



Office of Utility Regulation

Carrier Pre-Selection and Number Portability within the Bailiwick of Guernsey

Report on the Consultation and Decision Notice

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CONTENTS

1.	INTRODUCTION.....	2
1.1.	CARRIER PRE-SELECTION	2
1.2.	NUMBER PORTABILITY.....	2
1.3.	CONSULTATION IN GUERNSEY	2
2.	STRUCTURE OF THIS REPORT	3
3.	BACKGROUND TO THIS CONSULTATION.....	4
4.	CARRIER PRESELECTION.....	5
4.1.	SCOPE OF CPS IN GUERNSEY	5
	Views of respondents	6
	DG's position	6
4.2.	TECHNICAL SOLUTIONS IN GUERNSEY	7
	Views of Respondents.....	7
	Views of the DG	7
4.3.	INDUSTRY WORKING GROUP	7
	Respondents Views	8
	Views of the DG	8
	Decision	9
5.	NUMBER PORTABILITY:.....	10
5.1.	SCOPE AND TECHNICAL ISSUES	10
	Views of respondents	10
	DG's position	11
5.2.	INDUSTRY WORKING GROUP	11
	Views of Respondents.....	11
	Views of the DG	11
	Decision	12
6.	CONCLUSION	13

1. Introduction

The development and promotion of effective and sustainable competition in the telecommunications market is one of the key objectives of the Guernsey regulatory regime that the Director General of Utility Regulation (“DG”) is required to balance. To meet objectives like this, regulatory authorities have generally sought to introduce specific measures that facilitate competitive entry and deliver benefits to consumers. Of particular importance in many jurisdictions are mechanisms that enable consumers to freely and easily choose the services of an alternative operator should they so wish. Such measures include Carrier Pre-Selection (CPS) and Number Portability (NP).

1.1. *Carrier Pre-Selection*

CPS is the facility that permits a consumer to decide in advance to use an operator other than the operator providing the access service to carry certain pre-defined categories of call, for example all international calls or all national and international calls. Once this decision has been made, and the necessary technical routing mechanism established, the consumer does not have to dial a routing prefix or follow any other procedure on a call by call basis to ensure that his calls are routed to the carrier of his choice.

A well defined CPS scheme can be a key enabler for effective competition in a liberalised telecommunications environment. CPS enables consumers to avail of telecommunications services best suited to their specific needs, particularly in terms of price, without the disincentive of additional dialling before each call. The existence of such services also brings pressure on the incumbent operator to lower prices, reduce their cost base and introduce new services more quickly, thus bringing the benefits of competition to all consumers.

1.2. *Number Portability*

NP allows a customer of telecoms operator to change to an alternative operator while still retaining their existing telephone number. If a customer can keep their telephone number when changing operator, they avoid a number of costs associated with a number change and thus reduce their own costs and inconvenience of switching telecoms operator. Those costs can be significant particularly for business users, as letter heads may need to be changed, customers notified and so on. As a consequence, the lower the switching costs of changing operators to the customer, the easier it is for alternative service providers to gain customers and the further competition and market entry are promoted.

NP on fixed telecommunications networks may also help to promote competition and maximise the benefits of a competitive telecommunications market for consumers.

1.3. *Consultation in Guernsey*

Last year, the Director General (DG) published a consultation paper¹ which sought the views of interested parties on whether there is demand for these measures in the Guernsey market and if so what further steps should be taken. There is considerable experience in other markets with both these solutions, in particular in Europe where

¹ Document OUR 04/05

they have been mandated by the European Commission. There is also, as a consequence, considerable experience of the scale and nature of work required to successfully implement either of these options.

Three responses to the consultation paper were received from:

- Cable & Wireless Guernsey;
- Wave Telecom; and
- Newtel (Guernsey) Ltd

The Director General wishes to thank respondents for their contributions. In line with OUR standard practice, with the exception of any responses marked as confidential, written comments are available for inspection at the OUR's office and are also published on the OUR's website www.regutil.gg.

This document reports on the consultation and provides a review of the experience from other countries with CPS and NP. It also sets out the DG's further proposals for both measures.

2. Structure of this Report

This paper is structured as follows:

- Section 3 outlines the background to the consultation and details the discussions held with licensed operators to-date;
- Sections 4 reports on the consultation on CPS and the DGs conclusions on this measure;
- Sections 5 reports on the consultation on NP and the DGs conclusions on NP; and
- Section 6 sets out the conclusion and next steps.

3. Background to this Consultation

In July 2002, Guernsey Telecom (now Cable & Wireless Guernsey – C&WG) published its first Reference Offer for Interconnection and Access (the RO). The RO, which had been approved by the OUR as being consistent with C&WG's licence requirements, focussed on the minimum, and basic, set of services needed by OLOs to enable them to enter the market.

A further review of the RO was carried out in August 2003 and a number of new services were identified as being worthy of further consideration for inclusion in the RO. In a report published November 2003², the DG noted that there was general support for new competition enhancing measures, specifically CPS and NP, but there was a divergence of opinion on the priority with which they should be introduced. The DG concluded that these services should be subject to further analysis and consultation.

Both CPS and NP exist in a number of other countries and there is a range of different product specifications and technical implementations. The OUR carried out a further more detailed review of those specifications and implementations in various countries to help to identify what solution might suit Guernsey. The OUR also consulted with operators in the market in early 2004 to gain further insight into the potential demand for these services. This included gaining a full understanding of:

- the scale of demand for the services, i.e. how many customers might avail of CPS or NP were it introduced (this could affect the suitability of different technical solutions for the services); and
- C&WG's technical and operational capabilities in relation to the various options for implementing CPS and NP in Guernsey.

Throughout this process, it has been noted that the market in Guernsey is relatively small when compared with most other markets in Europe. In view of this it is important that any measures adopted in Guernsey are proportionate to the level of demand, that the services are configured so as to maximise the benefits, and that associated costs are kept at a level proportionate to any such benefits.

² Document OUR 03/32

4. Carrier PreSelection

Customers in Guernsey can currently choose to use an alternative operator to C&WG to carry their calls. Wave Telecom provides a Carrier Selection (“CS”) service whereby customers can choose, on a call by call basis, to have their call carried by Wave instead of by C&WG, by dialing a five digit prefix before the call. CPS is a further evolution of this service, but in the case of CPS, the customer does not have to dial the five digit prefix for each call. Both of these services are described in detail in the original consultation document OUR 04/05.

The OUR’s consultation focused on the possible demand for this service, the practical implication issues associated with its implementation and the likely costs and potential benefits that may be gained from mandating such services.

In OUR 04/05, the Director General outlined in some detail how the service has been introduced in other markets, the different technical solutions that have been used to facilitate its introduction and the degree to which it has been taken up as a service by end-users. The DG also wished to consider specifically, given the particular issues that Guernsey faces, how any CPS solution could be tailored for this market and whether CPS should be mandated at this time.

The DG wished to assess the degree to which operators plans for the introduction of CPS had developed, the scope of the services and the manner, from a technical perspective, in which it could be introduced.

The general question of what the net benefit from introducing CPS would be was raised in response to the consultation. As was stated in the consultation the incremental consumer benefits from CPS over CS fall into three categories:

- the potential savings for those customers who use CPS to change suppliers (in addition to those using CS);
- the potential savings for all customers, including those of the incumbent and those using alternative operators, through increased price competition brought about by the introduction of CPS; and
- cost savings resulting from not having to dial extra digits and the reduction in mis-dialling associated with CS.

These benefits must be balanced against the costs of introducing CPS, including the technical and administrative costs faced by all operators. The consultation paper did not seek to quantify Guernsey specific costs not least because costs will be dependent on a preferred solution. This will be addressed at a later date once further work on the technical options has been considered.

4.1. Scope of CPS in Guernsey

CPS services have generally evolved to a stage where consumers can opt to take all calls from one supplier, including local, national and international calls. The DG had

proposed that any initial CPS offering in Guernsey should include the following call categories:

- International calls only, where a customer could opt to use a specific operator for just their international calls, and remain with the incumbent for all other calls;
- National calls only, where a customer would opt to have calls to UK, Isle of Man and Jersey fixed and mobile numbers carried by an alternative operator; and
- All calls, where a customer would chose to have calls to fixed and mobile numbers within the Bailiwick, national calls, international calls and calls to non-geographic numbers with the UK numbering scheme all carried by the alternative operator.

Views of respondents

C&WG expressed concern that if baskets for international and national calls were introduced, this would lead to ‘cherry picking’ of particular classes of customers. It expressed concern about the impact that this may have on its business as C&WG, as the incumbent, could be left with what it describes as loss making exchange line rental and calls to services such as the internet. It argued that a single call basket would be most appropriate as it would, inter alia, reduce the cost of implementation, reduce confusion in certain customer segments and spread the benefits more widely.

Both Wave and Newtel agreed with the basket options proposed.

DG’s position

The DG has noted respondents’ comments. With regard to the comment on customer confusion, international evidence clearly points to the fact that customers – residential and business - are both capable of and willing to making choices between the CPS options described in the consultation paper. The DG does not consider that customers would be confused by having three options and does not consider alleged customer inability to cope as a reason for reducing customer choice.

With regard to “cherry picking” and the suggestion that the incumbent would only retain loss making services, the DG notes that while incumbents generally favour this argument, it has not proven to be the case. In any event, through its submissions into price regulation work streams, C&WG can ensure that it prices services so as to cover efficient costs such that this will not be a concern and it can compete with other operators to retain customers based on service and price.

On the issue of simplifying implementation, C&WG has not provided any reason as to why implementation would be significantly simpler or cheaper without the various options. The DG notes that technical and operational implementation issues were not consulted on and further consideration will be required before any final view can be reached on this matter.

Finally, C&WG has not supported its statement that reducing customer choice would spread the benefits more widely.

The DG therefore believes that, subject to further discussions on the technical issues, a CPS regime where all three baskets are available to customers would be appropriate for Guernsey.

4.2. Technical Solutions in Guernsey

The OUR set out details of a number of potentially viable technical options for implementing CPS in Guernsey, including;

- A pre-dialler based solution similar to the interim CPS solution adopted in the UK;
- Upgrades to C&WG's System-X switches to offer CPS capability; and
- A switch-based solution which does not use the standard System X upgrade.

Views of Respondents

Respondents' views differed on these potential implementation options. Wave Telecom advocated a two-stage process, using pre-diallers initially and then if numbers justified it, moving to a switch based solution. Newtel supports a switch based solution as it does not believe a pre-dialler solution is desirable for Guernsey.

C&WG does not favour the pre-dialler option as it believes this may give rise to quality of service issues. It expressed concern with regard to the level of work – and resultant cost – associated with any switch based solution and identified a number of areas where existing services may be impacted – such as call forwarding and ring back when free. It also expressed views on the scale of ancillary work – besides modifications to its switches – that would possibly need to be undertaken.

Views of the DG

The DG believes that all three options discussed in the consultation paper are realistic options for Guernsey, subject to more detailed discussions between operators on the technical matters raised in the consultation paper. The DG recognises that this is one of the most fundamental issues in determining whether, and if so when, CPS may be mandated in Guernsey. Clearly a significant amount of work is required to be undertaken by all parties before a clearer picture is available and before all parties can commit to further implementation.

The DG therefore believes that the working group, referred to below, should be required to consider and report on these matters.

4.3. Industry Working Group

Because of the technical matters related to the introduction of CPS (and NP discussed later), the DG believes it is vital that operators have ownership and are involved in the detail of any CPS solution that may be mandated for Guernsey. The DG proposed that an industry Working Group may offer the most effective means of investigating the technical options for implementing CPS in Guernsey and proposed an outline scope of the work of such a group which could encompass the following issues:

- Investigation and documentation of available technical means of implementing CPS in Guernsey;
- Review of pros and cons of each technical option covered;
- Estimate approximate costs of implementing each technical option; and
- Recommendation of technical CPS solution for Guernsey.

The DG sought operators' views on this proposal and on the scope and timing of the work of any such group.

Respondents Views

Wave Telecom believed that a working group should be formed as part of the ongoing development of telecoms industry in Guernsey and should be open to all licensed operators and representative groups of end-users. It believes that the OUR should only intervene in such a group where agreement cannot be reached but that the industry group should not be as a surrogate for fair and firm regulation.

Newtel agreed also with the formation of such a group but believed that OUR participation would be of value. It agreed with the scope of work outlined in the consultation and envisaged a two month timeframe for the group's initial work.

C&WG disagreed with the formation of any industry group as it believes the development of any CPS offering is a matter for C&WG alone. It has concerns that participation in any working group may involve other licensed operators having access to highly confidential information about the C&WG network, information systems and operational capability.

C&WG also expressed concern that participation in such a group would divert management and resources away from the provision of services to customers. It further believes that no work on this area should proceed until the OUR undertakes a full cost benefit analysis.

Views of the DG

Industry working groups on matters which have a large degree of technical detail and involve the need for operators to develop inter-operator processes and procedures are the norm in most countries and operators are generally well able to function in this fashion. Indeed the development of CPS in other countries has made use of this approach to good effect and the DG believes it is entirely appropriate that Guernsey operators develop a similar approach and co-operate for the benefit of the market and customers.

The DG does not agree that the development of CPS is a matter for C&WG alone. In fact, C&WG has no knowledge of the needs of other operators, how their systems are designed and how the practical implementation issues identified in OUR 04/05 can work without the views and involvement of OLOs. Further an incumbent has no incentive to ensure that the timeframe within which such matters are resolved are kept as short as possible. Finally, with a single operator developing a solution in isolation there is a grave danger that the final solution will be unusable for other operators, or

cost more than the operators would be willing to pay, thus incurring a cost without any benefit whatsoever.

The DG does not accept C&WG's concerns about access to confidential material. C&WG is in a unique position. It has visibility of its entire network. Other operators requiring access to that network to offer competing services do not. It is important in the interest of developing competition that a degree of visibility of the incumbent network be provided. It will be necessary for OLOs to have a degree of insight into the way in which C&WG's wholesale business operates and its processes and systems. This proposal is no different than that which happens in any other market at this stage of liberalisation and are in fact, just an extension of the exchange of network information that is necessary between operators to make interconnection work.

The DG has also noted Wave's proposal on the make-up of the working group. While recognising that user groups have a useful role to play, the DG believes that participation of users in a working group that is designed to address a technical matter such as CPS would not be advantageous at this time.

Decision

The DG therefore intends to establish an industry working group which shall:

- involve all operators interested in the introduction of CPS;
- have as its initial scope of work, the matters set out in Document OUR 04/05 and repeated earlier in this section;
- specify any additional issues it wishes to investigate; and
- report to the OUR to assist in the evaluation of whether to mandate CPS in Guernsey.

The working group will be invited to hold a meeting on 6th April 2005 – which the OUR shall facilitate. The DG believes it is important that operators commit appropriate resources to this forum in order to ensure that outputs and reports to the DG contribute to the further consideration of CPS for Guernsey. Thereafter the DG expects the group to establish its own working arrangements and to report to the OUR by 30th June 2005.

5. Number Portability

The original consultation document (OUR 04/05) on NP focused on ‘fixed operator portability’, whereby a customer of a fixed network can port its number from one access operator to another, when they change the access operator (i.e. the customer keeps their telephone numbers when switching their business between telecoms operators).

Like CPS, NP has been implemented in a number of countries which have liberalised their telecommunications markets, as the need to change telephone numbers is considered a considerable barrier to switching suppliers for both residential and business users. Changing numbers can cause inconvenience for private customers and significant costs for business customers including potential lost business or reprinting of stationary.

The DG wished to assess further the degree to which there is demand for, and interest in the provision of a fixed NP service in Guernsey. The consultation paper identified a number of means by which this service could be implemented and sought the views of interested parties.

The following three key technical solutions were described in more detail in Document OUR 04/05 to illustrate the options available:

- Using an IN-based solution with a centralised database;
- Using data-decode; and
- Using simple call forwarding.

5.1. *Scope and Technical Issues*

The OUR outlined their views on the potential demand and possible technical solutions for the introduction of NP in Guernsey. The OUR’s ongoing informal consultation with all licensed operators in Guernsey suggests that the market for fixed NP in Guernsey could be confined to business users. Competing operators may construct direct connections to such customers or use C&WG leased lines to connect the customers to their own networks.

Again, the DG noted that any NP solution in Guernsey should be scaled to meet demand, but should be scoped such as to ensure it could port business lines with DDI functionality, hunt groups and other characteristics of business lines. It may also be desirable to consider the porting of number ranges allocated to larger business users.

Views of respondents

All three respondents agreed with the scope of NP for Guernsey. Wave believes it is important as a longer term measure and that the implementation of NP should be proportionate to the size of the Guernsey market. C&WG also noted that NP should be reciprocal, if introduced and should be non-discriminatory.

There was further agreement that an IN based solution was not appropriate for Guernsey at this time. Wave suggested that Guernsey may be able to integrate with

the UK central number database and commented that if this was developed, Guernsey could feasibly be added to it.

Both Wave and Newtel believed that the other two options – call drop-back and call forwarding – may be suitable options for Guernsey, though less enthusiasm was shown for call forwarding.

C&WG highlighted that the call drop-back option would require software upgrades to its switches and that there would be extra conveyance costs. It also noted that simple call forwarding may cause routing inefficiencies, and hence extra conveyance costs, and may require investment in incremental capacity in the network

DG's position

The DG is pleased that there is general agreement on the scope of any NP service and a broad consensus on the technical options for implementing NP. He believes therefore that the most appropriate means of moving forward consideration of NP is through the industry working group referred to earlier.

5.2. Industry Working Group

As with the implementation of CPS, the DG proposed that an industry working group would be an appropriate forum to investigate and examine the implementation of NP further.

The consultation document proposed that an industry Working Group be set up to evaluate the possible technical NP platforms for Guernsey, e.g. call drop-back and simple forwarding as described above. A suggested mandate of this Working Group was provided as follows:

- Investigation and documentation of the technical options for implementing NP in Guernsey;
- Review of pros and cons of each technical options covered;
- Estimate approximate costs of implementing each technical option; and
- Recommendation of technical NP solution for Guernsey.

Views of Respondents

All operators supported the proposal that an industry working group may be the best means of moving forward with the further consideration of this issue. C&WG did identify that there may be resource issues for operators in covering two technical working groups should they be run in parallel and identified certain other matters that such a group may need to consider.

Views of the DG

The DG welcomes the general support for the further investigation of NP in Guernsey through an industry working group and that there is also general agreement on the scope of its work.

Decision

The DG considers that the most appropriate means of moving forward consideration of NP is through an industry working group. However, the DG is also aware of the resource constraints that all operators face in contributing to such a group and considers it essential that the all operators commit appropriately skilled people so that the consideration of the group can be as thorough as possible.

Therefore the DG proposes/intends to establish an industry working group which shall:

- involve all operators interested in the introduction of fixed NP;
- have as its initial scope of work, the matters set out in Document OUR 04/05 and repeated earlier in this section;
- specify any additional issues it wishes to investigate; and
- report to the OUR to assist in the evaluation of whether to mandate NP in Guernsey.

The working group is expected to hold a meeting on 13th July 2005 – following the conclusion of the CPS working group referred to above, and report its findings to the Director General by 31st October 2005.

6. Conclusion

The promotion of further competition in the telecommunications sector in Guernsey is one of the key objectives of the legislative regime enacted by the States of Guernsey in October 2001. The introduction of CPS and NP into Guernsey could potentially support that objective by providing greater customer choice and reducing barriers to customers switching between operators.

The DG is appreciative of the involvement of all operators in the consideration of these issues and looks forward to the operators working together to engage positively in the discussion on the introduction of competition enhancing measures so as to ensure that the outcome is viable and suitable for the Guernsey environment.

The DG will consider the outputs from the working groups at the earliest opportunity with a view to progressing these matters further in line with the expectations of operators and consumers.

/ Ends