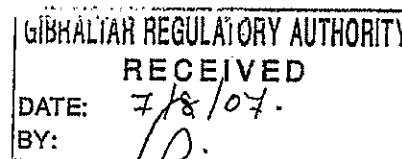


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7 August 2007

Gibraltar Regulatory Authority
Attn. Mr Paul Canessa
Suite 811
Europort
Gibraltar



Dear Mr Canessa

GRA's Market Analysis

I appreciate Gibtelecom has already submitted its formal response to the GRA's market analysis consultation documents, but would ask you to consider a further few points. These enquiries relate to the mobile markets and arise from some recent regulatory training sessions for Gibtelecom personnel run by external consultants.

Remedies in the wholesale market for mobile access and call origination

In this market the GRA has proposed the following remedies:

- ▶ publication of interconnection agreements and notice for changes to terms and conditions;
- ▶ accounting separation; and
- ▶ a retail price control of RPI-5% for two years.

I would like to comment on the last two of these – i.e. accounting separation and retail price control.

Accounting separation in mobile

It is my understanding that the rationale for introducing accounting separation in the fixed telecommunications markets was to enable a regulator to identify the costs of individual business units and services. The reason this was considered important was that competitive entry could happen in subsets of the total fixed telecommunications market served by the vertically integrated incumbent fixed line operator.

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For mobile, however, I am advised by our training consultants that there are no situations where competitive entry has occurred in a subset of the total mobile market – that is core or access only. Nor do they know of mobile operators offering call origination or call termination only. Based on this can you please explain the underlying rationale for imposing such an accounting separation obligation on Gibtelecom, and could this approach be the subject of a comprehensive elucidation in the GRA's final decision document?

Furthermore, if the GRA retains its remedy of mobile accounting separation then Gibtelecom would require further guidance from the GRA as to how these accounts should be structured and costed. I am advised that neither the EU Commission, nor any other body, have issued any guidance notes for accounting separation in mobile networks.

Mobile retail price control

As indicated in the GRA's consultation paper, no other EU country has introduced a retail price control in the mobile market. Although I note the GRA's view of how Gibraltar is unique in having only one mobile network operator, I am advised by our consultants that the application of a retail market remedy for a wholesale market SMP determination is at best unconventional. I would therefore like to gain a better understanding of why a short term retail price control is considered to be a necessary and appropriate remedy for the GRA's SMP finding in the wholesale market.

It was recently reported in the Gibraltar Chronicle, that the Minister for Trade, Industry Employment and Communications stated in the Parliament that a second mobile licence would be issued shortly. In such circumstances the application of a retail price control immediately before this happens would seem questionable. One of the competitive parameters to be considered in analysis of dominance, and in selection of appropriate remedies is the existence of prospective competition. As the issue of a second mobile licence in Gibraltar increases the likelihood of competition in the foreseeable future, shouldn't this be recognised as a competitive constraint on Gibwireless? And this is in addition to competition from Spanish operators. Regulatory measures imposed on Spanish mobile operators (presumably resulting in lower mobile prices in Spain) are likely to have knock-on effects in Gibraltar and as such the Spanish operators represent a competitive constraint on Gibwireless' pricing.

I look forward to hearing your views.

Yours sincerely



TIM BRISTOW
Chief Executive Officer

(dictated by T J Bristow and signed in his absence)



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