



CABLE & WIRELESS

**Competition in the Mobile
Telecommunications Market
- Further Licence Award**

Response to Consultation Document

May 2009



1 Introduction

Cable and Wireless Guernsey Limited (C&WG) welcomes the opportunity to respond to and comment on the Consultation on Competition in the Mobile Telecommunications Market¹ (the "Consultation"). C&WG will also be submitting under separate cover an application for a 3G licence as proposed in section 5 of the Consultation².

C&WG would like to record its appreciation of the commitment of the OUR to allow for a process under which C&WG may offer 3G services to customers, and the continued support of the other licensed operators (Wave Telecom and Guernsey Airtel) for that process as promised at the time of the agreement over the introduction of Mobile Number Portability ("MNP").

Having come this far C&WG would urge all involved and any other interested parties to ensure that the process can be completed as soon as possible to effect the previous agreements and understandings, so that consumers can start to benefit from enhanced competition between the existing mobile operators as soon as possible.

2 Future 3G Mobile Licensing

C&WG sets out below its comments on the various matters referred to in the consultation.

4.1 Maximise MNP benefits

C&WG fully supports the view of the OUR that unless and until C&WG has a 3G licence some of the benefits intended to be gained by MNP will continue to be diminished and consumers will neither be able to avail themselves of the full range of mobile services when they change provider, nor have a real choice of provider.

Awarding a 3G licence to C&WG will ensure that real competition exists throughout the mobile market in Guernsey and will stimulate the development and promotion of value added services and enhanced customer value.

4.2 Efficient use of Spectrum

In consideration of the proposals set out in the Consultation, C&WG is willing to surrender 2x5MHz of 900 spectrum. Indeed in anticipation of this process being concluded it has already started the process for such release.

This provisional release plan is evidence of C&WG's commitment to the review and ensures the OUR timescales can be met even with the complexity of the deployed frequency plan across the Bailiwick of Guernsey and its evolution since the mid 1990s. At the date of this response C&WG expects that release to be complete by 20 July 2009, although the OUR must note that technical issues

¹ OUR document 09/06 dated April 2009

² Paragraph 6 on page 10 of the Consultation

could delay that date. As at the date of this response C&WG neither knows of nor anticipates any such issues.

C&WG has no objection to that spectrum being allocated to Airtel. However the OUR will need to consult with Ofcom with respect to amending the preferred / non preferred allocation of frequencies with all licensed operators.

C&WG does, however, believe that a spectrum plan for the efficient and effective use of any future spectrum to become available, whether under the Digital Dividend, as proposed in the OUR consultation on 2.6GHz spectrum or otherwise, should be agreed between the Operators, the OUR and Ofcom as soon as possible both to ensure use for and in Guernsey, taking account of the interests of Jersey, France and the United Kingdom, and to ensure that mobile customers will continue to have access to three operators providing the full range of mobile services and will have maximum choice of operators in the Bailiwick of Guernsey.

4.3 Maximises use of existing Mobile Infrastructure

C&WG would not **anticipate** that they would need any, or any significant, increase on mobile sites as a result of being awarded a 3G licence and being allocated both 1800 and 2100 spectrum. However, a number of the existing sites will require amendment to enable efficient use of spectrum and to maximise coverage and service to customers.

5 Application for Mobile Licence

As noted above C&WG will submit under separate cover a formal application for a 3G Licence as anticipated by this paragraph and taking account of the criteria proposed.

Whilst C&WG agrees to actively participate in a further review of 900 MHz spectrum at a future date, which does not amount to a commitment to release further spectrum without proper and appropriate compensation for the cost of releasing and the value of that spectrum.

C&WG would request that the OUR provides it with an appropriate draft licence forthwith upon receipt of the formal application to enable negotiations to start and be concluded as soon as possible.

Taking account of the comments on such matters in the OUR's Final decision on its Mobile Review³, C&WG would not expect that draft licence to include any environmental commitments nor any launch date obligations.

6 Re-allocation of 900MHz spectrum

C&WG is supportive of the DG's efforts to improve the imbalance in the current spectrum packages held by the three operators and believes this is consistent with efforts being made by regulators in other parts of the world.⁴ In keeping with

³ OUR document 09/05 dated April 2009

⁴ For example, the Swiss regulator ComCom recently announced it is enabling all three mobile operators to use the 900MHz frequency range for 3G services. To achieve this there will be a reallocation of both 900MHz and 1800MHz frequencies between the three operators, with Orange receiving 900MHz frequencies from

the general principle that competition is most likely to be enhanced to the benefit of consumers by each operator having a more balanced holding of each type of spectrum, C&WG has no objections to the OUR's proposals to reallocate the 900MHz spectrum released by C&WG to Airtel. In the same vein, it believes it is appropriate that C&WG receives an allocation of 1800MHz spectrum.

C&WG believes that there are a number of reasons why it should be granted 1800 MHz as well as 2100 MHz spectrum, which go beyond any arguments of fairness relating to the spectrum ranges held by the other licensees. First and foremost, consumers would benefit as C&WG would be able to offer a complete range of different services (voice, data, etc.) over all possible spectrum ranges. The same range of services would be available to all consumers, regardless of their handset type. Consumers would therefore have as much choice as possible.

In addition, it would allow C&WG to enjoy greater economies of scale and improved resilience across its businesses in Guernsey, Jersey and the Isle of Man as it would have a common pool of spares and equipment that would be used for all three businesses, which again would be to the ultimate benefit of consumers.

The allocation of 1800 MHz spectrum to C&WG would also allow for future development of site and network sharing and ensure the greatest possible efficiencies across all operators. Indeed, you may have seen the recent story in the Guardian (available at <http://www.guardian.co.uk/business/2009/mar/23/o2-vodafone-mobile-networks>) regarding the agreement between Vodafone and Telefonica to share mobile network infrastructure in the UK. In announcing that deal, Vodafone commented that its network sharing agreement with Orange had not delivered the benefits they were expecting because the companies operated on different frequency bands. A similar picture would emerge in Guernsey if C&WG did not have 1800 MHz frequency but the other operators did.

From a more technical viewpoint, C&WG would be keen to ensure the best possible coverage for its 3G service, including in-building coverage. To enhance the indoor 3G service, C&WG proposes to use PICO cells but these are only available on 1800 MHz frequency, not on 2100 MHz. The deployment of PICO cells would be targeted at customer locations to ensure great customer experience until such a time that technology neutral licences were awarded. Theoretically, this would enable the 900 MHz frequency to also be used for delivering 3G services, which would reduce the need for PICO cells to be deployed for better indoor coverage. It should be noted, however, that the range of 900 MHz handsets available is still very limited, especially compared to the availability of 1800 MHz handsets. Therefore, there would still be a need to deploy 1800 MHz as a solution until such time that a full and wide range of 900 MHz handsets become available. As you can appreciate 1800 MHz is a lower frequency than 2100 MHz and therefore penetrates indoor more effectively.

C&WG has recently been informally advised by its network infrastructure supplier that 1800 MHz spectrum will be the first spectrum allocation to be used for Long Term Evolution ("LTE"). This will also be supported by the development and marketing of 1800 MHz handsets. LTE will also be developed for other spectrum allocations such as 900 but whilst this is viewed positively with respect to better indoor coverage, this must be tempered by the need for regulatory leadership in areas such as technology neutral licensing, co-operating between operators releasing spectrum and digital dividend releases. Taking a harmonised European

Sunrise and Swisscom and handing over some of its 1800MHz frequency to both in return.

view point the common spectrum for development is the 1800 MHz band given most operators already has this allocation.

By proceeding in the way proposed in the Consultation, ensuring the allocation of 900 MHz, 1800 MHz and 2100 MHz spectrum to all operators, and making its licences technology neutral, the OUR will be preparing the Guernsey market in such a way as to allow the operators to plan and develop LTE offerings.

7 Next Steps

C&WG will submit under separate cover a formal application for a 3G licence.

C&WG notes that the DG anticipates issuing a final decision in early July 2009. The DG will note that C&WG anticipates the 2x5MHz of 900 MHz spectrum to be available from 20 July 2009 (subject to any technical issues) and would encourage the DG to support and implement a process that will allow these 2 events to coincide.

C&WG looks forward to discussing and agreeing the terms of the appropriate licence and being able to develop and offer 3G services in the Bailiwick of Guernsey.

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