



**Comments on  
Price Control for  
Telecommunications Services:  
Consultation Document OUR 04/10**

**27<sup>th</sup> August 2004**

## **1 Introduction**

- 1.1 The OUR has developed Consultation Document OUR 04/10 entitled 'Price Control for Telecommunications Services in Guernsey: Review of Price Control Scope and Structure' and has asked Wave Telecom to comment on this by 27<sup>th</sup> August 2004.
- 1.2 Wave Telecom welcomes this opportunity to provide its views, as part of the wider public debate, on proposals for the future of telecommunications in Guernsey. It agrees to this document being published in its entirety by the OUR on its website, or through other media, alongside responses of other interested parties. Wave Telecom asks interested parties to take its responses to previous Consultation Documents into account when reviewing this document. The original Consultation Documents are available on the OUR website, [www.regutil.gg](http://www.regutil.gg).

## **2 Structure of this paper**

- 2.1 This response is in two parts. The first contains general comments and overview of the Wave Telecom position while the second part attempts to answer the specific questions posed by the OUR.

## **3 General Comments**

- 3.1 Wave Telecom believes that where there is competition for services, then such pricing controls may be removed even if the incumbent is dominant. However, Wave Telecom also believes that it is important in any price control regime to ensure that the incumbent operator makes a fair return on its investments.

## **4 Answers to Questions**

- Q1** *Do respondents agree that there is a continued need for price control in the Guernsey telecommunications market? If not, please explain your reasons*

Wave Telecom considers that where competition is present in a market, price controls should not be maintained. Even where an operator is dominant, provided the underlying wholesale services, which allow other operators to compete, are priced competitively as retail minus, there is little reason to retain price control.

- Q2** *Do respondents agree that incentive regulation remains the most appropriate form of regulation in Guernsey? If not what alternative would you propose and why?*

Wave Telecom endorses the incentive regulation model as being a pragmatic approach to price regulation in Guernsey but would wish to see the scope of such regulation kept to a minimum and reduced, or removed, as competition evolves.

- Q.3** *Do respondents agree with the proposal to require formal commitments to capital expenditure as part of the price control process? If not, why and what alternative do you propose to ensure that revenue received on the basis of planned expenditure is in fact invested in the business?*

Wave Telecom shares the concerns of the OUR regarding the need to ensure that the profits obtained under this price control regime are, in fact, used to fund the capital investment program outlined in the operator's business plan. A formal commitment would seem to be a good way forward.

**Q.4** *Do respondents agree that all existing services in the price control should remain within a new price control? If not why and what alternative would you suggest? Please support your response with quantitative analysis and data.*

Wave Telecom concurs with the view of the OUR, that none of the services in the current price control are yet competitive. However, Wave Telecom believes that as soon as competition is established in any of the markets for controlled services, even though the incumbent remains dominant, the need for price control should be withdrawn as soon as possible. In the short term therefore, it is reasonable that all the existing controlled services should remain in the new price control regime but that every opportunity should be taken to remove items as soon as possible. Once competitive wholesale discounts are offered on leased lines, competition in this market segment should come quickly and it is for this reason that Wave Telecom believes that price controls should not be applied to leased lines, but only to fixed line services.

**Q5:** *Do respondents agree that broadband ADSL services and Frame Relay services should be included within a new price control? If not why and what alternative would you suggest? Please support your response with quantitative analysis and data.*

Wave Telecom concurs with the view of the OUR, that neither of these new services are yet provided on a competitive basis. However Wave Telecom believes that these are both fledgling services where any other operator could enter the market and be at no real disadvantage to the incumbent. Indeed, if these services are excluded from price control then there is greater incentive for competition to develop. Wave Telecom believes that the OUR should also consider licensing other ways of delivering broadband services. As mentioned above, once competitive discounts are offered on wholesale broadband services, competition should thrive in this area.

**Q6:** *Do respondents agree that the C&WG DQ service should be included in the price control? If not, please explain your reasons.*

Wave Telecom believes that once all requested DQ numbers are opened and service to other operators is provided on a fair, cost plus basis, then the need for price control effectively disappears even though the incumbent may remain dominant.

**Q7:** *Do respondents consider that access to the alternative 118xxx DQ service providers should be included in the price control? Please explain your answer.*

See response to Q6 above. Reference previous answer.

**Q8:** *Do respondents believe that calls from fixed lines (including payphones) to Guernsey mobiles should be included in the price control? Please explain your answer.*

Wave Telecom believes that given similar operating conditions and the proper separation of accounts, the cost of calling any Guernsey mobile from the fixed network, and therefore the end user price, should be roughly the same.

**Q9:** *Do respondents believe that mobile services should be included in the price control? Please explain your answer.*

Wave Telecom believes that the fact that an operator is dominant in the mobile market is usually reason enough to want to include mobile services in a price control regime. However Wave Telecom also believes that provided the underlying monopoly services (e.g. wholesale private circuits, fixed network interconnect etc. and the end user cost of calling from the fixed network) are price controlled and care is taken to ensure that there are no cross subsidies, then, given that anyone can sell a mobile handset and that competition now exists in mobile services, the need for price control in these areas is limited. On balance therefore Wave Telecom believes that mobile service connection and subscription fees do not need to be price controlled at present.

**Q10:** *Do respondents agree that it continues to be appropriate to have a specific limit on exchange line rental charges in the interests of protecting vulnerable users? If not please explain why.*

Wave Telecom believes that, as part of its social responsibilities under Section 2 of the Regulation Utilities Law, the OUR must protect the vulnerable within our society and, as such, must maintain the limit on exchange line rental increases.

**Q11:** *Do respondents consider it would be appropriate to cap “local services” specifically in this way? Please explain your answer.*

Wave Telecom believes that the existing four baskets provide an adequate range of control. All the items mentioned in 6.4.3 (with the exception of the new ADSL) are already included in a basket and there is nothing to prevent services being moved from one basket to another should the need arise. It is also possible to change the RPI+/- factor of any basket. A fifth basket would simply complicate an otherwise adequate solution to the price control requirement without adding any real advantage.

**Q12:** *Do respondents consider that the leased line basket should be retained? If not please explain why.*

Please see previous response to Q4.

**Q13:** *Please set out any proposals you have for basket structures and composition and explain why you consider those proposals are appropriate.*

As stated above, Wave Telecom believes that the existing basket structure is adequate, with the exception of removing the leased line basket.

**Q14:** *Do respondents agree that the price control should run for three years? If not please suggest an alternative and explain your reasons*

Wave Telecom endorses the OUR view that a three year period for the price control provides some commercial certainty while still providing the opportunity for review within a reasonable time frame.

**Q15:** *Do respondents agree that carry over should be subject to a case by case examination? If not please suggest an alternative and explain your reasons*

Wave Telecom supports the view that carry over should be examined on a case by case basis.