



COMMENTS ON

OUR DOCUMENT 08/14

**MOBILE MARKET REVIEW: CONSULTATION ON
FURTHER DEVELOPMENT OF THE MOBILE
MARKET**

8TH AUGUST 2008

1 INTRODUCTION

The OUR has issued Consultation Document OUR 08/14 entitled "Mobile Market Review: Consultation on Further Development of the Mobile Market".

Wave Telecom ("Wave") welcomes the opportunity of responding to this consultation and looks forward to working with the OUR and the other mobile operators to conclude the issues raised in the consultation.

2 EXECUTIVE SUMMARY

- 2.1 Mobile Termination Rates ("MTRs") - Guernsey MTRs were reviewed by the OUR at the end of 2006 which resulted in the rates being significantly reduced to a maximum target average MTR of 6.75ppm. The MTR rates are set for a period of three years from 1st April 2007 until 31st March 2010 when they will be reviewed again. European and UK rates are set to come down in that time which will allow Guernsey rates to be benchmarked against the new rates and Wave are of the opinion that bringing the review forward is of no real benefit at this time.
- 2.2 C&WG's Mobile Interconnect - The current method of interconnecting with C&WG's mobile network adds unnecessary costs for OLOs. Wave would like to see this inequality addressed and the C&WG Reference Offer reviewed.
- 2.3 Site Sharing/Environmental Concerns - Wave has invested significantly in the infrastructure required to operate a 2G and 3G mobile network in the Bailiwick of Guernsey. Its investment has been based on the most efficient and effective network construction methods available to it. Wave would require the OUR to provide further details on what it envisages by a shared "single backbone network" and would like to understand the benefits that operators would gain and the costs that would be incurred.
- 2.4 Spectrum Review and Liberalisation in Guernsey - Wave supports the DG's approach to spectrum liberalisation and agrees that removing the spectrum restriction on its technology use by effectively making it technology neutral is a sensible approach for the future. A thorough spectrum review will allow the OUR to make its decision based on a full understanding of existing spectrum usage and will allow an informed view as to what bands of 900MHz spectrum currently used by C&WG would be of best use to the other mobile operators.

3 COMMENTS ON THE CONSULTATION

3.1 Mobile Termination Rates ("MTRs")

When MTRs were reviewed at the end of 2006 the assessment of the rates charged indicated that Guernsey MTRs were at the top end of rates charged in the 31 countries benchmarked by the OUR. The DG's direction to impose a maximum target average MTR of 6.75ppm significantly brought down these rates. However, the result of Ofcom's MTR review and final decision will bring the MTRs of Vodafone, 02, Orange and T-Mobile in the UK down to 5.1ppm by the end of the price control period 31st March 2011 and H3G down to 5.9 ppm by 31st March 2011. It is also likely that European MTRs will also come down in the same period.

The OUR has two options when setting MTR rates: either base them on benchmarked rates or set them based on each operators cost. Consideration

also has to be given to the size of the mobile operators in the Guernsey market and the lack of the benefits of economies of scale when bench marking against European and UK mobile operators rates.

As MTRs are due to be reviewed again by the OUR towards the end of 2009, which is effectively only one year away, Wave believe that bringing a review forward is of no real benefit at this time and will only bring uncertainty in the market .

3.1.1 On-Island Transit

Wave previously raised an issue in its response to the “Draft MTR Decision Paper 06/19” regarding its mobile interconnect with Cable and Wireless Guernsey (“C&WG”). In his Final Decision Paper the DG stated “should any licensee have specific concerns on this matter (C&WG transit charges for accessing C&WG’s fixed network before termination on C&WG’s mobile network) they may wish to provide further details to this Office.” This issue still exists and Wave is taking the opportunity of the Mobile Market Review to raise the issue again and detail how this effects mobile networks that interconnect with C&WG to terminate traffic on C&WG’s mobile network.

Due to historical reasons C&WG’s Reference Offer (“RO”) is structured as a fixed network interconnect. Consequently, to interconnect at the mobile level it is necessary to transit the C&WG fixed network which incurs a transit charge as follows:-

Peak 0.248 ppm
 Off-Peak 0.189 ppm

This therefore increases the effective termination rate that OLO networks pay to terminate mobile traffic on C&WG’s network as they pay a mobile termination rate plus an on-island transit rate.

The termination rates payable are illustrated below:-

	C&WG MTR (ppm)	Fixed to Mobile Transit Rate (ppm)	Total Termination Charged by C&WG (ppm)
Day	7.83	0.248	8.078
Evening	6.12	0.189	6.309
Weekend	4.24	0.189	4.429

	Wave MTR (ppm)	Airtel MTR (ppm)
Day	8.71	7.83
Evening	5.13	6.12

Weekend	4.99	4.24
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This situation does not create a level playing field in the Guernsey mobile market and Wave believe that C&WG should not charge a fixed transit rate for calls that terminate on its mobile network. Wave is not aware of any other mobile operator who charges a fixed mobile transit. This certainly is not the case in Jersey where mobile calls transit the Jersey Telecom fixed network to terminate on its mobile network however no transit is charged just the mobile termination rate. The current method of interconnect adds unnecessary costs for OLOs.

Wave would like to see this inequality addressed and the C&WG Reference Offer reviewed.

3.2 Site Sharing/Environmental Concerns and the Proposed Development of a Single 'Backbone' Network

Wave has invested significantly in the infrastructure required to operate a 2G and 3G mobile network in the Bailiwick of Guernsey. Its investment has been based on the most efficient and effective network construction methods available to it taking into consideration the spectrum it has allocated and the most cost effective way of connecting its sites. It is noteworthy to mention that Wave, like Airtel, have made and are in the process of making further considerable infrastructure investments based on the current state of play in Guernsey whereas C&WG's major network investment has not been as recent. Wave would require the OUR to provide further details on what it envisages by a shared "single backbone network" and would like to understand the benefits that operators would gain and the costs that would be incurred. If after proper consultation and consideration, a "single backbone network" is deemed to be the best way forward for telecommunications in Guernsey, Wave would like to see consideration given to how the new entrants might be compensated for their loss of network investment.

3.3 Site Sharing Charges

Wave has no specific comments to make on this issue but is willing to discuss a standard rate card if agreed by all parties.

3.4 Removal of Price Notifications

Wave supports the DG's view that C&WG's current obligation to notify any price changes should remain and will comment in more detail in response to the planned licence texts review.

3.5 Technology Neutral Licences

Wave supports the DG's view that all three operators licences are changed to enable them to have non-service specific licences and agrees with the proposed definition of "Licensed Mobile Telecommunications Services".

3.6 Review of Mobile Spectrum

Wave acknowledges that spectrum is a scarce resource and should be managed wisely. In light of the OUR's proposal to require C&WG to surrender 2 x 5MHz of 900MHz spectrum it would be wise to carry out a spectrum review in advance of any agreement to move forward with this proposal. A thorough spectrum review will allow the OUR to make its decision based on a full understanding of existing spectrum usage and will allow an informed view as to what bands of 900MHz

spectrum would be of best use to the other mobile operators in light of the Channel Island Frequency Sharing Plan which was created with involvement of Ofcom, Jersey Telecom, Guernsey Telecom and the French Agence Nationale de Frequences (copies attached).

3.7 Spectrum Liberalisation in Guernsey

Wave supports the DG's approach to spectrum liberalisation and agrees that removing the spectrum restriction on its technology use by effectively making it technology neutral is a sensible approach for the future. On that basis, Wave would assume that future technology such as LTE (i.e. 4G services) could be provided using any spectrum frequency.

Wave notes the OUR's suggestion that C&WG could be asked to surrender 2 x 5MHz of 900MHz spectrum. There is no specification in the consultation document on whether the 2 x 5MHz of spectrum is paired. Wave would like clarification on this point. The consultation does not detail whether the OUR plan to provide the surrendered spectrum to the other mobile operators or if it intends to auction the 2 x 5MHz of 900MHz spectrum.

Wave supports this approach in as far as 900MHz spectrum provides increased coverage compared to 1800 MHz and 2100 MHz and provides the advantage of being able to roll out a network without as many cell sites as 900MHz giving greater reach and in-building coverage. This effectively allows network build for a lower capital expenditure. The point here is that C&WG have already reaped the benefits from its 900 MHz spectrum allocation in its 2G mobile network and with a technology neutral licence it would be set to benefit from this spectrum range again in the roll out of 3G services. New entrant operators, Wave and Airtel, have invested considerable sums in constructing their networks based on the frequencies available to them at the time and have spent in excess of what would have been necessary if 900 MHz spectrum was usable. There appears to be no short-term benefits for Wave in the acquisition of spectrum in 900 MHz range, as its network investment is already a sunk cost.

If the DG's proposal is accepted, C&WG ironically, will benefit from not having applied for a licence in the first instance and its failed attempt the second time around. A 3G network roll out utilising existing 900 MHz spectrum will be possible at a much lower cost than the other Guernsey mobile operators. On that basis, does the DG have a view to how the new entrants should be compensated for the lack of a "3G level playing field"?

Wave recommends that C&WG should pay a fee for the right to have a 3G licence as both Wave and Airtel paid £250,000 each for the right to a 3G licence. However, in light of the points made above, Wave sees that there may be merit in the OUR charging C&WG £250,000 for its right to a 3G licence and then paying that fee back to Airtel and Wave in the sum of £125,000 each as compensation for the fact that C&WG will have a lower cost than the other Guernsey mobile operators in rolling out its 3G mobile network.

3.8 Consultation Process

Wave is happy for the OUR to shorten its consultation process, for the purposes of this consultation, and move straight to a final decision following a review of any comments received from interested parties.