



COMMENTS ON

OUR DOCUMENT 10/15

CABLE & WIRELESS GUERNSEY'S

PRICE CONTROL

22ND DECEMBER 2010

1. INTRODUCTION AND BACKGROUND

The OUR has invited responses to its document OUR 10/15 entitled "Cable & Wireless Guernsey Price Control". Wave Telecom ("Wave") responded to the OUR's invitation for comment on the Roll-Forward of Cable & Wireless Guernsey Limited's Price Control¹ and welcomes the opportunity of responding to this consultation.

The current three year Cable & Wireless Guernsey's ("C&WG's") price control has been in place since 1st April 2008 and is due to expire at the end of March 2011. The OUR has proposed, rolling forward the current price control from April 2011 to April 2012 in light of the work being undertaken by the Pan-Channel Island Wholesale Access Working Group which are looking at potential wholesale access products to bring increased competition in the fixed services sector of the market. The OUR's view is that a three year price control risks being too long given the current workstreams and the potential for competition in the fixed line market.

The OUR asked for operators views on the issues a roll-forward may raise and specific areas operators would like us to address in such a roll-forward in its document OUR 10/01.

Wave had no specific comments on the issues a roll-forward may raise and felt that rolling forward the price control for a further year until April 2012 would appear to be a sensible approach in the circumstances. Wave was of the opinion that the work of the Pan-Channel Island Wholesale Access Working Group will not have had a significant impact on the market by the beginning of 2011, given the stage of development and normal product development cycles of 12-18 months.

2. WAVE COMMENTS

2.1 Dominance

As previously stated in consultation responses regarding price controls, Wave 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 available and priced competitively as retail minus, there is little reason to retain price control.

While Wave agrees that technological changes have changed consumer use of telecommunications services and that the increased use of mobile phones is a substitute for fixed line services in some circumstances, Wave would argue that there is a strong requirement in the business market and to a lesser extent in the consumer market for a fixed line telephone and real choice is still not available.

As Cable & Wireless Guernsey ("C&W") do not currently offer a wholesale version of their fixed line rental product and there is no other means of gaining access to the residential fixed line rental business in Guernsey, Wave believe it is appropriate for a price control to continue until competitors can enter that market utilising a wholesale variant of the exchange line rental product. At that stage Wave would be supportive of relaxing the price controls in the area of exchange line rental and calls.

2.2 Inflation

Given the uncertainty of the inflation figure for a price control from 1st April 2011 to 31st March 2012, it would seem like a sensible approach to set the RPI figure at 3.5%.

¹ OUR 10/01

This would give C&WG certainty for the period and would seem to be in line with predictions for a higher inflationary figure than that experienced in the last couple of years. An alternative would be to reset the inflation figure for the next year of C&WG's price control to the last published RPI at the time of the final price control decision. Wave does not have a strong opinion either way.

2.3 Exchange Line Rental

Wave believes that it is important in any price control regime to ensure that the incumbent operator makes a fair return on its investments. In the absence of any data being provided in the consultation supporting the case for exchange line rental prices to be increased, Wave relies on the OUR commentary. As the copper market has been particularly volatile Wave would suggest that a better approach may have been to look at the cost of copper over a longer period of time, say 5 years, to smooth the effect instead of on an annual basis. However, it doesn't seem unreasonable for C&W to increase line rental charges to £8.99 based on the price of exchange line rental in other jurisdictions and the fact that the price has been static for the last 3 years.