



**Wave Telecom comments on aspects of the OUR
Consultation Document 04/11**

**‘Price Control for Telecommunications Services in
Guernsey: Calculating Allowed Revenue and the Cost
of Capital’**

3rd September 2004

- 1.1 The Office of Utility Regulation ('OUR') in Guernsey has published consultation document 04/11 'Price Control for Telecommunications Service in Guernsey: Calculating Allowed Revenue and Cost of Capital'.
- 1.2 The consultation paper is split into a number of sections but Wave Telecom has chosen to only comment on one specific element of the paper – that relating to the Regulatory Opening Value (Section 6).
- 1.3 Wave Telecom wholly disagrees with and objects to the OUR's proposals to apply a market value/sale price to asset ratio ("MAR") in setting telecommunications price controls in Guernsey.
- 1.4 The telecommunications market in Guernsey has been liberalised and it is now the case that competitive entry is possible. Wave Telecom has applied for and obtained fixed and mobile licences to operate in competition principally with the incumbent operator, Cable & Wireless Guernsey. The decision to apply for these licences was based a detailed consideration of, amongst other things, the investment in infrastructure required and returns anticipated over the period of the granted licences. In making such significant investment in telecommunications infrastructure in Guernsey, Wave is bringing a greater choice of quality services to the people and businesses in Guernsey.
- 1.5 Should the OUR substantially lower the asset base of Cable & Wireless Guernsey, which is the consequence of these proposals, Wave Telecom's business case for existing investments and future planned investments in Guernsey will be decimated. This will be the case because the OUR will be regulating Cable & Wireless Guernsey's prices at a level below that which prevail in a competitive market. The OUR would be devaluing all of Wave's investments and would remove any economic rationale for any future infrastructure investment on the island. In effect the OUR would be foreclosing the market to infrastructure competition for many years to come.
- 1.6 The MAR approach was designed to ensure that consumers shared in any discounts implicit in the privatisation of monopoly utility assets. It absolutely was not designed for a liberalising telecommunications sector where the stated public policy aim is the stimulation of competition for its long-term benefits. Indeed, it is completely incompatible with those aims. It is for this reason that there is not one example of the a regulator adopting an MAR approach to the setting of allowable revenues in a telecoms market open to competition.
- 1.7 Wave Telecom therefore expresses in the strongest terms, its unequivocal opposition to the use of the MAR approach as proposed by the OUR.