

From: Alex Taylor [mailto:alex@deliberator.com]

Sent: 25 January 2013 00:35

To: Cl43219-InfoGG

Subject: Consultation on Approach to Change of Control Notifications under Telecommunications Licences

Dear Sirs,

I am contesting agreement to the sale of C&W Monaco and Islands on the grounds that the company is already in breach of it's licence. Specifically that it is massively over charging customers for business internet services, the very services vital to attract new enterprise and jobs to Guernsey. Also that it's service offerings and service levels are well below those available to businesses on the mainland UK and the continent.

From the Regulation of Utilities Law, 2001 here are two key mandates that The States & the Regulatory Authority have a duty to promote that are relevant:

a) to protect the interests of consumers and other users in the Bailiwick in respect of **prices charged for**, and the **quality, service levels**, permanence and variety of, utility services.

b) to ensure that utility activities are carried out in such a way as best to serve and contribute to the **economic and social development** and well-being of the Bailiwick.

It is evident that both these are in breach - here is why:

Massive Overcharging:

Pricing of business grade bandwidth on the island is more than 5 times the price of the mainland UK. Detailed beneath this letter is a cost comparison I have carried out for my own business comparing the cost of setting up an online service on Guernsey versus the mainland. This demonstrates C&W prices being as much as 35 times higher than mainland providers. If a State's run electricity firm can deliver power pricing within 30% of that of the mainland a supposedly dynamic global telecoms provider should be able to do at least as well.

Paucity of Services Offered:

On the mainland businesses have access to a range of connectivity technologies to link their offices to the Internet including SDSL and long range Ethernet technologies. These offers greatly reduce the cost of connectivity. To my knowledge C&W offers no such thing.

For businesses wanting to host their servers in a hosting facility the mainland once again offers many cost effective solutions. For example, a single server in a hosting centre pays for the space it uses. C&W insist each customer rents an entire rack regardless of their space requirements.

Abysmal Service Levels:

C&W's committed delivery times are woefully inadequate - 10 to 15 days for a new landline installation. This is much longer than mainland services. While I'm not aware of any formal surveys into C&W's quality of service on the island the consensus is that quality of service and general reliability of consumer broadband has declined markedly over the past 12 months. It might be no coincidence that this coincides with reports of lack of investment and

reduction in staffing levels at the company. It's standard practice for a company dressing itself up for a sale to maximise profits by reducing costs. It's not hard to believe that has been the case here.

Summary & Conclusion

The decision to privatise the telecoms infrastructure of a small island that offers no serious business model for competitors to establish themselves was woeful. C&W was gifted a monopoly. For the lightweight licence agreement it signed to be subsequently flouted adds insult to injury. Guernsey has a pressing need to diversify and establish industries that are here for reasons beyond fiscal. For almost all new industries internet connectivity is as important as funding and electricity. No company would setup shop in a territory where bank loans were 5-10 times above market rates - nor will they here with bandwidth costs where they are.

With C&W awaiting the green light for this transaction the regulator has genuine leverage. This is a chance to put the island on a competitive footing for its internet connectivity and services. This is not an opportunity that should be passed up. I recommend agreement of the sale is put on hold indefinitely until C&W adjusts its prices and services inline with mainland providers and has committed to a new licence agreement that guarantees Guernsey remains fully competitive in this area for the foreseeable future.

Yours sincerely,

Alex Taylor

Director

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Cost Comparison

In December I conducted my own research on bandwidth pricing in assessing a specific business opportunity for the company I run on the island. I did this by contacting Cable & Wireless direct to get pricing information. I then invited prices from a number of UK providers with the aim of establishing the cost benefits of running the operation on the mainland. The results were crippling for Guernsey for two reasons: a) the price being charged by CW and b) the lack of service options on offer.

Guernsey Pricing

To connect our office in St Martins via a dedicated IP circuit of 10Mbps of Internet routed connectivity the cost I was quoted was 2,500 GBP/month - not including installation fee. This was already heavily discounted from the published price of 4,000GBP (the CW IP price list is attached). If we instead hosted in a CW data centre the price would be 2,300 GBP and there would be no installation price however we would then have to rent an entire 42U rack for 1,600GBP/mth and buy our own server of course. You can't just install a single server in their data centre you are forced to take a full rack.

Mainland pricing

For 540GBP/month we can have a dedicate Ethernet circuit of 10Mbps - for 750GBP this can be 100 Mbps. This is available throughout the London area.

Details of this package here: http://www.netservers.net.uk/connectivity/ethernet_leased_lines

For a hosted solution we can get a fully managed server with unlimited bandwidth capacity including up to 1 Terabyte of traffic per month from Rackspace in London for an all inclusive price of 670 GBP/mth.

Summary of price comparison

Our business can have 100Mbps of dedicated net bandwidth at a facility in the London area for 750 GBP/mth versus 2,500GBP/month for 10 Mbps at St Martins.

We could have a mainland hosted server in a Rackspace facility for 670 GBP including all server hardware, rack space and bandwidth. Via CW we will need to buy our server, rent an entire rack and pay for dedicated bandwidth - total price $2,300 + 1,600 = 3,900$ GBP/mth (plus cost of buying server)

Bandwidth pricing = between 5 and 35 times higher (based on using either 10 or 100 Mbps Ethernet circuit in London.)

Hosting = 6 times higher.