



COLT Telecommunications
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FOR THE ATTENTION OF THE EXECUTIVE DIRECTOR
Office of Utility Regulation
Suites B1 & B2
Hirzel Court
St Peter Port
Guernsey
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16th December 2005

COLT Telecommunications' expression of interest in radio spectrum for 3G mobile telephony services in Guernsey and comments on the procedure

Dear Sir,

I am writing to you on behalf of COLT Telecommunications, in response to your invitation for expressions of interest and comments regarding a tender process for licensing of a second 3G mobile network operator in Guernsey. COLT herewith wishes to express an interest in this available 3G licence. Should COLT be successful later on in obtaining the 3G licence, we would also like to make it clear that COLT would have a need for the potential 2G (GSM1800) licence.

Should COLT be successfully awarded with the available 3G licence, we would of course additionally apply to Ofcom for a Wireless Telegraphy licence in the Bailiwick of Guernsey in order to provide mobile services.

COLT would be interested in applying for the available licence(s) for the following reasons:

- Firstly, with the increasing trends towards fixed/mobile convergence, COLT is considering whether it is now appropriate to invest in mobile network operations, as well as continuing its substantial investment in fixed networks
- Secondly, the professional and financial services segments in the Channel Islands are core markets for COLT and would constitute an attractive opportunity for expansion of COLT's existing European footprint

In order to assist with the process, we have included some background information about COLT's evolution and market positioning.

COLT's history:



COLT was established in 1992 with the assistance of Fidelity Investments, one of the world's largest privately-held mutual fund and investment management companies, with assets under custody of approx. \$1.8 trillion. Fidelity remains COLT's majority shareholder (58.87% share).

COLT built its first 15 kilometres of fibre network in London in 1993 and during the following three years expanded its London network. Additionally, it set up services in major European cities, with local sales, service and support capabilities. From 1997-2001, COLT raised over £2bn of new capital to fund the construction of a 15,000km pan-European backbone network. COLT followed a clear, strategic path in the development of its network. This began with a dense, last-mile fibre network in London and continued in the other first-tier European cities. Once local networks were deployed, all COLT metro networks were connected over a wholly-owned backbone. COLT has predominantly built its own network and infrastructure. Only in a very few cases is the COLT backbone network reliant on elements leased from other carriers. In total, COLT has invested almost £3bn in creating its pan-European local and long-distance network.

COLT was very quickly involved in regulatory developments across Europe, notably participating in industry groups and trade associations, and forming close links with National Regulatory Authorities. COLT's first President and CEO, Paul Chisholm, was a founder of the UK OLO Group and the former UK Managing Director, Simon Vye, was President of the UK Competitive Telecommunications Association. COLT was part of the first wave of altnets to enter continental European markets as they liberalised.

COLT in 2005:

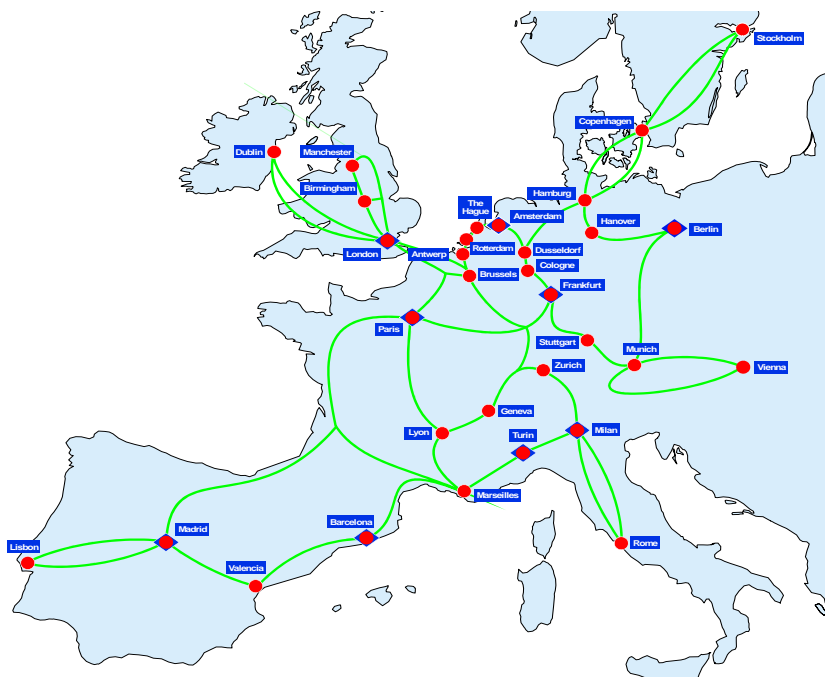
COLT is a leading pan-European provider of business communications services offering end-to-end network security, reliability and service. COLT has a growing customer base with more than 52,000 business customers - 42,000 of which are in the small/medium enterprise sector and 10,000 of which are in the corporate customer sector. COLT leads in a number of industry sectors, notably the professional services and the financial services segments, particularly relevant to the Guernsey telecoms market. COLT owns an integrated 20,000 kilometre network that directly connects 32 major cities in 13 countries, augmented with a further 42 points of presence across Europe and 12 Data Solution Centres.

The current CEO, Jean-Yves Charlier, was appointed in September 2004 and has put in place an enhanced set of strategic initiatives designed to re-establish COLT as an innovator. COLT also aims to be one of the top three players in each of the metropolitan markets in which it operates across Europe, taking the company forward into its next phase of profitable growth.

Countries in which COLT has network presence are:

Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Portugal Spain, Sweden, Switzerland and UK.

COLT's European network:



COLT has both technical and financial expertise, gained during comfortable and turbulent times in an ever-changing sector. Riding out the effects of dramatic market alterations – consolidation, mergers, the growth of the internet and the dotcom crash – over the past thirteen years has provided us with a good knowledge of telecoms developments and a sound strategy. Turnover for year ended 31st December 2004 was £1.2bn. Copies of COLT's annual accounts for 2004 are freely available at <http://www.colt.net>.

COLT Comments on Preliminary Tender Document

COLT is pleased to have the additional opportunity to comment on the proposals for the design of the competition:

Network and Service roll out:

In terms of rollout milestones, the preliminary tender document appears reasonable, both in terms of timing (commercial launch of service within 18 months of Licence Commencement date and service offered on all the main islands of the Bailiwick of Guernsey within 24 months) and in terms of coverage obligations (coverage of 80% of population by residence of the Bailiwick within five years of Licence Commencement date).

As the financing of 3G (but also 2G) networks is a crucial element of the commercial viability of a mobile venture in Guernsey it will become essential that licensed operators get the opportunity to site-share or build out joint networks.

Design of the Competition:

Since a main aim of the proposed licence allocation is to increase competition on the market, in a fair and even way, it is surprising to find there is only one 3G licence available in this process.

COLT agrees with the OUR that encouraging competition is extremely important, and therefore the introduction of new operators through a further 3G licence brings with it more opportunities to stimulate the mobile market, and to encourage innovation, research and development and growth.

Ofcom (in co-operation with the Jersey Competition Commission) is currently allocating 4 additional 3G and 2G licenses to new market entrants in Jersey. COLT strongly believes that having several operators on the market brings a stimulating market dynamic, maximising the consumer benefits and innovative advances. Potentially only having three operators present in the Bailiwick of Guernsey, or potentially even only two operators, should Cable and Wireless Guernsey be awarded the available 3G licence, would not bring the same promise into the mobile market. Given that available spectrum, geographical size, population distribution and overall profile are very similar in Jersey and Guernsey, COLT also recommends that the OUR should consider opening up mobile competition to a larger group of new market entrants.

Additional Measures:

Therefore, in terms of additional measures for improving competition, COLT would suggest that up to a maximum of three additional 3G and 2G licences could be made available to further increase competition potential.

I remain at your entire disposal for any questions, and I look forward to hearing from you soon.

Yours faithfully,

Robin Saphra
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