



Office of Utility Regulation

Competition for Mobile Telecommunications Licences

Information Memorandum

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Office of Utility Regulation
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1. Introduction

1.1. Purpose of the Information Memorandum

This Memorandum provides information to all interested parties about the licensing process in the Bailiwick of Guernsey for the award of two third generation mobile telecommunications licences (“3G Licences”) and one second generation mobile telecommunications licence (“2G Licence”), together known as the Mobile Telecommunications Licences.

1.2. Consultation with Interested Parties

In preparation for running this competition the Director General of Utility Regulation for the States of Guernsey (“the Director General”) carried out a series of consultations to which interested parties were invited to respond. The most recent such consultation paper was Document OUR 02/21¹ and the closing date for comments on this paper was Friday 16th August 2002. The Director General would like to thank parties who responded to that consultation. She has considered all relevant views as well as such other issues as she considers appropriate in finalising this competitive process.

1.3. Details of the Competition

Selection of the successful applicants for the available licences will be carried out by means of an open competition and a comparative selection process also known and referred to as a beauty contest. The Director General has appointed Andersen Management International A/S (“AMI”) of Copenhagen to act as advisers to the Office of Utility Regulation (“OUR”) in relation to the preparation and running of the competition.

Successful applicants will be granted a licence to establish, operate and maintain a 3G mobile telecommunications network and to provide 3G mobile telecommunications services in the Bailiwick of Guernsey². Successful applicants will also require a Wireless Telegraphy (“WT”) licence which they must obtain from the Radiocommunications Agency (“RA”) in the UK in order to use frequency spectrum.

In addition, a successful applicant for a 3G Licence may, upon request and subject to demonstrable need, also obtain the right to establish, operate and maintain a 2G mobile telecommunications network and to provide 2G mobile telecommunications services on the basis of GSM1800 spectrum which is immediately available. Should a successful applicant be interested in using additional or alternative 2G spectrum the Director General will be prepared to consider this after the conclusion of this competition.

This document summarises some of the most important aspects of the competition only. In case of inconsistencies, the Tender Document takes precedence over this Information Memorandum. This Information Memorandum does not constitute legal, technical or

¹ OUR Document 02/21 Competition for Mobile Telecommunication Licences, Response to Consultation, Call for Expressions of Interest and Call for Comments on the Preliminary Tender Document.

² Pursuant to Section 2(1) of the Telecommunications (Bailiwick of Guernsey) Law, 2001.

commercial advice; the Director General is not bound by this document and may amend it from time to time. This document is without prejudice to the legal position or the rights and duties of the Director General to regulate the market generally.

Full details of the process are contained in the Tender Document (see below).

1.4. Request for Tender Documents

Requests for the Tender Document must be accompanied by a non-refundable, crossed bank cheque of £5,000 made payable to the Director General of Utility Regulation.

All requests for the final tender documentation should be submitted by registered mail to:

Andersen Management International A/S Kristianiagade 7 DK-2100 Copenhagen DENMARK
Att: Henriette Francati
Phone: +45 35 46 46 22; Fax: +45 35 46 47 22 E-mail: henriette.francati@andersen-management.dk

Upon purchase of the Tender Document, potential applicants must register and submit details of a contact person. All correspondence between the OUR and the potential applicant will be through the designated contact person (or his/her substitute). Upon registration, the contact person will be provided with a user name and password to be used for accessing a secure Internet web site set up for the purpose of the competition.

For the avoidance of doubt, whilst the registration and purchase of the Tender Document are prerequisites for participation in the competition, there are no further obligations associated with the purchase of the document.

1.5. Timetable

An overview of key milestones in the course of the competition process is provided below:

Date	Event
30 August, 2002	Launch of competition – tender document is available for purchase
28 October, 2002	Deadline for submission of questions relating to the tender document
29 November, 2002	Deadline for submission of applications
1 March, 2003	Tentative date for announcement of the result of the tender
1 April, 2003	Earliest date for the grant of licences

The Director General reserves the right to alter the above timetable.

1.6. Structure

The rest of this paper is structured as follows:

- Section 2:** presents the key drivers and objectives of the competition for the award of Mobile Telecommunications Licenses;
- Section 3:** describes the main characteristics of the Bailiwick of Guernsey and the market for mobile services;
- Section 4:** provides an overview of the applicable regulatory and legal framework for the competition; and
- Section 5:** describes the competition design and licence framework.

2. Competition Drivers and Objectives

The drivers of this competition for the award of Mobile Telecommunications Licences include:

- The planned liberalisation of the Bailiwick of Guernsey's 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 within the Bailiwick of Guernsey, thus ensuring a level playing field between new entrants and the existing incumbent; and
- A desire to ensure that the Bailiwick of Guernsey keeps pace with international developments in the use of the frequency spectrum for high quality mobile telecommunications services with coverage throughout the Bailiwick.

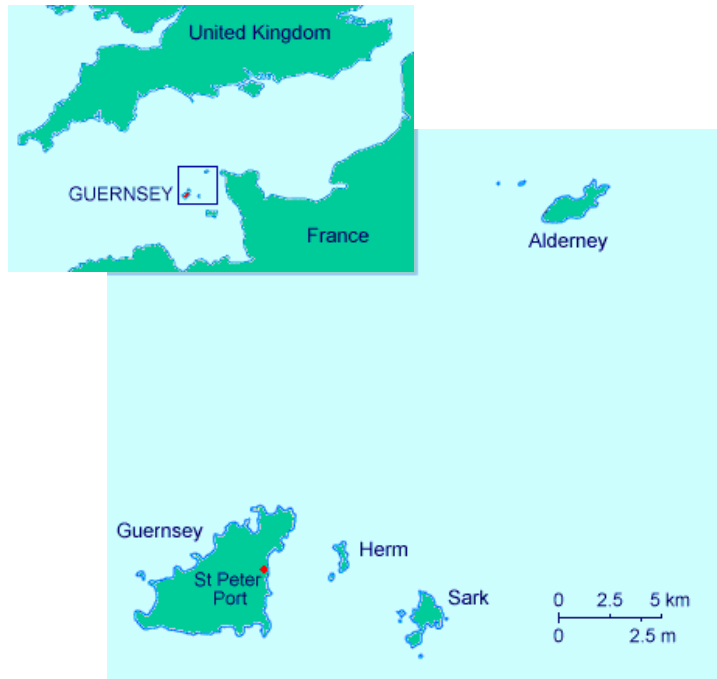
Having regard to the general duties of the Director General as set out in section 2 of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001, the overall objective of the Director General in running this competition is to ensure the best in price, choice and quality services for consumers within the Bailiwick of Guernsey consistent with a vibrant sustainable telecommunications sector. In order to achieve this, the competition is designed to meet the following principal objectives:

- the successful introduction of sustainable mobile telephony competition in the Bailiwick of Guernsey by licensing two operators to provide 3G mobile telecommunications networks and services and licensing additional 2G services and networks; and
- the creation of a level playing field between the incumbent and any new entrant network operator in the Bailiwick of Guernsey's mobile market to facilitate competition and thereby promote consumer choice.

3. Market for Mobile Services in the Bailiwick of Guernsey

This section provides a brief introduction to the Bailiwick of Guernsey, a small, yet sophisticated high growth economy in Western Europe³.

3.1. Geography



Although together with the Bailiwick of Jersey, the two Bailiwicks are referred to as the Channel Islands, they are actually located in the Gulf of St Malo, 48 km north-west of France. The Bailiwick of Guernsey covers an area of 127 km² comprising the main islands of Guernsey, Alderney, Herm, Sark, and number of other smaller islands.

The island of Guernsey itself is 96 km south west of England and about 42 km west of Northern France. It is about 19 km long, 14 km wide and is divided into 10 parishes. The climate is temperate and level

terrain is predominant with low hills in the southwest of the island.

Alderney is the most northern of the Channel Islands, 14 km from France and the closest of the islands to England and access is primarily by air.

Herm is an island just off St Peter Port in Guernsey, about 20 minutes by the regular ferry service. It is 2 km long by 1 km wide. Sark lies nearly 13 km east of Guernsey. Access is by sea as there is no airport on the island.

3.2. Population

The Bailiwick of Guernsey has a population of 62,101⁴, predominantly in the 15-64 year-old age group (about 2/3 of the population). The annual population growth rate is positive.

More than 95% of the population live on the island of Guernsey where the population density approaches 1,000 people per km² (2,500 people per square mile).

³ For further general information about the Bailiwick of Guernsey, please visit <http://www.gov.gg/>

⁴ 2001 Baliwick of Guernsey Census interim results available at http://www.gov.gg/census/pdfs/First_Release.pdf

The size of the labour force is approximately 32,000 with an unemployment rate of below 1%.

3.3. Government

The Bailiwick of Guernsey, comprising the islands of Guernsey, Alderney, Sark, Herm, Jethou, Brecqhou and Lihou, is part of the British Isles but independent of the United Kingdom. As a crown dependency, the Bailiwick has its own government body known as the States of Deliberation which legislates at insular and local level on all matters, including the raising and expenditure of taxes. Guernsey is not a member of the EU, but benefits from an attractive trading relationship. Hence, the States of Guernsey has full powers to develop its individual legislation and policies.

The official language is English and the Pound Sterling is used in parallel to the locally circulated Guernsey Pound (which is tied directly to the Pound Sterling) issued by the Guernsey Treasury.

3.4. Economy

The GDP growth rate has traditionally been strong within the Bailiwick of Guernsey. In 2000, the GDP amounted to an estimated £1,254 million (£20,193 per capita) and the real GDP growth rate was as high as 8.1%⁵.

While in the mid 20th century the main growth drivers were tourism and horticulture, over the past 20 years the rapid development and growth in the financial sector has generated an average annual real GDP growth rate in excess of 3.6%. In recent years, the sector has contributed to approximately 50% of the total GDP. As a result of this investment, the Bailiwick of Guernsey is today a leading offshore finance centre providing a variety of finance sector services such as banking, insurance, asset management etc. with more than twenty international banks having a presence on the island.

This vibrant banking business sector together with an active tourist industry on the island, attracted 421,000 visitors in 2000⁶ including over 50,000 business travellers staying on average 1.9 nights per visit. Visitors to the Bailiwick of Guernsey rely on mobile communications to stay in touch for business as well as personal reasons and represent a significant business opportunity over and above the local population. Also, the relatively wealthy residential and business communities resident in the Bailiwick of Guernsey demand high quality value added telecommunications services.

Thus although the absolute size of the population will constrain the size of the local mobile telephony market within the Bailiwick of Guernsey (in terms of revenue), the presence of a vibrant internationally focused banking community, is likely to generate significant fixed and mobile business opportunities in its own right. It also contributes indirectly through the local support infrastructure for businesses supplying services to the

⁵ Estimated by the Bailiwick of Guernsey Economics and Statistics Unit

⁶ States of Guernsey, Advisory and Finance Committee, 2001 Economics & Statistics Review

banking sector, including general business services as well as the hotel and catering sector.

Key Economic Indicators of Guernsey	
Size of country	127km ²
Size of population ⁷	62,101
Guernsey GDP ⁸ (2000 estimate)	£1,254m
GDP per capita ⁵ (2000 estimate)	£20,193
Real GDP growth ⁵ (2000 estimate)	8.1%
Inflation (change in Retail Price Index, June 2002)	3.3%
VAT	0%
Corporate tax rate	20%

Neither value added tax nor capital gains tax is levied within the Bailiwick of Guernsey. Since 1960, companies and individuals have paid a flat income tax at the rate of 20%.

Currently, the inflation rate tends to run at one percentage point above that of the UK. This is primarily due to a combination of growth in local housing prices and the relatively higher costs of labour for the large financial sector compared to less knowledge-intensive industries in the UK mainland.

3.5. Telecommunications

The incumbent operator, Guernsey Telecoms Limited (“GT”), currently dominates all areas of the telecommunications market in the Bailiwick, which is now being opened up to competition. In May 2000, the global telecommunications group Cable & Wireless acquired 100% of GT from the States⁹. GT's monopoly will be gradually revoked during the remainder of 2002 in the fixed services and networks markets and from 1 April 2003 the mobile market will be open to competition and GT will have no remaining exclusive rights.

Key Mobile Indicators of Guernsey¹⁰	
Mobile subscribers (April 30, 2002)	32,756
Mobile penetration rate (April 30, 2002)	56%
Yearly growth	36%

GT operates a GSM system, using frequency spectrum in the 900 MHz range. GSM

mobile services were first introduced in 1996 on a postpaid basis. A prepaid service was launched in 2000. By end of April 2002, the GSM penetration reached approximately 56%¹¹. As the current mobile penetration rate is relatively low compared with many Western European economies there is scope for increasing the number of subscribers and the associated revenues. The existing 2G subscribers have demonstrated readiness for data communications through a strong uptake of SMS.

⁷ 2001 Bailiwick of Guernsey Census interim results available at http://www.gov.gg/census/pdfs/First_Release.pdf

⁸ 2001 Economic & Statistics Review

⁹ Cable & Wireless announced on 28 August 2002 that GT would be renamed Cable and Wireless Guernsey with effect from 30 September 2002.

¹⁰ Source: *Baskerville Mobile Communications*, issue 329, April 2002

¹¹ Source: *Baskerville Mobile Communications*, issue 329, April 2002

In summary, 3G technology readiness is high within the Bailiwick of Guernsey. Combined with a healthy economy, high population density, a growing telecommunications market and independent regulation, the Bailiwick of Guernsey constitutes an attractive market opportunity for potential investors in a 3G licence.

4. Regulatory and Legal Framework

4.1. The Office Of Utility Regulation

On 1 October 2001, the States of Guernsey introduced a legislative package for telecommunications designed to:

- ensure that Guernsey's consumers receive the best in terms of price, choice and quality of telecommunications services, and
- ensure that the Bailiwick has a vibrant, innovative and sustainable telecommunications sector.

The new legislation created the OUR and charges the Director General of Utility Regulation with a wide range of functions and duties. Under the Regulation of

The Office of Utility Regulation

The Office of Utility Regulation (the OUR) is the regulatory agency for the three utility sectors of telecommunications, post and electricity in Guernsey. Established in 2001 under the Regulation (Bailiwick of Guernsey) Law, 2001 and headed up by a States appointed Director General, Ms Regina Finn, the Office's functions are governed by legislation on each of the three different sectors.

The strategic aims of the OUR are:

- To ensure that consumers receive the best value, choice and access to high quality utility services.
- To ensure that the Bailiwick of Guernsey has vibrant, sustainable utility sectors capable of maintaining pace with global developments and thereby contributing to the economic and social well-being of the islands.

Guernsey's utility sectors are facing into a change process as they transform themselves to cope with the demands of a 21st century economy. This is vital if Guernsey is to continue to compete successfully with its neighbours and maintain its position as a vibrant and attractive place to do business. It is also necessary if the people of the Bailiwick are to have the same standard and service as other advanced western European jurisdictions.

The OUR has been set up in response to these changes and the new regulatory framework is designed to facilitate the transformation process in the utilities sector, protecting and promoting both the interests of consumers and the overall economy of the Bailiwick.

Find out more about OUR and Guernsey's regulatory framework for telecommunications at www.regutil.gg

Telecommunications (Bailiwick of Guernsey) Law, 2001 the office has the responsibility for licensing of telecommunications operators as well as managing the liberalisation of the telecommunications market. The OUR will achieve this by encouraging best practice in the telecommunications sector, while giving new operators access to the existing network within realistic timescales and at realistic costs. Ultimately the main beneficiary of this process is the consumer.

Having regard to the general duties of the Director General set out in section 2 of the Telecommunications (Bailiwick of Guernsey) Law 2001 and subject to the provisions of any States' Directions, the Director General may grant a licence authorising any person to establish, operate and

maintain a telecommunications network; or to provide telecommunications services of any class or description specified in the licence. Section 3(1) of the Telecommunications Law describes the Director General's responsibilities for publishing details of the

procedures to be followed and the criteria to be applied in relation to applications for, and the grant of, licences.

In the following paragraphs, a selection of the regulatory issues relevant to the competition is summarised. Details regarding the general regulatory and legal framework may be found in the telecommunications publications available from the OUR's website, <http://www.regutil.gg>. Further detail on the issues specific to this competition are set out in the Tender Document.

National roaming

In the event of a 3G mobile telecommunications licence being awarded to an operator who does not have an existing licensed 2G mobile telecommunications network in the Bailiwick of Guernsey, the Director General intends issuing a Direction pursuant to the Telecommunications (Bailiwick of Guernsey) Law, 2001 and in particular Section 10 thereof, to ensure that the said operator is granted access to the existing 2G licensed mobile telecommunications network to facilitate national roaming by the said operator on the existing 2G Network.

A Direction in these terms will require the licensed operator of the existing 2G mobile telecommunications network (GT) to allow national roaming on its 2G network by a newly licensed 3G mobile telecommunications operator for a period of 3 years from the commencement of the 3G Licences granted pursuant to this competition. Subsequent to this 3-year period, the continued availability of 2G national roaming will be subject to agreements resulting from commercial negotiations.

The Director General will not specify or predetermine the structure of charging which might emerge from a commercial roaming agreement, but would become involved through dispute resolution mechanisms when a commercial agreement could not be realised. Whilst recognising the desirability of fully cost oriented charges, the Director General will use the charging structure that allows for timely decisions and provides certainty in the market which is in the interest of all parties.

Number portability

Whilst recognising the benefits of number portability, the Director General is of a mind not to require immediate mobile number portability on mobile telecommunications licensees within the Bailiwick until new licences have been awarded and a more thorough examination of the costs and benefits undertaken.

The Director General will continue to monitor and review this requirement over time and all options would have to be explored in a consultation process that involved the industry, so that any solution would have full industry commitment.

Facility sharing

Licensed mobile operators in the Bailiwick must accept that mast and site sharing with another mobile network owner could be required by the Director General where necessary for environment and planning reasons. However the Director General does not currently intend to mandate the sharing of masts in every case where it is technically feasible.

The Director General would welcome arrangements between licensed network operators to establish technical network sharing for parts of the network. However, operators must as a minimum build their own radio access network covering the three towns of St. Peter Port, St. Sampson's, and St. Martins. Furthermore, operators are not permitted to share use of frequencies and must maintain independent logical control of core elements of the respective networks.

Spectrum trading

The Director General welcomes the UK's RA's publication of its consultation paper "Implementing Spectrum Trading"¹² which seeks views on the Agency's plans for introducing spectrum trading. Spectrum trading should bring considerable benefits for businesses and consumers through contributing towards a dynamic and competitive communications market. The Director General therefore intends to allow for spectrum trading within the licences in accordance with the enactment of the Communications Bill in the United Kingdom. Providing for spectrum trading is therefore designed to provide the maximum commercial and operational flexibility to mobile licensees in Guernsey.

MVNOs and service providers

The Director General has decided not to mandate access by MVNOs to mobile networks from 1 April 2003, although operators will be free to enter into commercial arrangements if they wish. However, should no network based competition develop in the market once the mobile telephony market becomes liberalised, then service based competition through MVNOs and service providers will be important for enhancing competitive price, choice and quality services for consumers within the Bailiwick.

Therefore, each applicant will be required to indicate in its application its agreement to offering access for MVNO and/or service provider operations on its 3G mobile telecommunications network and provide a binding statement to this effect as a minimum requirement of this competition. Notwithstanding this, the Director General will only rely upon a binding offer from an applicant and require its implementation if, upon completion of this competition there is only one licensed mobile telecommunications network operator in the Bailiwick of Guernsey.

4.2. Radiocommunications Agency

As the Wireless Telegraphy Act, 1949 of the UK applies to the Channel Islands, the operation and use of frequency spectrum in the Bailiwick for telecommunications purposes requires a Wireless Telegraphy ("WT") licence from the UK's

¹² Available from Radiocommunications website www.radio.gov.uk

Radiocommunications Agency (“RA”). Hence, in order to operate and use frequency spectrum in the Bailiwick of Guernsey for the provision of mobile telecommunications networks and services, an Applicant must obtain both a WT licence from the RA and a Mobile Telecommunications Licence from the OUR.

In practice, once a successful applicant has taken up the Mobile Telecommunications Licences granted by the OUR, WT licences will be furnished by the RA in accordance with the procedures and rules set by this authority. The OUR will support successful Applicants in finalising this stage in the overall process. However the OUR and the Director General accept no responsibility for any delay or difficulties encountered by a successful Applicant in obtaining the necessary licence from the RA.

4.3. Office of Telecommunications (Oftel)

The Office of Telecommunications (“Oftel”) is responsible for managing the Specified Numbering Scheme (which is used to allocate numbers) and issuing the Numbering Conventions in the UK. The country code allocated by the International Telecommunications Union (“ITU-T”) to the UK is “44”¹³. The country code “44” is also used by Guernsey, Jersey and the Isle of Man.

Oftel is also responsible for developing a numbering strategy in the UK’s national interest and developing the Scheme in recognition of the fact that numbers and codes are scarce national resources which need to be managed efficiently. The Conventions are revised from time to time by Oftel and the fourth issue of the Conventions¹⁴ was issued in March 2002.

In the past GT has been allocated numbers directly by Oftel, but Section 11 of the Telecommunications (Bailiwick of Guernsey) Law 2001 allows the Director General of the Office of Utility Regulation to establish a numbering scheme in the Bailiwick which shall, so far as is practicable and in accordance with international best practice, take into account the needs of licensees and users in the Bailiwick and promote the efficient use of numbers in the Bailiwick. In practice the OUR and Oftel work closely together both in implementing the UK Numbering Scheme (i.e. the allocation of UK numbers to licensed operators within the Bailiwick) and enforcing compliance with the UK Numbering Conventions (i.e. ensuring operators adopt a Numbering Plan, for such numbers or codes allocated to them, in accordance with the Conventions).

¹³ This code follows the international dialing prefix (00) on calls made from outside the UK.

¹⁴ Numbering Conventions for the United Kingdom, Issued by the Director General of Telecommunications, Issue 4, 1 March 2002 See www.oftel.gov.uk/publications/numbering/2002/cons0302.htm

5. Licence Framework

The Director General has undertaken three rounds of consultation focusing on the introduction of competition in the mobile sector, one initiated in December, 2001 ("Mobile Telephony Licensing in Guernsey"¹⁵) and one in May, 2002 ("Mobile Telecommunications Licence Terms and Conditions"¹⁶). Finally, in July, 2002, in combination with reporting on the May, 2002 paper, the Director General published a Preliminary Tender Document and called for expressions of interest and comments on the competition ("Competition for Mobile Telecommunications Licences"¹⁷).

The consultations sought the views and comments of interested parties on issues and principles to be applied to the new overall mobile telecommunications licence framework bearing in mind the Director General's intention to develop a licensing regime that is intended to foster competition between mobile operators and service providers in order to maximise the benefits to Guernsey consumers in terms of prices, innovation and quality of service.

The consultations have revealed a level of market interest in Mobile Telecommunications Licences in Guernsey that has encouraged the Director General to proceed with the plans for a mobile licence competition.

5.1. Number and nature of licences available

Number of licences available

- The Director General intends to award two third generation (3G) Mobile Telecommunications Licences in the Bailiwick of Guernsey pursuant to this competition, which will come into force from 1 April, 2003.
- It will also be possible for one of the applicants for a 3G licence, subject to demonstrable need, to acquire a second generation (2G) licence.
- The Mobile Telecommunications Licences will grant the holders rights to operate networks and provide services on a Bailiwick-wide basis.

Licence duration

- The 3G Mobile Licences available pursuant to this competition will be valid for a period of 20 years from the licence commencement dates.
- The 2G Mobile Licence available pursuant to this competition will be valid for a period of 15 years from the licence commencement date.

¹⁵ Document No OUR 01/25 Mobile Telephony Licensing in Guernsey

¹⁶ Document No: OUR 02/18 May 2002, Mobile Telecommunications Licence Terms and Conditions

¹⁷ Document No: OUR 02/21 July 2002, Competition for Mobile Telecommunications Licences - Response to Consultation, Call for Expressions of Interest, and Call for Comments on Preliminary Tender Document

- In all instances the licensees will have the right under their licences to serve notice on the Director General requesting an extension to their licences and the Director General will have the right to suspend or revoke the licence in specified circumstances.

5.2. Spectrum Allocations

The RA has identified the following 3G frequency spectrum for the future holders of 3G Mobile Telecommunications Licences in Guernsey:

- Two 3G frequency spectrum blocks of 2 x 10 MHz paired and 1 x 5 MHz unpaired in the 1900 / 2100 MHz spectrum bands.¹⁸

Furthermore, the RA has identified 2G frequency spectrum for assignment to a 3G licence holder in Guernsey, who is able to demonstrate a need for 2G spectrum, with the aim to operate a 2G mobile service in the Bailiwick. This spectrum will be made available as:

- One 2G frequency spectrum block of 2 x 20MHz paired in the GSM1800 spectrum band.

If a successful applicant wishes to use alternative frequency bands to provide a 2G service then the Director General will consider this after the conclusion of this competition. Unused 2G spectrum is available in Guernsey in the E-GSM band, whereas frequencies in the P-GSM band may only be made available if vacated by the current user, Guernsey Telecoms Ltd.

5.3. Minimum Requirements

Only those applicants who comply with a set of minimum requirements shall be considered for the award of one of the two 3G Mobile Telecommunications Licences available. The minimum requirements are specified in detail in the tender documentation and include:

- Standards;
- Network roll out and coverage;
- Mast and site sharing;
- Sharing of network infrastructure;
- Soundness and feasibility of business plan; and
- Commitment for access to MVNOs and service providers (to be relied upon only if, upon completion of this competition, there is only one licensed mobile telecommunications operator in the Bailiwick of Guernsey).

Only those applicants who have been successful in their application for a 3G licence will be considered for the award of 2G spectrum. Such applicants will also have to comply

¹⁸ A similar spectrum reservation (in adjacent bands) has been made for Jersey in observance of the MoU concerning frequency co-ordination between UK and France for the Channel Islands area.

with the specific minimum requirements in relation to their submission for 2G spectrum, in the areas of:

- Demonstration of justifiable need for 2G spectrum;
- Standards; and
- Network roll out and coverage.

5.4. Fees

Applicants should note that there are a number of fees payable in relation to the licences offered. These fees consist of both once off and recurring charges. Payment of these fees is a minimum requirement of the competition. Further details of the fees are provided in the Tender Document.

Application fee/deposit: the total cost of running the competition for award of Mobile Telecommunications Licences is estimated to be £500,000 (this is an illustrative figure based on the current estimate of the cost of running the competition and may change). This represents a once off cost which will be recovered from the successful applicants.

In order to cover the costs of the competition, each applicant must provide a valid bank cheque for £100,000 as a deposit with their application. However only successful applicants offered a licence shall be liable for the costs of the competition, so that in the event that an applicant is not offered a licence, the deposit will be refunded. The final amount charged for the application fee will be determined by the number of licences awarded as explained in the Tender Document.

No specific fee for the award of 2G licence awarded by the OUR will be levied (although see the following section on frequency spectrum fees).

Annual frequency fee: WT licensees will be liable to pay an annual licence fee to cover the costs of frequency management activities to the RA. Details of the charges are provided in the Tender Document and are available from the RA.

Annual licence fee to the OUR: In accordance with the Telecommunications (Bailiwick of Guernsey) Law 2001 section 6, the Director General will impose on holders of a Mobile Telecommunications Licence an annual licence fee to cover the OUR's costs of regulatory activities in Guernsey. It is proposed that annual licence fees will be set on the basis of relevant turnover of the licensed business as set out in document OUR 02/31 available from the OUR website (www.regutil.gg).

5.5. Evaluation Process

The two 3G Mobile Telecommunications Licences available shall be allocated by way of an open competition based on a comparative selection method, which allows for the evaluation of applications against a set of evaluation criteria reflecting duties of the Director General under the Regulation Law and the objectives described in the Tender Document.

The one available 2G Licence shall be allocated to one of the successful Applicants for a 3G Licence and may be awarded following a comparative selection method if appropriate. Applications for a 2G Licence must be submitted along with Applications for a 3G Licence in this competition and will be evaluated against a set of evaluation criteria reflecting the duties of the Director General under the Regulation Law and the objectives described in the Tender Document

All applications received before the deadline will be subjected to a two-stage evaluation and selection process as follows:

Stage 1: Admittance test

All applications must pass an admittance test in order to distinguish those applicants that are eligible for the award of a 3G Mobile Telecommunications Licence. Only applications that

- comply with the rules of the competition¹⁹; and
- fulfil the minimum requirements

will be considered and deemed eligible to participate in the second stage of the comparative evaluation process.

Stage 2: Comparative evaluation

All eligible applicants will be evaluated against the criteria set out below regardless of the number of applicants. The Director General reserves the right not to award any or all of the licences available, if, in the opinion of the Director General the applications score less than a minimum number of points in the evaluation, against the predefined evaluation criteria.

In the event that the two 3G licences are offered to applicants who both request the available 2G spectrum; and given that both applicants:

- document sufficient demonstrable need for the GSM1800 2G spectrum;
- demonstrate a feasible overall plan for offering 2G mobile services to the Guernsey market; and
- meet the remaining minimum requirements set up for the 2G licence,

then a second comparative evaluation will commence in respect of the 2G Licence.

The applicants will be evaluated on their submissions in relation to a set of predefined evaluation criteria for the award of the 2G Mobile Telecommunications Licence, and in order to identify the highest ranked applicant in this respect.

In the event that only one successful 3G licence applicant requests 2G spectrum, that applicant will be offered a 2G Mobile Telecommunications Licence, provided that the applicant fulfils the same three requirements as those listed above.

¹⁹ Details of the rules of the competition are available from the tender document

The results of the competition will be communicated to each applicant in writing.

Evaluation criteria: 3G

The comparative evaluation for the award of 3G licences will be carried out by assessing the eligible applications against the following six criteria. The relative importance of each criterion is indicated by the attached weight.

Weights	Evaluation criteria – 3G licences
15%	Coverage
15%	Technical network quality
20%	Speed of roll-out
15%	Network sharing
15%	Promotion of competition
20%	Performance guarantees
100%	

In the event that it is necessary to carry out a comparative evaluation for the award of the 2G licence, such an evaluation will assess eligible applications against the following five evaluation criteria. The relative importance of each criterion is indicated by the attached weight.

Weights	Evaluation criteria - 2G licences
25%	Coverage
10%	Technical network quality
25%	Speed of roll-out
15%	Offered traffic capacity (voice)
25%	Performance guarantees
100%	

6. Conclusion

The Director General invites interested parties to purchase the detailed Tender Document in accordance with section 1.4 and looks forward to the receipt of applications for the available Mobile Telecommunications Licences in Guernsey.

/ENDS