

Consultation Paper on Mobile Termination Rates - Guernsey Airtel Response

Q.1 *Do respondents agree with the DG's proposal to intervene in a proportionate manner in the setting of MTRs for the two 2G mobile operators within the Bailiwick? If not, please state your reasons for disagreeing in as full and comprehensive manner as possible.*

Response: We welcome the DG's proposal to intervene for setting of a reasonable cost-oriented Mobile Termination Rate (MTR) in Guernsey. As is evident from the data collected for the 31 jurisdictions, the MTR in Guernsey (both peak & off-peak) are significantly higher than in the other jurisdictions. It is therefore desirable to align the MTR to actual costs incurred in terminating a call.

Needless to state that we shall pass the benefit of any reduction in MTR to the consumers in the form of lower tariffs. Thus, implementing cost-based MTR shall be beneficial to the market in two ways: one it shall create incentive for operators to improve efficiencies and two, it shall benefit subscribers through more competitive pricing of mobile service.

Q.2 *Do respondents agree that the regulation of the 3G mobile termination rates should be considered at the same time as any decision to regulate 2G mobile termination rates?*

Response: In our opinion, the market should be allowed to reach equilibrium through unfettered play of market forces and recourse to regulatory intervention should be taken in case there is a market failure. Accordingly, the OUR should initially fix cost-oriented MTR for 2G services and allow the 3G operators to mutually agree to cost-oriented MTR for 3G services using the methodology & process adopted by OUR for fixation of MTR for 2G services.

Q.3 *What additional factors with respect to the 3G market should be considered by the DG in considering any regulation of mobile termination rates in the 3G market given market developments elsewhere?*

Response: Refer Response to Q.2 above.

Q.4 *Do respondents agree with the DG that there are three main ways for setting the MTRs for the two existing 2G operators within the Bailiwick? If not, please state your reasons for your position in as full and comprehensive manner as possible.*

Response: We agree that the DG has 3 options (viz. cost modelling, benchmarking, voluntary commitments by operators) for setting the MTRs in Guernsey.

Q.5 *Do respondents agree that in principle benchmarking is the appropriate and proportionate approach to setting MTRs for mobile operators in the Bailiwick? If not, please state your preferred approach and the reasons for this view.*

Response: In our opinion, given the Regulator's concerns regarding the costs involved in a cost modelling exercise and given the availability of benchmarked data from jurisdictions which are similarly placed as Guernsey in terms of geography, size and level of market development, types of networks and services, OUR may adopt Benchmarking as the methodology for setting MTR.

Q.6 *Do respondents believe that using the European IRG Study rates as the basis for setting MTRs in the Bailiwick is appropriate? If not, please state your reasons for your position.*

Response: In our opinion, the MTRs in IRG study come from jurisdictions which did not necessarily use cost modelling for setting MTR. Moreover, there are difference in terms of geography, size and level of market development etc which may not produce as accurate a MTR for Guernsey as would be the case if the OUR adopted MTR fixed by OFCOM in UK. The OFCOM regulated rates are the result of an extensive & rigorous LRIC modelling exercise. Additionally, in view of the similarities between UK & Guernsey in terms of mobile technology, penetration & per capita incomes, it would be more appropriate to use the MTR set by OFCOM.

Q.7 *Do respondents believe that using the MTR rates set (and indexed for future years) by Ofcom would provide a good benchmark for use in setting limits for MTR rates in Guernsey?*

Response: Refer Response to Q.6 above.

Q.8 *Do respondents believe that using the mobile termination rates set (and indexed for future years) by Ofcom would provide a better benchmark for use in setting limits for MTR rates in Guernsey than those that would be produced by an examination of the management accounts of the mobile operators in the Bailiwick?*

Response: In our opinion, Cost modelling is the ideal option for setting MTR as it produces accurate results based on audited management accounts of operators. However, in view of the concerns regarding costs involved in such an exercise, we feel that the next best alternative is to adopt benchmarks from comparable markets.

Q.9 *Do you agree with the approach and rates proposed by the DG in this section? If not, respondents are invited to set out fully the arguments against such an approach and what alternative approach you believe is appropriate.*

Response: Refer Response to Q.6 & Q.8 above.
