



Office of Utility Regulation

Review of Cable & Wireless Guernsey's Proposed amendments to the Reference Offer for Interconnection and Access

Consultation Document

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Office of Utility Regulation
Suites B1 & B2, Hirzel Court, St Peter Port, Guernsey, GY1 2NH
Tel: (0)1481 711120, Fax: (0)1481 711140, Web: www.regutil.gg

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1. Introduction

In the second half of 2003, the OUR undertook a review of Cable & Wireless Guernsey's ("C&WG") Reference Offer for interconnection and access ("RO"). The RO had been in the market since July 2002 and the Director General ("DG") believed it was appropriate to consider the extent to which the offering continued to meet the needs of the market. It was also appropriate given that all operators had experience of availing of the processes and procedures for acquiring interconnection and access services that an opportunity be given to assess the degree to which those procedures were appropriate in light of the experience gained from using them.

A consultation document¹ (OUR 03/22) was published in August 2003 and the DG published her decision notice on the conclusion of the review in November 2003 (OUR 03/32)². The RO has since been republished by C&WG taking account of the directions contained in the decision notice.

During the course of the review C&WG indicated it wished to make certain fundamental changes to the charging structure for interconnection services and to introduce some additional RO services. The DG decided that because of the wide ranging nature and scope of the changes being proposed the market should have an opportunity to consider the possible impact of these changes and comment on them. The DG undertook to carry out a further consultation on the issue.

In the intervening period since OUR 03/32 was published C&WG has provided the OUR with its rationale for the proposed changes and, with respect to the new services being proposed, product descriptions to facilitate this consultation. The rationale and service descriptions provided by C&WG are included in full in this document at Appendix 1. The DG would like to thank C&WG for its co-operation in assisting with this consultation.

2. Background

The regulatory regime for the telecommunications market in the Bailiwick has evolved over the past two years in accordance with;

- Legislation approved by the States in September 2001³;
- States Directions to the DG in relation to universal service and the extent of competition in the telecommunications sector⁴; and
- States Direction on the identity of the first licensee to receive a licence with a Universal Service Obligation ("USO") in the telecommunications sector.⁵

¹ OUR 03/22 – Review of Cable & Wireless' Reference Offer for Interconnection and Access; Consultation Document

² OUR 03/32 Review of Cable & Wireless' Reference Offer for Interconnection and Access; Report on the Consultation Document and Decision Notice

³ The Regulation (Bailiwick of Guernsey) Law, 2001 (Billet d'Etat No. 1, 2001), and the Telecommunications (Bailiwick of Guernsey) Law, (Billet d'Etat No. VI, 2001).

⁴ Billet d'Etat No VI, 2001

⁵ The Billet for the States of Deliberation meeting in September included a policy letter from the Board of Industry with recommendations on this issue.

Together, the legislation and States' Directions provide for the manner in which the telecommunications market in Guernsey has been opened up to competition with all parts of the market being open to new entrants since 1st April 2003.

As has been stated already the interconnection and access regime is a crucial element for OLOs and ensuring that it remains up-to-date and effective is paramount in providing the environment in which effective competition can develop. In the lead up to the liberalisation of the telecoms market, the OUR undertook a review of the needs of the market, including a consultation on the draft RO prepared by C&WG⁶. C&WG's RO was confirmed in July 2002.

2.1. Legislative Provisions

Section 10 of the Telecommunications (Bailiwick of Guernsey) Law, 2001 ("Telecoms Law") sets out the DG's powers with regard to interconnection and access and describes the requirements that the DG may impose in this regard on any licensee whom she determines has a dominant position in a relevant market. The DG has already determined, as set out in OUR Document 01/14⁷, that Guernsey Telecoms (now C&WG) has a dominant position in the fixed network and services telecommunications markets and in the mobile network and services markets.

The requirements that the DG may therefore apply to C&WG include the following;

- (a) A requirement to make its procedures for the provision of interconnection and access publicly available on a non-discriminatory basis in a manner that is to the reasonable satisfaction of the DG;
- (b) A requirement to offer a standard interconnection and access agreement (referred to as the "Reference Offer") which is available under non-discriminatory terms, conditions and charges, and on a non-discriminatory basis, no less favourable than that offered to -
 - (i) any of the C&WG's own services; or
 - (ii) any associated company of C&WG's or services of such a company;
- (c) A requirement to provide interconnection or access on terms, conditions and charges that are transparent and cost-oriented having regard to the need to promote efficiency and sustainable competition and maximise consumer benefits;
- (d) A requirement to provide interconnection or access at any technically feasible point in its telecommunications network; and
- (e) A requirement to provide interconnection or access in a manner that is sufficiently unbundled so that the person requesting interconnection or access

⁶ The RO was submitted by GT prior to its purchase by C&WG. OUR documents 01/24, 02/10 and 02/20 are important in this regard.

⁷ Decisions under the Telecommunications (Bailiwick of Guernsey) Law, 2001; Decision Notice and Report on the Consultation

does not pay for telecommunications network components or telecommunications services that he does not require.

In addition, the Telecoms Law makes provision for the DG to direct changes to the standard interconnection and access offering and to require C&WG to justify its costs or charges for the provision of interconnection and access services.

The DG is publishing this consultation paper with a view to obtaining the views of interested and affected parties on the amendments that C&WG proposes to the structure of certain services in the RO to assess to what extent, if any, the current RO should be amended

This document does not constitute legal, technical or commercial advice; the DG 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 DG to regulate the market generally.

3. Structure of the Paper

This paper is structured as follows:

- Section 4 summarises the changes that C&WG has proposed, provides some background on the relevant changes and invites comments.
- Section 5 concludes the paper and describes other workstreams associated with the RO.
- Appendix 1 contains C&WGs proposed changes in full along with the company's reasons for the proposed changes.

The consultation period will run from Friday 2nd April to Friday 23rd April 2004. Written comments should be submitted before 5.00pm on 23rd April 2004 to:

Office of Utility Regulation,
Suite B1 & B2,
Hirzel Court,
St. Peter Port,
Guernsey GY1 2NH.

Email: info@regutil.gg

All comments should be clearly marked **“Comments on Cable & Wireless Guernsey’s Proposed Amendments to the Reference Offer for Interconnection and Access”**.

In line with the policy set out in Document OUR 04/01 – “Regulation in Guernsey; Revised Consultation Procedures”, the DG intends to make responses to the consultation available on the OUR website. Any material that is confidential should be put in a separate Annex and clearly marked so that it can be kept confidential.

The DG regrets that she is not in a position to respond individually to the responses to this consultation. The DG intends that her response to this consultation will be provided following the completion of the review of interconnection and access charges which is currently underway.

4. Reference Offer – C&WG proposals

C&WG has published on its website the RO for Interconnection and Access. The RO comprises a number of separate documents and interested parties are advised to consider the full text of the document which is available from the Cable & Wireless Guernsey website⁸. The RO was revised on 9th January 2004 in accordance with OUR 03/32.

C&WG in its response to the last review of the RO outlined a number of structural changes that it wished to make to certain services in the RO and to the manner in which OLOs should be charged for interconnection and access services – in particular conveyance services. C&WG's proposals involved;

- Structural changes, and
- Proposed new charges for certain services.

The DG carried out an initial consideration of the proposals in the context of reviewing the level of proposed interconnection and access charges in November 2003 and this was reported on in Document OUR 03/38⁹. With regard to the structural changes, the review concluded that there was, at that time, insufficient justification of the proposed structural changes and that given the potential for the structural changes to significantly impact on players in the market, it was essential that those parties be consulted on the proposals. In relation to the proposed charges, Document OUR 03/38 concluded that these were not sufficiently justified and C&WG was directed to include in the RO revised interim interconnection rates pending further consideration of C&WG's data. The level of rates is not addressed further in this document.

This document summarises the structural changes that C&WG proposes and provides some background and commentary on each before requesting comments from interested parties. Respondents are strongly advised to review the full reasoning of C&WG which is set out in Appendix 1 and the text of the published RO when preparing any responses.

4.1. Single & Double Tandem Charging

Background

In OUR 02/20 published in July 2002 the DG set out her position on a number of issues relating to the interconnection and access regime and more particularly the structure and content of the first RO. One of the matters dealt with in that document was the structure of the charges that would apply for conveyance services. The DG at that time took the view, having considered charging structures elsewhere, taking account of the early stage of development of the market in Guernsey and to the

⁸ http://www.cw.com/guernsey/service_providers/reference_offer.

⁹ Document OUR 03/38: Reference Offer for Interconnection and Access; Rates – Direction to Cable & Wireless Guernsey in accordance with Sections 10(2) and 10(3) of the Telecommunications (Bailiwick of Guernsey) Law, 2001

information available to her, that a simple charging structure for switching services was most appropriate for Guernsey.

The structure that has been put in place is therefore based on a single geographically aggregated rate, i.e. there are no distance differentiated rates. This provides simplicity, ease of implementation and reflects the fact that retail charges are not geographically disaggregated.

The resulting charging structure comprises the following characteristics:

- One rate for C&WG On-Island Termination;
- Two rates for C&WG On-Island Origination;
 - One where C&WG provides operator services on behalf of the interconnecting operator; and
 - One where C&WG does not provide operator services on behalf of the interconnecting operator
- One rate for On-Island Transit;
- One rate for Off-Island Transit;
- Each rate split into peak and off-peak categories;
- No separate call set-up component to the charge and any costs associated with call setup are therefore spread across all calls.

The DG further explained that the C&WG Off-Island Transit service is intended to provide a means for conveying calls to jurisdictions outside Guernsey and that this service does not include the termination of calls, it simply comprises the local (On-Island) switching and additional transmission required to get calls off the island. Where additional services are provided, e.g. onward termination to further destinations, the costs of these third party services will be passed on to the interconnecting operator at cost.

C&WG Proposal

C&WG proposes moving from the current situation where there is no distance differentiation in conveyance charges to a distance related charging system. Under this proposal OLOs would pay different rates depending on the specific network elements used. The new charges would comprise single and double tandem charge for the conveyance of calls on the C&WG network. More detail of the proposal is set out in Appendix 1, section 4.2.

Comment

This structure is common and available in many other markets, particularly those in Europe. The structure brings a number of advantages in such markets as it reflects the principle that OLOs should only pay for those network elements that they require to provide services.

In the case of a large network, OLOs can usually interconnect with the incumbent's network at more than one level. If the OLO can roll out some of its own network and interconnect at lower levels in the incumbent network, then those competitors can achieve lower interconnect rates because they will pay for less network elements because they will take the traffic onto their own network earlier in the process.

Operators that do not roll out networks and interconnect higher up the network will pay higher interconnection charges as they use more network elements.

In addition in many cases this reflects the corresponding retail rates which may be geographically disaggregated (i.e. local and long distance calls) and where the interconnection charging structure mirrors the retail structure it can be easier for new entrants to compete in particular market segments.

However it must also be recognised that these benefits are gained at the cost of introducing a layer of complexity to the charging structure as noted by C&WG. That complexity also applies to the exercise of costing the services and there may be consequential increased complexity in the interconnection billing between the parties. These costs have been considered to be outweighed by the benefits in many markets.

The majority of markets in which this system operates are of a larger size than the Guernsey market with more complex networks. Interconnection is usually offered at a number of levels in the incumbent's network and there are disaggregated retail rates in place. In comparison, the Guernsey market is considerably smaller, both from geographical and revenue perspectives. Furthermore, at present it is only possible to interconnect with the incumbent C&WG network at the primary switch level. Finally, there are no geographically disaggregated retail call charges in place within the Bailiwick.

The DG recognises that benefits can be achieved from adopting the de-averaged approach that C&WG advocates in certain circumstances and that such a structure has precedent in other markets. However, the benefit in the Guernsey context is not clear given the size of the market and the network size and topology. The DG is interested in the views of respondents as to whether there is a benefit to this approach in Guernsey and if so whether the benefit outweighs the additional complexity that would be introduced into the system. Furthermore the DG recognises and welcomes C&WG's willingness to use the most appropriate structure for Guernsey.

Quantitative and qualitative comments on the impact on respondents' business plans and any indication of whether the proposals would promote competition would be particularly welcome and will be maintained confidential if desired.

- Q.4.1 Do you consider that the C&WG amendments should be introduced into the interconnection and access regime in Guernsey and if so why?*
- Q.4.2 What do you consider to be the benefits and costs associated with the proposals?*
- Q.4.3 How do you believe the proposed changes would impact your business and/or encourage competition in the telecoms market in Guernsey? Please provide supporting information.*

4.2. Time of Day Definition

Background

The conveyance charges in the RO are differentiated by time of day, i.e. there are different charges at peak times compared to off peak times. This reflects many retail charges and also reflects the principle that the network is more congested at busy peak times. The RO defines “peak” and “off-peak” times of day as follows:

Peak: 08.00 – 18.00 Monday – Friday
Off- Peak: All other times

“Day”, “Evening” and “Weekend” are defined as follows:

Day: 08.00 – 18.00 Monday – Friday
Evening: 18.00 – 08.00 Monday – Friday
Weekends: all other times

These time of day definitions were implemented in the original RO and reflected insofar as was practicable the available information including C&WG’s retail pricing and the prices of third parties for onward conveyance.

C&WG Proposal

C&WG proposes amending the Time of Day structure by removing the ‘Day, Evening, Weekend’ element of the definition of the time of day charge entirely and adjusting the peak and off-peak definitions as follows:

Peak: 08.00 – 18.00 Monday – Friday
Off- Peak: All other times
Sunday and Bank Holidays: All Day

C&WG’s reasons for the proposed change (see paragraph 4.1 of Annex 1) include the claim that this proposed split more accurately reflects network usage with Sunday having a much lower usage than other times, the lower interconnection charge will stimulate usage during this period, and that the interconnection charges need not (and should not) reflect retail charges as this would be too complex.

Comment

In submitting its proposed rates for interconnection and access services in November 2003, C&WG provided certain background information to support its wish to move to the proposed new structure. In Document OUR 03/38 which provided an initial assessment of this proposal the OUR noted some concerns including;

- the manner in which the Time of Day gradient had been calculated, in particular the fact that only outgoing traffic has been used in the calculation and then only to UK fixed and mobile destinations;
- the fact that the difference between Saturday and Sunday traffic was significantly less than the difference between Sunday and Weekday traffic, calling into question the reason for having a Sunday rate rather than a weekend rate, and

- the time period over which the measurement of the traffic occurred covered just one month and as such it is questionable whether it can be said to accurately reflect – even for the narrow call type used – an accurate assessment of the Time of Day gradient.

C&WG has not provided any further additional supporting information beyond that contained in Appendix 1 and therefore the OUR's concerns remain at present.

One of the most significant concerns of OUR relates to how this proposed time of day gradient for interconnection conveyance charges would affect the market and the ability of new entrants to compete having regard, *inter alia*, to retail price structures. Indeed C&WG itself, in proposing the changes, notes that it's proposed Sunday rate would "enable Telcos to introduce innovative tariffs to stimulate additional calls on that day". This clearly demonstrates the importance of the relationship between interconnection rates and retail rates.

The DG is interested in the views of OLOs on this proposal and in particular on what impact, if any, the proposed amendment may have on the ability of new entrants to compete in the market. In this context the DG notes that in certain other markets, the time of day charging structure has tended to follow a 'peak, off-peak, weekend' structure – indeed BT, Kingston and eircom currently follow this approach. Further the differentiation between Saturday and Sunday imposed by different interconnect rates could possibly make the availability of 'weekend' tariff packages less attractive to OLOs.

- Q.4.4 *Do you consider that the C&WG amendments should be introduced into the interconnection and access regime in Guernsey and if so why?*
- Q.4.5 *What do you consider to be the benefits and costs associated with the proposals?*
- Q.4.6 *How do you believe the proposed changes would impact your business and/or encourage competition in the telecoms market in Guernsey? Please provide supporting information.*

4.3. Outgoing Off-Island Transit

Background

The current RO is based on a simple modular approach whereby OLOs purchase separate interconnection products and combine them in order to provide services to customers. In this environment, an OLO who wishes to provide customers with the ability to make calls to destinations outside Guernsey can purchase:

On-island origination
+
Off-island transit
+
Third party termination to the required destination

Any one of these elements can be replaced by the OLO's own network, or all of the elements can be purchased from C&WG as they are in the RO.

C&WG Proposal

C&WG proposes charging different rates for calls to Jersey, calls to the UK and international calls on the basis that these call types use different submarine cables and the cables carry different volumes of calls, resulting in higher costs on those cables with less traffic (namely the Jersey cables). C&WG therefore proposes the calculation of call charges based on the usage of individual cables plus costs of providing resilience for the relevant routes.

In addition, C&WG proposes that the conveyance rate for international calls be made up of the following two elements:

- The interconnection rate for an off island transit call to the UK, and
- A premium for the provision of specific back up routing and dedicated submarine capacity.

The proposals with regard to the changes to the charging structure for Out-going Off-island Transit would, if agreed, result in different transit charges for calls to Jersey, UK and International calls. C&WG has stated that on the Jersey link, because of the lower traffic volumes, there is less traffic per kilometre and as a result the cost is higher.

Comment

C&WG has not provided a detailed explanation of the manner in which the revised charge has been calculated which will be a matter for consideration in the context of the proposed charges. However, this paper is concerned with the principle of whether the allocation of costs to the off-island network as applied by C&WG with regard to these services is appropriate.

Key issues on which the DG would welcome comments are;

- whether the current averaged off-island transit charge should be broken down by destination;
- whether calculating the costs of each route independently and adding in "resilience" or back up costs for the other cables, would result in double counting of capacity; and
- whether there is any reason for a different "premium" on conveyance to the UK where the relevant call will be onward connected to another destination other than the UK.

As with the de-averaging of on-island conveyance charges, this proposal also has the potential to increase complexity of costs, charges and billing and therefore any benefits must be considered in that context.

Q.4.7 Do you consider that the C&WG amendments should be introduced into the interconnection and access regime in Guernsey and if so why?

Q.4.8 What do you consider to be the benefits and costs associated with the proposals?

Q4.9 *How do you believe the proposed changes would impact your business and/or encourage competition in the telecoms market in Guernsey? Please provide supporting information.*

4.4. Amendments to Product Descriptions

Background

The existing RO contains product descriptions in separate service schedules in Schedule 3. These can be amended by the addition of new products where an operator has negotiated such a product with C&WG or where C&WG create a new product to enable them to provide a retail product directly to end users. C&WG is proposing changes to the service description in 3.04 (C&W Off-Island Transit) and Schedule 3.12 (C&WG On-Island origination including Operator Services).

C&WG Proposals

Outgoing Transit

First, C&WG proposes to amend the service schedule for Off-Island Transit (schedule 3.04) in order to:

- Replace the single Off-Island Transit service with three services – one each for Jersey, the UK and international which will all be charged for differently;
- Redefine the service, and retitle it as “OUTGOING Off-Island Transit”, thus restricting this service to circumstances where an OLO hands over to C&WG a call and C&WG transits it and terminates it on behalf of the OLO on another network outside the Bailiwick.

The reason given for this by C&WG is “*to limit calls to those that are made by customers of Telco in order to prevent Telco receiving a high volume of incoming off-island calls by another means and transiting the C&WG network to send the calls out of the Bailiwick. Such activity could swamp the local networks and degrade the service for customers in the Bailiwick*”.

Incoming Transit

Second, C&WG proposes the introduction of a new sub-schedule for “INCOMING Off-Island Transit” which it defines to include calls accepted by C&WG from another operator outside the Bailiwick for handover to an OLO for termination within the Bailiwick. C&WG proposes that C&WG will pay to the OLO the OLO local termination rate for such calls. C&WG’s reason for introducing this service is the same as that given above for redefining the existing service. The definition proposed by C&WG excludes calls which the OLO may wish to transit to a 3rd party (on or off the island).

On-Island Origination including Operator Services

The third product is the On-island Origination including Operator Services. C&WG states that it has not been able to identify a situation under which this product might be used and believes that OLOs concur with this position. Therefore C&WG proposes to delete this service in its entirety.

Comment

The DG is anxious to ensure that the RO meets the needs of the market and where such needs can be identified and clarified, amendments may be appropriate.

Outgoing Transit

Amendments to this service description will be linked in the first place to the proposal to amend the charging arrangements to charge by destination and will be considered in that context. Respondents are invited to comment further on this issue if they wish.

Q4.10 Do you have any comments on the specific wording proposed for sub-Schedule 3.04 of the RO as reproduced in Annex 1 of this document?

The second amendment to this service involves the redefinition to restrict it to outgoing transit calls. In the first instance, the service as it already exists is for outgoing transit calls only and the amendment therefore appears unnecessary although it could add clarification. In the second place, the DG has no evidence or reason to believe that there is any likelihood of the “swamping” of the C&WG network by traffic being imported for transit reasons only, or of the levels of such traffic that would be necessary to cause such degradation. In these circumstances, and where C&WG is able to recover its costs of the network by charging the appropriate termination fee, it is not clear whether the amendment is appropriate or necessary.

Third, it would seem that the effect of the amendment would be that only calls originating on a number allocated to an OLO could be handed over for off-island transit and termination outside the Bailiwick. Given the current stage of development of the market and the existence of access mechanisms such as Carrier Selection, it is quite feasible that a call would be originated on a number allocated to C&WG, with the customer originating that call using Carrier Selection. The call would then be routed over the C&WG network to the OLO network and handed over, with the OLO paying C&WG the origination charge. If that call were destined for an off island destination, and the OLO had an interconnection agreement for handing over and terminating such calls, the OLO would hand the call back to the C&WG network for onward transit and termination and the OLO would pay to C&WG the appropriate transit and termination charge. This would no longer be possible if the amendment were to be implemented.

Finally, if it were considered necessary to make an amendment to address the alleged concern of C&WG it would not seem appropriate to restrict the off island transit service to calls originating on an OLO number only. However, it might be possible to restrict the service to those calls originating on a number from the Bailiwick number ranges.

Q4.11 In what circumstances do you think it would be commercially or technically possible or likely that the C&WG network would be swamped by transit traffic as alleged?

Q4.12 Do you consider that the C&WG proposed amendments should be put in place and if so why?

Q4.13 Do you consider any alternative amendment would be appropriate and if so why?

Q4.14 If you consider that there should be no amendment please provide your reasons?

Incoming Transit

C&WG's proposal to introduce an incoming off island transit service would appear to be directed at interconnecting parties who are located outside the Bailiwick of Guernsey, i.e. C&WG is proposing to offer a service to those operators who wish to hand over calls to an OLO in Guernsey. This does not seem necessary or normal practice. It is expected that where an operator outside the Bailiwick has a call which is destined for the Bailiwick, and that call is due to be terminated in the Bailiwick, the operator would expect to purchase a full termination service from C&WG. C&WG would in turn hand the call over to the OLO for termination and pay the OLO the necessary charge for termination on the OLO network if that is appropriate. The OLO can either terminate the call or hand the call to a 3rd party (on or off the island) for onward conveyance or termination.

Second, the DG has no evidence or reason to believe that there is any likelihood of the "swamping" of the C&WG network by of traffic being imported for transit reasons only, or of the levels of such traffic that would be necessary to cause the alleged degradation in service quality. In these circumstances, and where C&WG is able to recover its costs of the network by charging the appropriate termination fee, it is not clear whether the amendment is appropriate.

Q4.15 Do you consider that the C&WG proposed amendments should be put in place and if so why?

Q4.16 Do you consider any alternative amendment would be appropriate and if so why?

Q4.17 If you consider that there should be no amendment please provide your reasons?

On-Island Origination including Operator Services

The 'Call Origination Including Operator Services' service in the RO is designed to apply in instances where an OLO provides call services (using Carrier Selection, for example) but not offering its own operator services function. In such cases customers of the OLO will use the C&WG operator services. The slightly higher charge for this call origination service as opposed to the service excluding operator services (which would apply where the OLO offer's its own operator service function) is intended as a contribution towards C&WG's cost of providing the operator services.

OUR considers that the default position in Guernsey, where OLOs enter the market and may not yet have their own operator services function, would be that the customers would access the C&WG operator services and the 'Call Origination Including Operator Services' would apply to interconnection traffic in that scenario.

The DG notes that C&WG cannot identify any circumstances where this service might be required and notes its proposal to delete the service. The DG would welcome comments from affected parties as to whether or not they currently provide, or intend to provide, their own operator services and if so whether this service is redundant.

Q4.18 Do you consider that this service should be removed from the RO and why?

5. Conclusions and Next Steps

The DG would welcome the views of OLOs and interested parties on the proposed changes that C&WG has outlined to the RO. In considering these proposed changes and responding to the consultation, the DG would welcome specific commercial information which would support any position or views being advanced. This information will greatly assist the DG's understanding of any impact that such changes may have on the market. Any commercially sensitive information should be clearly marked and contained in a separate annex.

The DG is currently in the process of reviewing the C&WG proposed charges for interconnection and access services as set out in Document OUR 03/38 and this includes reviewing C&WG's Regulatory Accounts. Given the significant input that the Regulatory Accounts has to the way in which interconnection and access rates are determined both of these projects will be run in tandem. It is currently anticipated that the DG will be in a position to conclude her review of the C&WG proposed rates for RO services in the second quarter of 2004. She will communicate her position on this consultation at that time.

/ENDS

Appendix 1: C&WG Proposed Changes to the RO

The following is information provided by C&W for the purposes of facilitating this consultation. The views expressed are those of C&W.

CABLE AND WIRELESS GUERNSEY LIMITED

REFERENCE OFFER

1. Introduction

- 1.1 Cable and Wireless Guernsey Limited (C&WG) published its Reference Offer (RO) in July 2002. In response to a public consultation launched by the Office of Utility Regulation (the OUR) in the Autumn of 2003 C&WG proposed that its Off-Island Transit Service should be amended to be an OUTGOING Off-Island Transit Service, and that a new service, Incoming Off-Island Transit Service, should be introduced. Further, when C&WG submitted new interconnect rates to the OUR, the structure of those rates was different to those currently in place.
- 1.2 The OUR indicated that it wished these changes to be the subject of a new public consultation. Hence, when C&WG published Version 2 of the RO January 2004, they were not included.

The rationale for the amended service, new service and changes in charging structure are given below.

2. Off-Island Transit Services

- 2.1 Schedule 3 of the RO contains the service descriptions. Sub-schedule 3.04 "C&W Off-Island Transit" deals entirely with outgoing calls as is illustrated by the definition of a C&W Off-Island Transit Call – *"a Valid Off-Island Transit Call handed over from the Telco System at a Point of Connection to the C&W System, initially switched by a C&W Switch and handed over to a Third Party Telecom Provider's System outside the Bailiwick, to which the C&W System is directly connected."*
- 2.2 Given that the service by which calls that are handed over by C&WG to a Third Party Telecom Provider outside of the Bailiwick is different to the service whereby C&WG receives incoming calls from the same Third Party Telecom Provider it is our view that they should be included in the RO as separate services. For example, the routing of the calls will be different as will the charging structure.
- 2.3 Hence sub-schedule 3.04 has been amended and is now titled "C&W Outgoing Off-Island Transit". (See Appendix 1) The following changes have also been made:
 - 2.3.1 Definition of *"Valid Outgoing Off-Island Transit Call"* – *a Call which originates on a number allocated to Telco and terminates on either a Geographic or Non-Geographic number (including Number Translation Codes) allocated outside the Bailiwick* – the reason for the amendment is to limit calls to those that are made by customers of Telco in order to prevent Telco receiving a high volume of incoming off-island calls by another means and transiting the C&WG network to send the calls out of the Bailiwick.

Such activity could swamp the local networks and degrade the service for customers in the Bailiwick.

2.3.2 Paragraph 2.2 – additional clarification of services not included in the sub-schedule.

2.3.3 Paragraph 4.1 – wording added *“It should be noted that separate rates apply for C&W Outgoing Off-Island Transit Calls to the UK, to France or to Jersey, and the rates are also dependent on the final destination of the Call.”* Provides clarification of the basis of the interconnect rates. See section [] for more detail.

2.4 Schedule 3.12 C&W Incoming Off-Island Transit, has been introduced. (See Appendix 2) As explained above the Incoming Off-Island Transit Service differs from the Outgoing Service both technically and in the way interconnect rates are charged. The following main points should be noted:

2.4.1 The definitions of a C&W Incoming Off-Island Transit call and a Valid Incoming Off-Island Transit Call are both worded to limit the service to calls terminating on the Telco network. The reason is the same as that given in 2.3.1 above.

2.4.2 C&WG will pay the Telco the Telco Call Termination Rate as specified in Schedule 7 (Telco Interconnect & Access Price List) for Incoming Off-Island Transit Calls terminating on the Telco network.

3. C&W On-Island Origination Including Operator (100) Services

C&WG recommends that all reference to C&W On-Island Origination including Operator (100) Services should be deleted. This would mean that paragraph 2.7 would be deleted from sub-schedule 3.02 of Schedule 3 (Service Descriptions) and the interconnect rate would be removed from Schedule 5 (Interconnect & Access Price List).

In discussion with telecommunications operators licensed in Guernsey we have been unable to identify a situation where a customer of a Telco would need to use this service. On-Island Origination is carrier select, whereby a customer of a Telco using a C&WG exchange line dials a short code in front of the telephone number of the service he wishes to access. Such a customer can dial 100, get straight through to the C&WG Operator and request the service he requires. The call to 100 is free. In the unlikely event that same customer dials the short code, followed by 100, both C&WG and the Telco will incur extra cost and the customer might be charged by the Telco for the call.

In the opinion of C&WG it is appropriate to remove this variation of the C&W On-Island Termination Service as to our knowledge it has no support within the telecommunications market in Guernsey.

4. Charging Structure

4.1 Time of Day

The current definition of Time of Day is as follows:

Time of Day	For all tariffs the definitions of Peak and Off-Peak are as follows: Peak 08.00 to 18.00 Monday to Friday Off-Peak All other times
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	For all tariffs the definitions of Day, Evening and Weekend are as follows: Day 08.00 to 18.00 Monday to Friday Evening 18.00 to 08.00 Monday to Friday Weekend All other times
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C&WG proposes that the former part of the definition should be amended to introduce a Sunday rate. A weekend rate was considered but a study has revealed that C&WG's fixed network traffic on a Sunday is considerably less than that on a Saturday. Hence the introduction of a Sunday rate will be more accurate. The introduction of a lower rate on Sunday will also enable Telcos to introduce innovative tariffs to stimulate additional calls on that day.

It will be noted that the proposed (and current) Time of Day structure does not follow that used for C&WG retail tariffs, with the exception of calls to the UK. It is normal within the telecommunications industry for interconnect rates to follow a different structure to retail rates. Indeed if the structure of retail rates was to be followed it would introduce an added level of complexity given that C&WG retail calls to the UK, to Jersey and International calls, for example, each have a different charging structure.

Further, in the interest of simplicity it is proposed that the second element of the current definition of Time of day should be removed i.e. Day, Evening and Weekend. None of the current or proposed interconnect rates use this structure and its inclusion in the definition just leads to confusion. Should the Day, Evening and Weekend structure be used for a service introduced in the future, the definition could be amended at that time.

Proposed definition of Time of Day:

Time of Day	For all tariffs the definitions of Peak, Off-Peak and Sunday are as follows: Peak 08.00 to 18.00 Monday to Friday Off-Peak All other times Sunday All day
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4.2 Single and Double Tandem

Every call scenario has been analysed by C&WG within the separated accounts model. The exact network components have been mapped for every call origination type (fixed, post pay mobile and pre pay mobile) and destination. This has provided accurate costing of single tandem and double tandem rates. These rates have been used to calculate C&WG's own call costs within the model, hence it is proposed that the same single and double tandem rates should be charged to Telcos. This ensures that treatment is consistent and non-discriminatory.

Within the telecommunications industry the use of single and double tandem is standard practice. It ensures that telcos are not charged for elements of the network that they are not using. It is the most accurate and fairest basis of charge. Having said that, we appreciate that it is a more complex basis of charge and we would be willing to continue to use average rates if that is what the local telecommunications market prefers.

4.3 Outgoing Off-Island Transit

It is proposed that different rates should apply for calls to Jersey, calls to the UK and international calls. The rationale for the introduction of different rates for calls to the

UK or Jersey is that they use different submarine cables. The volume of calls on the Number 4 cable, i.e. between Guernsey and Jersey, is significantly lower than on the Number 8 cable between Guernsey and the UK, resulting in less traffic per kilometre and hence higher cost. In order to provide the most accurate interconnect rates the cost of the submarine cables is allocated to ensure that interconnect rates for calls to the UK bear only a small part of the cost of the Number 4 cable, purely in recognition that it provides a resilient secondary route to the UK.

The interconnect rate for International calls is made up of two elements – 1) The interconnect rate for an Off-Island Transit Call to the UK, and 2) A premium for specific back-up routing and dedicated submarine capacity. These additional costs were specifically reviewed by C&WG's auditors.

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SCHEDULE 3.04

C&W Outgoing Off-Island Transit

1. Definitions

“C&W Outgoing Off-Island Transit Call” – a Valid Outgoing Off-Island Transit Call handed over from the Telco System at a Point of Connection to the C&W System, initially switched by a C&W Switch and handed over to a Third Party Telecom Provider’s System outside the Bailiwick, to which the C&W System is directly connected;

“Valid Outgoing Off-Island Transit Call” – a Call which originates on a number allocated to Telco and terminates on either a Geographic or Non-Geographic Number (including Number Translation Codes) allocated outside the Bailiwick.

• 2. Description of Service

2.1 Subject to the provisions of this Schedule 3.04, C&W shall convey a C&W Outgoing Off-Island Transit Call handed over from the Telco System to a Third Party Telecom Provider’s System.

2.2 For the avoidance of doubt Third Party Telecom Providers shall include Third Party Telecom Providers based in Jersey, France, and the United Kingdom.

2.3 C&W Outgoing Off-Island Transit Calls will be terminated pursuant to terms and arrangements in place from time to time between C&W and the Third Party Telecom Providers to which C&W carries the Call.

2.4 C&W On-Island Termination Calls, C&W On-Island Transit Calls, C&W On-Island Origination Calls, C&W Incoming Off-Island Transit Calls, Emergency Service, C&W Premium Rate Service and C&W Operator Service Calls are not conveyed pursuant to this Schedule 3.04.

2.5 The Parties shall agree in advance on all necessary technical requirements, including Call set-up and clear-down sequences, for the conveyance of Calls pursuant to this Schedule 3.04. These requirements are specified in the Technical Manual.

2.6 C&W shall convey C&W Outgoing Off-Island Transit Calls during those periods of time and to the same standard and quality of service as C&W conveys Calls made by its own Subscribers.

2.7 Each Party shall correct Faults which occur in its System which affect the conveyance of C&W Outgoing Off-Island Transit Calls in accordance with Schedule 4 (Service Level Agreements) and with such Party’s normal engineering practices.

3. Routing

3.1 The conveyance of C&W Outgoing Off-Island Transit Calls shall be in accordance with the routing principles specified in the Technical Manual.

3.2 The C&W Outgoing Off-Island Transit Service will be made available at all Point(s) of Connection specified in Schedule 6 (Schedule of Services Taken).

4. Charging

4.1 For the conveyance of each C&W Outgoing Off-Island Transit Call by C&W, the Telco

shall pay C&W a Charge calculated in accordance with the rate for such a Call specified in Schedule 5 (Interconnect & Access Price List) from time to time. It should be noted that separate rates apply for C&W Outgoing Off-Island Transit Calls to the UK, to France or to Jersey, and the rates are also dependent on the final destination of the Call.

- 4.2 If, at the time when a C&W Outgoing Off-Island Transit Call is conveyed by C&W, no rate for such a Call is specified in Schedule 5 (Interconnect & Access Price List), the Telco agrees to pay for such a Call at the rate which is subsequently specified in Schedule 5 (Interconnect & Access Price List), where the new rate is calculated in accordance with the formula of Schedule 5 (Interconnect & Access Price List).

5. Billing

- 5.1 In accordance with Clause 11 of the Agreement, the billing arrangements for the C&W Outgoing Off-Island Transit Service are set out in Schedule 2 (Billing & Payments) of this Agreement.

SCHEDULE 3.12

C&W Incoming Off-Island Transit

1. Definitions

“C&W Incoming Off-Island Transit Call” – a Valid Incoming Off-Island Transit Call handed over from a Third Party Telecom Provider’s System outside the Bailiwick, to which the C&W System is directly connected, to the C&W System and initially switched by C&W and handed over to the Telco System at a Point of Connection for onward switching to the terminating Subscriber;

“Valid Incoming Off-Island Transit Call” – a Call which originates outside of the Bailiwick and terminates on either a Geographic or Non-Geographic Number (including Number Translation Codes) allocated to Telco.

2. Description of Service

- 2.1 Subject to the provisions of this Schedule 3.12, C&W shall convey a C&W Incoming Off-Island Transit Call handed over from the Third Party System to the Telco System.
- 2.2 For the avoidance of doubt Third Party Telecom Providers shall include Third Party Telecom Providers based in Jersey, France, and the United Kingdom.
- 2.3 C&W Incoming Off-Island Transit Calls will be handed over by the Third Party Provider to C&W pursuant to terms and arrangements in place from time to time between C&W and the Third Party Telecom Providers from which C&W receives the Call.
- 2.4 C&W On-Island Termination Calls, C&W On-Island Transit Calls, C&W On-Island Origination Calls, C&W Outgoing Off-Island Transit Calls, Emergency Service, C&W Premium Rate Service and C&W Operator Service Calls are not conveyed pursuant to this Schedule 3.12.
- 2.5 The Parties shall agree in advance on all necessary technical requirements, including Call set-up and clear-down sequences, for the conveyance of Calls pursuant to this Schedule 3.12. These requirements are specified in the Technical Manual.
- 2.6 C&W shall convey C&W Incoming Off-Island Transit Calls during those periods of time and to the same standard and quality of service as C&W conveys Calls made to its own Subscribers.
- 2.7 Each Party shall correct Faults which occur in its System which affect the conveyance of C&W Incoming Off-Island Transit Calls in accordance with Schedule 4 (Service Level Agreements) and with such Party’s normal engineering practices.

3. Routing

- 3.1 The conveyance of C&W Incoming Off-Island Transit Calls shall be in accordance with the routing principles specified in the Technical Manual.
- 3.2 The C&W Incoming Off-Island Transit Service will be made available at all Point(s) of

Connection specified in Schedule 6 (Schedule of Services Taken).

4. Charging

- 4.1 For the conveyance of each C&W Incoming Off-Island Transit Call by C&W, C&W shall pay the Telco a Charge calculated in accordance with the rate for a Telco On-Island Termination Call as specified in Schedule 7 (Telco Interconnect & Access Price List) from time to time.
- 4.2 If, at the time when a C&W Incoming Off-Island Transit Call is conveyed by C&W, no rate for such a Call is specified in Schedule 7 (Telco Interconnect & Access Price List), C&W agrees to pay Telco for such a Call at the rate which is subsequently specified in Schedule 7 (Telco Interconnect & Access Price List), where the new rate is calculated in accordance with the formula of Schedule 7 (Telco Interconnect & Access Price List).

5. Billing

- 5.1 In accordance with Clause 11 of the Agreement, the billing arrangements for the C&W Incoming Off-Island Transit Service are set out in Schedule 2 (Billing & Payments) of this Agreement.