



Office of Utility Regulation

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New Price Control for C&W Guernsey

The OUR is proposing to relax certain pricing restrictions that have been placed on C&WG's tariffs, in light of increasing competition in the telecoms market. The proposed new price controls are included in a draft decision which, if adopted, will come into effect in April 2008 and will cover services such as local and national calls, landline rental charges and leased lines for businesses. The OUR is hopeful that this may be the final price control affecting C&WG's retail business.

“While C&W Guernsey is and will remain the dominant provider of telecoms services to most Islanders for some time to come, this is the first step in focusing regulation away from the retail market and onto wholesale services,” said Jon Buckland, Director of Policy at the OUR. “We believe this is an important step in signaling how we wish to see regulation develop with competition at the retail level delivering the benefits that up until now have needed regulation. Currently however, there remains a need to exercise oversight in certain services to ensure consumers are protected whilst a competitive market fully develops.”

The OUR is proposing controls on the changes that C&W Guernsey can make to the prices for a range of services between April 2008 and March 2011. It has included specific controls on landline rental charges limiting the amount by which C&W Guernsey will be allowed to increase the charges. Price controls placed on certain call charges and leased lines should result in significant price decreases over time. For the first time since commercialisation the OUR is proposing to drop the explicit regulation of all retail leased line prices, shifting the focus onto wholesale services instead.

“Our hope is that over the course of the next few years, if we can get an effective wholesale market in place, the continuing need for retail price controls will diminish. Whilst our aim is to reduce the need for regulation in the retail sector, we will progress in a measured manner ensuring at all times that Guernsey’s consumers are appropriately protected” said Jon Buckland. “In terms of this proposed control, we believe it strikes the right balance between allowing C&WG certain commercial freedoms while at the same time protecting consumers in those parts of the market where C&WG is dominant. This should promote on-going investment and ensure all consumers receive high quality, reliable and innovative services at prices that are competitive.”

The OUR document “OUR 07/19: Price Control for Cable & Wireless Guernsey: Draft Decision” is available from the OUR’s website – www.regutil.gg – or from its Office.

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Information for Editors

About the Price Control

The price controls being proposed will focus on four key baskets of services. Each basket has a separate control (an “X” figure) which determines, for that basket as a whole, how much prices may change annually. The four proposed baskets and the “X” for those baskets are:

- Basket 1 - Exchange Line Rental: RPI+5%
- Basket 2: Local Calls Basket : RPI-12.5%
- Basket 3: Main Basket : RPI-4%
- Basket 4: On-Island Wholesale Leased Lines: RPI -22%
- Basket 5: Off-Island Retail Leased Lines: RPI-RPI

This means that, for example, that the price of the basket of On Island Wholesale Leased Line services will fall by RPI – 22% year on year for the duration of the price control and that Exchange Line Rental charges can only increase by a maximum of RPI + 5% each year until 20011. However within each basket, C&W Guernsey will have freedom to adjust the prices for individual services so long as the overall basket price is in compliance with the price control.

About the OUR

The Office of Utility Regulation was established in 2001 to regulate the three utilities of post, telecommunications and electricity in the Bailiwick of Guernsey. The Office is headed up by Director General, John Curran and has three staff.

The role of the OUR is to protect the interests of Guernsey consumers and the economy. It does this by ensuring that customers receive the best in price, choice and quality services in the three regulated sectors, while at the same time ensuring that those sectors are vibrant and robust so that they can positively contribute to and underpin a successful Guernsey economy.

The OUR licenses and regulates telecommunications operators, Guernsey Electricity Ltd and Guernsey Post Ltd. Wherever possible, the OUR promotes the introduction of competition by ensuring that there is fair play and a level playing field between the operators. Where competition is not yet effective or where it is not feasible, the OUR regulates prices and quality of services to end customers.

More information is available from the OUR website www.regutil.gg, or by contacting the Office of Utility Regulation on 01481 711120.