still our view and thus we would have no objection in principle to the granting of new mobile licences and the entry of new mobile players.

Whilst we appreciate the relatively small size of the Guernsey market, we believe it can sustain multiple mobile operators and would reference similar sized jurisdictions worldwide where more than 3 mobile operators co-exist, for instance, Bermuda with 4 operators.

We concur with the view of Dotecon that new market entry should be a commercial decision and not a regulatory one. In the highly dynamic global mobile telecommunications arena with rapid evolution of mobile technology, then the Bailiwick of Guernsey must maintain an open and pragmatic view if it is ensure that Guernsey continues to have access to leading edge telecommunications services and products.

Level Playing Field is Critical to Nurture True and Sustained Competition

The introduction of additional competition has to be carefully considered and managed to ensure that all operators are treated fairly and equitably to produce a true "level playing field" that is the vital requirement to deliver effective and sustained market competition to the benefit of all consumers.

We believe the current Guernsey mobile market is far from equitable. We believe there is significant inequality between the existing operators which impedes competition and propagates monopolistic positions. In our opinion, inequality exists in :-

- Allocation of Mobile Spectrum
- Anti-competitive and artificial financial constraints, eg mobile termination charges

Fundamental Regulatory Change is Holistic and Should Be Comprehensive

We are concerned that the proposed OUR prioritization and timing to address the key market issues identified could actually deepen the competitive inequality between the existing operators, thereby limiting choice and pricing benefits to the consumer and unfairly boost existing market dominance.

The proposed liberalization of mobile market regulation is dramatic and has complex and far reaching implications to consumers and operators alike. The Mobile Market Review must carefully consider all aspects and drivers of competition in the Guernsey telecoms market to ensure the final outcome delivers sustainable improvement to the ability of all operators to enhance consumer choice, benefits and value.

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Sustained improvement to mobile competition cannot be delivered by spectrum liberalization in isolation and we firmly believe the mobile market review provides the OUR with the opportunity to make fundamental improvements in a number of key areas which would re-dress the apparent competitive imbalance between the mobile operators.

We believe that the proposal to streamline the decision process in this case from the proven three stage approach (Consultation, Draft Decision, Decision) would be inadvisable. Sacrificing the Draft Decision consultation step is inappropriate in view of the potential benefits and implications to long-term competition in the Guernsey mobile market of the outcome of this review. We believe it is important that Draft Decision stage is maintained to ensure the integrity and credibility of the final decision by allowing interested parties the opportunity to review the consultation responses and comment on the corresponding OUR assessment and justification behind the proposed decision.

When Guernsey Airtel Limited was granted 2G/3G licences in September 2006, there was an understanding that Guernsey Airtel would have three years to establish their Guernsey business before further competition was considered for the Guernsey mobile market. The period for establishing the Guernsey Airtel business has been significantly reduced by the very serious planning approval issues Guernsey Airtel faced in rolling out its Guernsey network. Additionally, Guernsey Airtel would point out that we already made significant concessions, namely :-

- Supported the bringing forward the review of the wisdom of a further 3G licence in Guernsey by 12 months
- Proactively progressed site sharing to roll-out its network, (but in doing so has incurred serious cost penalties)

We are committed to supporting the mobile market review to ensure that it not only positively relaxes mobile market regulation for the discernable promotion of sustainable competition, but effectively addresses key areas of inequality..

We would like to comment on the specific issues/ areas raised in the OUR paper as follows :-

Mobile Spectrum Review/ Audit - Academic or Useful Exercise?

In the initial Guernsey Airtel initial response, we believed that an audit of Spectrum would not be of immediate direct assistance to the fledgling Guernsey Airtel business since significant resources and investment has been committed in building the 2G/3G network around the OFCOM allocated 2G/ GSM 1800 Mhz and 3G/UMTS 2100Mhz spectrum bands, which is sufficient for our immediate requirements.

However, it is very clear that the historic evolution of spectrum allocation in Guernsey has created a dramatic misalignment between the existing operators - both in the quantity and bands of spectrum allocated. Further allocation of spectrum in isolation of other market drivers could have very serious consequences on future competition within the Guernsey mobile market.

All GSM spectrum on the 900Mhz spectrum has been allocated to the incumbent operator Cable & Wireless. Whereas there is significant spare capacity in the 1800Mhz GSM and 2100Mhz UMTS spectrums allocated to Guernsey Airtel and Wave Telecom.

The current allocation of spectrum in Guernsey is clearly unequal and unfair. When Guernsey Airtel entered the Guernsey mobile market, we were not given the opportunity to deliver 2G services via the 900Mhz spectrum since this had been allocated in its entirety to the incumbent, Cable & Wireless. We understand that the other recent entrant was in a similar position and hence as a consequence, the 2GGSM coverage of the incumbent, is superior to of the 2G coverage of both the recent entrant operators on their allocated 1800Mhz spectrum despite both Guernsey Airtel and Wave Telecom making significant investments to build new networks with greater number of sites than the incumbent. The difference in coverage can be explained by the difference in coverage/reach between the 900Mhz and 1800Mhz frequencies.

Should the OUR progress with the proposal to modify the existing licences to be technology neutral, we believe there are two spectrum allocation options open to the OUR to enable all the operators to offer 3G services :-

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- Allow Cable & Wireless to deliver 3G via the 900Mhz spectrum.
- Allocate Cable & Wireless 2100Mhz spectrum to deliver 3G

Delivery of 3G services via the 900Mhz spectrum has potential operational, logistical and competitive implications which we will outline later in our response.

Allocating the incumbent some spare 2100Mhz spectrum in isolation of realigning existing spectrum arrangements we believe is blatantly unfair and will further the existing inequality in spectrum allocation. For future new and recent market entrants such as Guernsey Airtel, access to the 900Mhz spectrum for delivery of GSM services has major operational and competitive advantages in terms of improving network coverage/ quality and reducing network investments.

We understand that Cable & Wireless have been allocated the full 25Mhz of the available 900Mhz spectrum, whereas Guernsey Airtel have been allocated only 5 Mhz of the available 1800Mhz spectrum and 10 Mhz of the available 2100Mhz spectrum. Clearly this reinforces the current inequality in spectrum allocation and we believe that spectrum allocations should be realigned equally across all spectrum bands for all operators.

Guernsey Airtel would welcome access to the 900Mhz to enable us to optimize the GSM coverage of our Guernsey network. We can integrate GSM service delivery over both 900Mhz and 1800Mhz spectrums to enhance network coverage and reduce the number of additional sites required to complete our Guernsey network.

We welcome the proposal to commission an independent audit of spectrum allocation and use in the Guernsey mobile arena.

However, we would object to the unilateral allocation of new 3G spectrum in the 2100Mhz band, unless there was a corresponding re-allocation of 900Mhz spectrum and equalisation of total spectrums allocated for use by the recent entrant operators and potential new market entrants.

Technology Neutral Licences

This appears to be a logical and straightforward solution to align the existing 3 operators in Guernsey and create a level playing field across the 2G and 3G services in time for the launch of Mobile Number Portability on 01 December 2008.

As already discussed, by modifying the existing operator licences to be technology neutral allows the OUR to authorize the incumbent to deliver 3G/UMTS services by allocating spare spectrum from the 2100Mhz band or to use its existing 900Mhz for 3G.

This step could allow the incumbent to :-

- Rapidly enter the 3G marketplace by updating their existing network infrastructure without the need for extensive network expansion
- Minimise the need for additional mobile phone sites/ masts thereby limiting the impact on the Guernsey environment
- Provide further competition and choice to the market leading Guernsey Airtel Limited 3G product range

However, we believe that this change could have serious implications on future competition within both the mobile and broader telecoms markets in Guernsey, by reinforcing the imbalance between the existing operators and the market dominance of the incumbent Cable & Wireless, because :-

- Their 3G network investment would potentially be a fraction of that that spent by both recent entrants thus reinforcing the inequality in fiscal position and recovery of network investment
- They retain the existing artificial financial barriers which fuel commercial inequality, namely high Mobile Termination Rates and premium site share rates. Both these cost drivers impede competitive access to the majority customer base and the optimization of cross network tariffs

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- Inequality in 3G competitive positions could enable the incumbent to reinforce their market dominance. This enhanced dominance could also be used to protect a dominant position in the fixed line broadband market from the threat of effective competition from mobile broadband products.

Aside from the potential impact on competition of enabling the incumbent to deliver 3G services using the 900 Mhz spectrum, there are some key operational and logistical implications to consider :-

- 3G/ UMTS delivery over 900Mhz requires specific handsets capable of handling this frequency band. Currently, most operators deliver 3G/UMTS services over the 2100Mhz spectrum and thus most handsets available in the market are 2100Mhz enabled and not 900MHz enabled. Thus availability and choice of 900 Mhz handsets could be an issue in the short-medium term. The 2100Mhz and 900Mhz handsets are not interchangeable and thus a customer wishing to port from 900Mhz to 2100Mhz service will be required to change their handset. This could be viewed as a constraint to porting and impede freedom of choice for the Guernsey consumer.
- Roaming flexibility and choice for customers could be compromised since it would not be possible to offer seamless roaming between Guernsey and Jersey (where one island operates 3G/UMTS at 2100Mhz and the other operates at 900Mhz) and within overseas jurisdictions whose networks operate 3G/UMTS at 2100Mhz

In principle, we do not object to the existing licences to be modified to be technology neutral and for the incumbent to be allowed to provide 3G/UMTS services via the 900Mhz or 2100Mhz spectrums. We support the modified licence text proposed by the OUR. But such changes should be contingent on fundamental changes being implemented to the mobile commercial model in Guernsey to create a true level playing field between the different operators and enable the new entrants to compete fairly and truly challenge the incumbent's market dominance.

Fair Cost of Future Licences ?

Linked to the licence modification is the question of the licence fee that the incumbent should be charged for the ability to provide 3G services. We agree with Dotecon's recommendations that future spectrum/ licences should be adjudicated/ allocated using an Auction approach. However, in the case of allowing the incumbent to offer 3G/ UMTS, an auction process would not be appropriate. Alternately, the incumbent could be charged the same licence fee as the recent entrant operators or charged a premium to reflect and address the difference in relative 3G/UMTS network investment costs between the operators. In our view, penalizing the incumbent by inflating the relative cost of their 3G licence may increase the revenues for the States of Guernsey, but it does little to enhance competition, redress the imbalance between the operators and improve value for the Guernsey consumer.

We would propose that licence amendments are aligned to corresponding changes to key drivers propagate the market dominance of Cable & Wireless and the commercial disparity between the operators:-

- Mobile Termination Rates are radically reviewed and reduced ahead of the launch of Mobile Number Portability to enable both Guernsey Airtel Limited and Wave Telecom redress the Cable and Wireless's On-Net cost advantage and provide Cable and Wireless's majority customer base with improved freedom of choice, in terms of products and packages. Potentially, the OUR could consider implementing radical changes to mobile termination rates, such as those adopted in other jurisdictions, ie Asymmetric Mobile Termination Rates, Sender Keeps All etc
- Site sharing charges are urgently reviewed to be brought in line with UK and external market rates

Mobile Termination Rates (MTRs) are an Artificial Barrier to Price Competition

The impact of the 2006 MTR review has had a positive benefit by directly reducing call charges to Guernsey consumers, but in our view there is scope to make very significant further reductions now. We do not agree that MTRs should not be considered as part of this review and we believe that because of the direct influence of MTR on competitive equality, the mobile review should include a fundamental review of actual cost of terminating mobile calls in Guernsey.

It is clear from the OUR's own consultants' findings that despite the entry of new competitors into the Guernsey market, the incumbent operator has retained its dominant position in the mobile sector and its mobile business continues to

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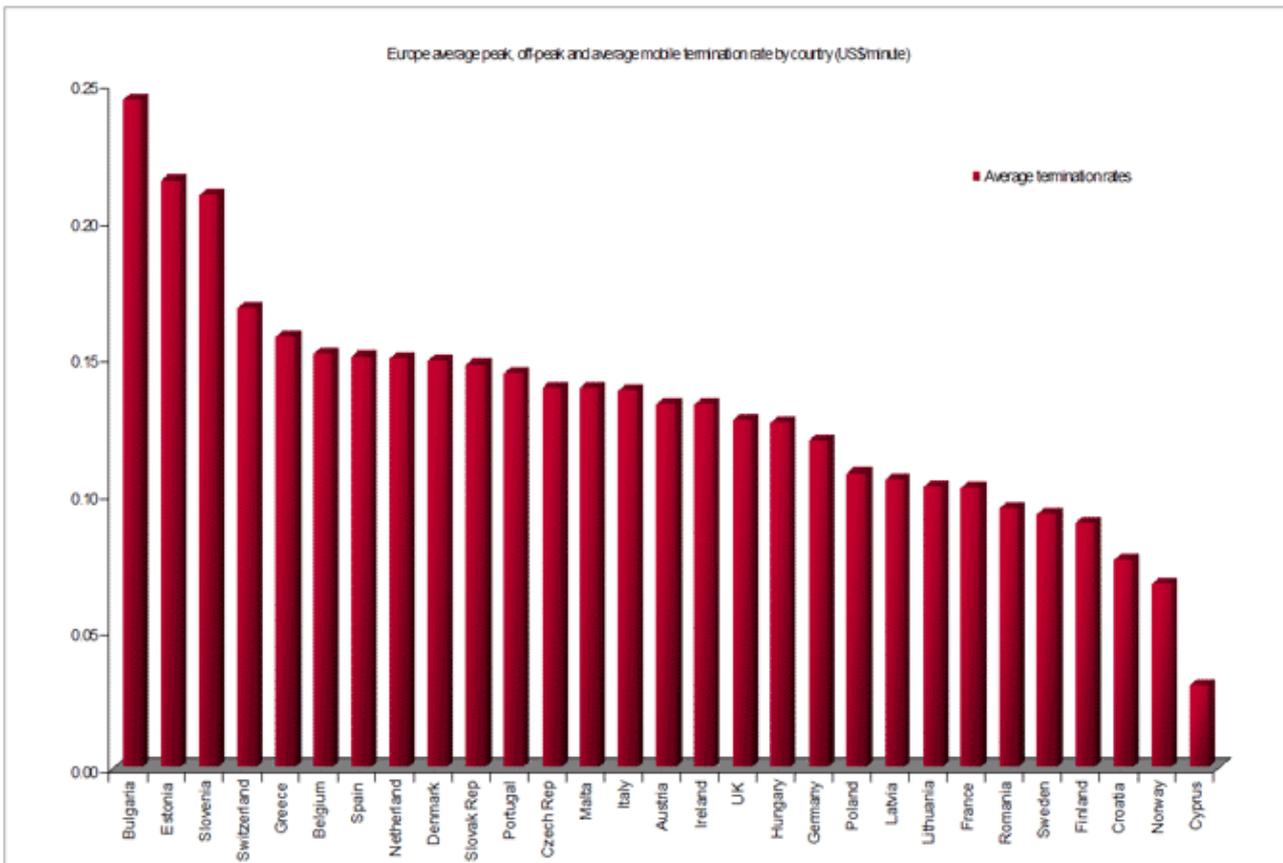
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generate returns significantly ahead of global market best practice. We would argue that lack of portability is only part of the story, Equally, artificially high MTRs not only boost the incumbent operators' revenues, they weaken the ability of new entrant operators to gain market share since their cross network package pricing is artificially constrained by the MTR inflation of Off- Net traffic costs to the incumbent operator's majority customer base.

Mobile Termination Rates are a subject of much debate within the global mobile industry. European MTRs are accepted to be amongst the highest in the world and there is significant pressure being applied by the European and UK regulatory authorities to significantly reduce current MTR levels across Europe.

The chart below presents average MTR charges across Europe, from independent research completed in 2007. Current Guernsey MTR would equate to nearly \$0.14 per minute, placing Guernsey MTRs above the European average.



For instance, in Cyprus, a similar jurisdiction to the Channel Islands, Mobile Termination Rates are approximately a quarter of the Guernsey rate, 1.5 ppm in Cyprus compared to 6.75 ppm in Guernsey.

OFCOM view decisive regulatory intervention in the MTR arena as a key role and mechanism in maintaining a level playing field between the UK mobile operators and driving prices down to the benefit of the UK consumers. Currently, UK average MTRs are already lower than the Guernsey rate and OFCOM have used differential MTRs to enhance the level playing field between established and new entrant operators and 2G and 3G services. Currently, UK MTR for calls on established 900Mhz networks is discounted to 5.63ppm and a premium applied to calls on new entrant 1800Mhz networks at 6.31ppm. OFCOM's rationale for directing a pricing differential between established and new entrant operators was :-

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"In June 2004 Ofcom concluded that mobile network operators are able to control the cost of connecting others to their network and that regulation was required to protect consumers from excessive prices,"

In 2007, OFCOM issued plans to further reduce UK MTRs over the next 4 years to deliver further value to UK competitors by mandating 2G and 3G operators to implementing a new 5.3 ppm MTR.

We believe that the current Mobile Termination Rates do not reflect the actual cost of terminating mobile traffic and that a fundamental review of the actual costs of terminating mobile calls (both variable and fixed costs) and the appropriate approaches to establishing true equality between the incumbent and recent entrant operators be undertaken urgently, to ensure that true call pricing competition is available to support the launch of Mobile Number Portability.

Additionally, we believe the OUR should seriously consider implementing asymmetrical MTR in the Guernsey market to facilitate more attractive cross-network tariffs/ packages for consumers, improve competitive access to the bulk of consumers and re-align the clear inequality in recovery of network investments between operators.

Site Sharing - Protecting the Guernsey Environment and Leveling the Competitive Playing Field

Guernsey Airtel fully supports and endorse site sharing in Guernsey. We have made it clear that we are committed to bringing world class mobile telecommunications products and services to the Guernsey consumer as well as conserving the unique and special Guernsey environment.

Since Guernsey Airtel entered the Guernsey market, our commitment has seen site sharing rates between the operators double within a year. Currently, 27 of our 35 sites across the Bailiwick of Guernsey are co-located or shared. At 77% our site sharing rates are by far the highest in the market.

Additionally, Guernsey Airtel have committed to and built all their new Greenfield/ standalone sites with the future capability to be shared with existing and new entrant operators. We have worked closely with the Environment Department, site providers and local communities to ensure our sites have minimal adverse impact on the environment.

We appreciate the very significant improvements that have been driven by the OUR and Environment Department to promote site sharing and we have actively supported the establishment of an operators' code of best practice. However, we are disappointed in the progress made with developing the code of practice and believe there is renewed spirit of engagement between the operators, so the time is right to re-launch the Code of Practice initiative and we would welcome the OUR's leadership and direct involvement.

In principle, Guernsey Airtel support the concept of a single mobile telecoms backbone network. This concept would go a long way to balancing the economic and consumer demands for highly competitive world class mobile telecommunications products and services, with conserving the Guernsey environment. Operationally, we believe the existing and future new entrants can collaborate operationally to support the backbone principal yet compete effectively to offer Guernsey consumers the choice, quality and value they demand. However, migrating towards a single backbone network is a long-term and complex journey, with a variety of critical issues to address and overcome, including :-

- Spectrum inequality
- Introduction of new technologies and infrastructure
- Excessive site sharing rates
- Maintenance/ management charging and responsibilities
- Antennae priority
- Backhaul arrangements
- Recovery of existing and future investments
- Disparate and complex site access and licencing arrangements etc

Guernsey Airtel would welcome the opportunity to be actively involved in the discussions to develop a future telecoms development framework. We would recommend that this is open forum, involving the operators and other interested

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parties as well as the Environment Department and Commerce and Employment. By creating an open and positive engagement framework, the telecoms industry and the States can actively demonstrate the willingness and collaboration to ensure the future interests of Guernsey are protected. The re-engagement to progress the Operator code of best practice could be just one positive and readily identifiable output of the broader framework discussions.

In our view the immediate success factors and drivers to optimize site sharing are :-

- Equal access to spectrum - Frequency parity between operators increases the opportunities to share sites and optimize network coverage with minimal new site build
- Reasonable and simple site sharing processes and agreements - maintain positive collaboration between operators, ensures clear understanding of responsibilities and effective operational engagement
- Realistic site sharing rates - Currently site sharing rates are excessive and are used to penalize, tax and constrain new entrants and distort competition.

Excessive site sharing charges - An unfair barrier to delaying and constraining competition

Guernsey Airtel does not believe that the site sharing review should be separate from the mobile market review.

It is evident that the current excessive site sharing rates in Guernsey have been an effective financial penalty to new entrants. The fact that the site sharing rates have not changed on the sites that Guernsey Airtel is sharing with both Cable and Wireless and Wave Telecom, underlies the anti-competitive nature of the current commercial approach to site sharing.

To roll-out the Guernsey network, Guernsey Airtel has been forced to accept excessive site sharing rates and blatantly one-sided and unfair legal terms, which normal business practice would reject. However, to meet the regulatory timescales, Guernsey Airtel reluctantly accepted these arrangements, but now we are keen to ensure this competitive barrier is finally addressed.

Currently Guernsey Airtel has site sharing arrangements on 5 Cable & Wireless locations and 7 Wave Telecom locations. Site sharing processes with the two competitors are different, complex and time-consuming. The only area of consistency is the site sharing rates which use the same exorbitant rate card - surely duopolistic behaviour. In our view, based on actual operational and rental costs, the site sharing rates should be no more than one-third of the current rates.

From our recent benchmarking research, the current site sharing rates imposed by both Cable & Wireless and Wave in Guernsey are nearly double the current rates agreed between the UK operators and between 60%-90% higher than current Guernsey rates charged by other parties, such as Arqiva and National Grid Wireless.

Typically, when compared to the average site sharing rates agreed between UK mobile operators, the site sharing rates imposed on Guernsey Airtel by our competitors mean that we are being charged a premium of between £6500 and £17000 per site per annum. We estimate that Guernsey Airtel is incurring an additional penalty of around £140,000 per annum from the rates imposed by its competitors. This is clearly a significant cost to our business which we view as an unfair "burden" on competition and as such constrains our ability to compete and deliver additional value to the Guernsey consumer and market.

From our research into the approach to site sharing amongst UK mobile operators, it is evident that historically, UK mobile operators have maintained site share rates artificially high to not only deter new market entrants but also bolster network revenues. However, recently there has been a change of heart in the UK mobile market to move from inflated site share rentals to the more appropriate actual cost-based rental charging.

Historically, UK site sharing agreements have been governed by the 1999 agreement which was signed by all parties. However, each UK operator has recently set up separate bilateral agreements with individual operators which are replacing the 1999 agreement.

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Typically, for an average ground based site, overall rental charges in the UK have been around £10,000 per annum. However, under the new actual cost based approach, typified by the recent agreement between Vodafone and Orange, annual rentals have been slashed to £5,500 per annum. This compares to comparable Guernsey site share rates that Guernsey Airtel is forced to incur of around £17,000 per annum, or 3 times the revised UK rates!

There is clearly a very strong justification to investigate and revise existing Guernsey site sharing rates to the benefits of all parties, especially the Guernsey consumer. Guernsey Airtel is committed to sharing all its new Greenfield sites and has publicly stated that it is not in the business of exploiting its network infrastructure but will build its business on offering leading edge products that consumers want, at market leading prices. Consequently, the Guernsey Airtel propose to break the current monopoly by implementing site sharing rates that are a fraction of the those enforced by our competitors and which truly reflect the actual cost of site sharing.

We would strongly recommend the OUR include a review of site sharing costs within the Mobile Market Review framework and any proposal for licence modification and spectrum allocation is conditional on all operators radically lowering site sharing charges and simplifying their approach to site sharing.

Aligning and Strengthening Mobile Operators Commitments to Protect the Guernsey Environment

Guernsey Airtel included in its original tender submission for the Guernsey 3G and 3G licences a number of commitments to safeguard the impact of its operations on the Guernsey environment and to engage in open dialogue with inhabitants and interested parties on its environmental performance and key environmental aspects of mobile telecoms technologies and operations. These commitments were not made lightly and over the past 18 months since entering the market, Guernsey Airtel has consistently shown its commitment to minimize the environmental impact of its operations and to engage openly and honestly with the Guernsey population, since environmental awareness is key element of our business strategy and ethos, But more importantly, we believe there is genuine public interest in the environmental impact of mobile telecommunications operations on the Bailiwick..

Environmental openness and integrity should not be the exclusive preserve of Guernsey Airtel, but is an opportunity for the industry, all the operators, the OUR and the States, to show a united front and work together to ensure the Guernsey environment is not compromised by telecommunications operations now and in the future.

From media and political reaction over the past 12 months, public concern over health and environmental issues impacts the whole industry, but as the new entrant, Guernsey Airtel has been at forefront of public scrutiny, which we have accepted as a key responsibility of providing telecommunications services to the Bailiwick.

Whilst we have no issue with carrying the mantle of environmental responsibility, we would much rather the telecommunications industry as a whole was united in this area.

We believe through the mobile market review and the proposed telecommunications development framework, now is the time for the industry as a whole to work together to improve the profile of the mobile arena which is now a key element of most inhabitants daily lives, by collaborating to protect the Guernsey environment and to educate and support the broader community, promoting areas including :-.

- Health and Safety/ Emissions
- Safe and responsible mobile phone use
- Coordinated approach to handset recycling
- Promoting the use of mobile telecommunications for good and public causes
- Reduction in the Guernsey carbon footprint, ie paperless billing/ communications, working portability to reduce unnecessary journeys etc

Modifying the other operators's licences as part of the mobile market review to include the Guernsey Airtel environmental clauses would be a positive and simple change, but one that could generate immediate benefits in terms of equality, industry profile, unity and collaboration. However, should the OUR wish not to introduce these clauses to the other

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licenses then we would wish to address the apparent inequality and have the relevant clauses removed from our licences as regulated obligations, We would however continue to promote our environmental husbandry as an element of our business strategy.

With regard to the debate on whether Guernsey needs multiple telephone directories, I am pleased to confirm that Guernsey Airtel has no intention to produce its own separate directory. We agree that it is not the regulatory responsibility for the OUR to formally intervene in this matter. However, we do believe the OUR should mediate a solution between Cable & Wireless and Wave Telecom, since it is unacceptable from an environmental perspective to condone the unnecessary waste generated by the publication of two separate directories. The current situation unnecessarily harms the public image and credibility of the telecommunications industry.

The ideal solution would be for the directory to be licensed to a 3rd party not linked to any operator. Failing that the broader telecommunications industry on Guernsey to collaborate on a single directory, the profits from which could be either apportioned or more appropriately donated to good causes across the Bailiwick. Guernsey Airtel will be pleased to support such an initiative.

Price Notifications - An Unfair Burden or Not

Both the Guernsey Airtel 2G and 3G licences include the equivalent price notification clauses as the incumbent's licencing. The difference is that Cable and Wireless are currently required to comply with this requirement since with in excess of 70% market share they have the dominant market position.

As outlined by the OUR's consultants' Dotecon, despite the entry of Wave Telecom and more latterly, Guernsey Airtel, the incumbent Cable & Wireless has maintained its decisive market dominant position in the mobile market and continues to reap the benefit of returns from its mobile business which are excessively higher than the global market norm. This position of dominance is further maintained by the inequality in 2G spectrum allocation, excessive MTRs and crippling site share rentals.

Price notification regulations are designed to curb the potential excesses and anti-competitive behavior of market dominating operators and thus in the case of the Guernsey mobile market, maintaining this control on the clearly dominant incumbent is very appropriate.

Guernsey Airtel recommends that Price Notification obligations are not removed from any operator's licences now or in the future. Guernsey Airtel makes the commitment that when it reaches a position which is viewed to be market dominant by the regulator, it will fully comply with the equivalent price notification obligations that will apply to the relevant products and services.

When does the Guernsey Mobile Market become saturated?

From an economic perspective, a market becomes saturated when new entrants believe it is not commercially viable to risk entry. Whilst Guernsey is a relatively small market in terms of physical size, it is a buoyant market and from the current returns being generated by the dominant incumbent, a lucrative market too. Thus, in economic terms, we do not believe the market has reached saturation and we see good opportunities to build a strong mobile business here in Guernsey, based on service quality, product value and choice.

The Guernsey Airtel view is that true competition can only be delivered by 3 or more operators and we see no reason to deviate from this position. This view is supported by numerous examples across the world of similar sized jurisdictions sustaining 3 or more mobile operators, ie Bermuda. We have already shown the positive competitive effect our entry has had on pricing and choice in the Guernsey market after only a very short period. We identify numerous opportunities to delivery dramatic improvements in competitive choice to the Guernsey consumer and look forward to rising to these challenges and establishing Guernsey Airtel as the consumer's champion.

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Thus, we concur with Dotecon's view that the Guernsey market should not be closed to new entrants and that new entrants should be free to consider entering Guernsey market based on commercial viability and not regulatory mandate.

Guernsey Airtel welcomes new entrants since these will bring fresh thinking, challenges and new technology which will maintain Guernsey's position at the forefront of mobile telecommunications excellence

However, the entry of future entrants must be carefully managed to integrate, align to and enhance the existing telecommunications operations to minimise the proliferation of growth of unnecessary network infrastructure. Thus, the development of a robust, sustainable and effective Guernsey telecommunications development framework is key and Guernsey Airtel looks forward to taking an active and leading role going forward.

MVNO (Mobile Virtual Network Operators) is a potential short-medium term solution that would allow the seamless introduction of future mobile competition with minimal environmental impact.

We trust our response, comments and recommendations meet with your approval and we look forward to having the opportunity to contribute in the further stages of the Guernsey Mobile Market Review.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'James Wild', with a horizontal line underneath.

James Wild
Head of Regulatory Affairs - Channel Islands
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