

TELECOMMUNICATIONS (JERSEY) LAW 2002

PROPOSED MODIFICATION TO THE CLASS III LICENCE GRANTED TO JERSEY TELECOM LIMITED ON 1ST JULY 2003 CONCERNING THE PUBLICATION OF SEPARATED ACCOUNTS

INITIAL NOTICE

1. The Jersey Competition Regulatory Authority (“JCRA”) issues this Initial Notice under Article 11 of the Telecommunications (Jersey) Law 2002 (“the Law”) concerning a proposed modification which it intends to make (subject to any views and representations expressed during the consultation period) to the telecommunications Licence granted to Jersey Telecom Limited (“JT”) on 1st July 2003 regarding the publication of separated accounts.

Background

2. On 15th December 2009 the JCRA published a Consultation Document ¹ on the question of whether, and if so, in what format JT should have to publish separated accounts for its regulated activities.
3. The 2009 Consultation Document referred to the earlier history of the requirements upon JT to provide the JCRA with accounting records (although such records have not, in the past, been published to the world at large). Specifically it stated that:

“Jersey Telecom Limited (‘JT’) is required under the terms of its Licence Condition 29 to provide to the JCRA a set of accounting records set out in a manner that enables the activities specified in the JCRA Direction on Separated Accounts ² (the ‘Direction’) to be separately identifiable. The Direction refers to Annex 1 of the JCRA Consultation on Accounting Separation and Costing Methodologies that gave guidance on the form of documentation to be provided, which should be considered in conjunction with this consultation.

The Direction also set out a timetable for the production of JT’s separated accounts which included specific dates by which the accounts should be provided to the JCRA. JT has provided three sets of the accounts in line with that timescale. The JCRA has therefore had the opportunity to assess these accounts which are now largely in the same format across JT’s products and services.

¹ Consultation Document 2009 – T4 entitled *Consultation on the Publication of Jersey Telecom Limited’s Regulatory Separated Accounts*.

² *Direction re Jersey Telecom Limited - Separated Accounts* issued on 1st July 2005.

The JCRA has regard to international best practice and notes that in many jurisdictions the national regulatory authority ('NRA') publishes the separated accounts of the dominant telecommunications operator. The JCRA is now consulting on whether and in what format the JT separated accounts should be published".

4. The 2009 Consultation Document made it clear that if, having taken into account the views expressed by interested parties to the Consultation, the JCRA decides to require JT to publish its separated accounts a new Licence Condition would be inserted into JT's Licence.
5. That new Licence Condition would oblige JT to publish its separated accounts in such format as directed by the JCRA.

Responses to the 2009 Consultation

6. The 2009 Consultation asked three specific questions on the publication of JT's separated accounts, namely:

**** Do stakeholders agree that JT should publish its regulatory separated accounts and its accounting separation methodology in full?***

**** Are there any parts of the JT regulatory separated accounts which should remain in commercial confidence and therefore not published?***

**** Is the format of the separated accounts, as set out in the Annex to this consultation document an appropriate format?***

7. There were responses from a number of interested parties, and these responses were published on the JCRA web-site.
8. In the light of the comments received about the fact of publication of separated accounts, and the appropriate format of those accounts, the JCRA proposes to make the following modification to the Licence of Jersey Telecom Limited dated 1st July 2003 (subject to any views expressed during this consultation process).

The Specified Regulatory Function which the JCRA proposes to exercise

9. Condition 29 shall be modified to bring it up to date and a new Condition 29.1 added to JT's Licence which shall oblige JT to publish its separated accounts in such format as the JCRA may from time to time require in such manner as the JCRA shall require. As required by Article 11(2)(b) of the Law, a copy of Condition 29 as it is currently worded is set out at Annex One to this Initial

Notice, and a copy of the proposed amended Condition 29 (containing the proposed new Condition 29.1) is set out at Annex Two to this Initial Notice.

Reasons for the Proposed Modification

10. As stated in the 2009 Consultation:

“The reason for creating separated accounts for an incumbent operator is to demonstrate that it is not discriminating between its own downstream operations and those of competing providers. It is the view of the JCRA that making these accounts publicly available will assist in the detection of (or help to verify in the absence of) anticompetitive behaviour in the relevant retail and wholesale markets. This will assist in the development of competitive markets that will ultimately benefit the consumer.

Publication of the dominant operator’s accounts is in line with best international practice in both large and small jurisdictions. The Office of Utility Regulation in Guernsey requires publication the Regulatory Separated Accounts of Cable & Wireless Guernsey Limited³ as does UK regulator Ofcom with regard to British Telecom plc⁴. Therefore the JCRA is of the preliminary view that JT’s separated accounts should be published”.

11. It should be noted that publication of JT’s separated accounts (in an appropriate format) was one of the recommendations contained in the Regulaid Report concerning JT’s regulatory accounts and wholesale access provision⁵. The same is true of the report commissioned by the Economic Development Department from LECG on the JCRA’s powers in telecommunications regulation.

12. In order to achieve the optimum level of transparency, the JCRA is of the view that the published information should be in sufficient detail for other operators to be able to determine that there is no discrimination between JT’s internal retail arm and the wholesale services offered to OLOs. On the other hand, the JCRA is also aware of JT’s need to protect commercially sensitive information.

The JCRA’s duties under Article 7 of the Law

12. The JCRA’s primary duty under Article 7(1) of the Law is to perform its functions in such a way as it considers best calculated to ensure (as far as is reasonably practicable) that such telecommunications services are provided both within Jersey and between Jersey and the rest of the world as satisfy all current and prospective demands for them.

³ Cable & Wireless Guernsey Limited regulatory accounts, available at http://www.surecw.com/guernsey/page_996

⁴ British Telecommunications plc Regulatory Statements – available at <http://www.btplc.com/Thegroup/Regulatoryinformation/FinancialStatements/index.htm>

⁵ Recommendation 4.5

13. In this regard, and as stated in the 2009 Consultation:

“Separated accounts can assist the regulator in many ways, particularly with potential abuses by the regulated entity of its dominant status in some relevant markets, for example, the access market. Some of the potential uses for such accounts are:

- Monitoring of the operator’s performance for purposes of regulated product price control;
- Informing on costs for the purpose of setting wholesale access charges;
- Setting interconnection pricing;
- Aiding the NRA in detecting anti-competitive behaviour such as unfair cross subsidisation and undue discrimination at levels of disaggregation appropriate to the relevant market; and
- Assisting in comparative competition (the process of benchmarking a company’s performance in relation to other companies’ performance).

If they are published, such information may also inform other stakeholders with regard to market behaviour”.

14. The publication by JT of its separated accounts in such format as directed by the JCRA will assist the JCRA in fulfilling its primary duty that telecommunications services are provided and are provided in a way that and at a price that does not entail JT breaching any of its relevant Licence Conditions.

15. The JCRA’s secondary duties are set out in Article 7(2) (a) to (f) of the Law and again, the JCRA is of the view that the greater transparency provided by the publication of JT’s separated accounts will assist it in performing those duties.

16. Thus for example Article 7(2)(a) requires the JCRA to perform its functions in such a manner as it considers is best calculated to protect and further the short and long term interests of users within Jersey of telecommunications services and to do so, where appropriate, by promoting competition among persons engaged in commercial activities connected with telecommunications in Jersey.

17. The publication of separated accounts (which, unlike statutory accounts concentrate on the costs and revenues from individual business activities with greater granularity than normal financial account reporting), will enable competitors of JT to raise accounting issues with the JCRA if it appears that potential Licence Condition breaches or abuses of dominance are taking place. This in turn will enable the JCRA to carry out an open and transparent investigation in order that the ultimate outcome will protect the short and long term interests of users of telecommunications services in Jersey.

18. The greater transparency provided by the publication to the world at large of JT’s separated accounts (subject only to the excision of genuinely confidential

information) will likewise assist the JCRA in performing its duties under Article 7(2)(b) and (c) which relate, respectively, to the JCRA promoting efficiency, economy and effectiveness in commercial activities connected with telecommunications and to furthering the economic interests of Jersey. If the proposed requirement to publish the separated accounts is adopted, this will assist in preventing the dominant player JT from abusing its dominant position by adopting anti-competitive practices such as predatory pricing and unfair cross subsidy policies.

19. The requirement to publish separated accounts will be neutral in terms of the JCRA's duties under Article 7(2)(d) to (f) inclusive (which relate to restrictions placed upon persons engaged in telecoms activities, the financial and other resources necessary to conduct telecommunications activities, and the special needs of persons who are disabled or have limited financial resources). All of these duties of the JCRA will benefit at a general level from the publication of the separated accounts.

The Proposed Amendments to Condition 29

20. The current text of Condition 29 is set out at Annex One to this Initial Notice and the Condition as it is proposed to be amended, is set out at Annex Two. The draft Decision of the JCRA Board is set out at Annex Three.

Consultation

21. The JCRA therefore intends to make the amendments proposed in this Initial Notice which would be effective on 17 July 2010, unless the JCRA receives representations or objections about the proposal prior to that date. In that case the effective date will be specified in any Final Notice issued by the JCRA under Article 11(5) of the Law. Copies of the proposed Licence and this Notice are available for inspection at the offices of the JCRA and on its website at www.jcra.je. Written representations or objections to the exercise of this specified regulatory function may be made by letter marked for the attention of Graeme Marett, Telecommunications Case Officer, 2nd Floor, Salisbury House, 1 – 9 Union Street, St Helier, Jersey JE2 3RF, on or before 16 July 2010.
22. In compliance with the procedures set out in the Guideline on Procedures under the Telecommunications (Jersey) Law 2002, the JCRA intends to publish full non-confidential texts of any representations or objections received in response to this Initial Notice. Thus, respondents to this consultation should clearly identify all confidential information contained in their responses.

21 June 2010

By Order of the Board of the JCRA

ANNEX ONE

CURRENT TEXT OF CONDITION OF JT's LICENCE

29. SEPARATION OF ACCOUNTS

29.1 Within six (6) months of the Licence Commencement Date, the Licensee shall confirm to the JCRA that it maintains accounting records in a form that enables the activities specified in any direction given by the JCRA to be separately identifiable, and which the JCRA considers to be sufficient to show and explain the transactions of each of those activities.

29.2 The JCRA may require reports on the accounting records and/or activities from time to time. The JCRA may direct the Licensee as to the basis and timing of such reports as the JCRA may require

ANNEX TWO

PROPOSED AMENDED TEXT OF CONDITION 29 OF JT's LICENCE

29. SEPARATION OF ACCOUNTS

29.1 Within six (6) months of the Licence Commencement Date, the Licensee shall confirm to the JCRA that it maintains accounting records in a form that enables the activities specified in any direction given by the JCRA to be separately identifiable, and which the JCRA considers to be sufficient to show and explain the transactions of each of those activities. [TO BE DELETED]

29.1 The Licensee shall publish its separated accounts in such a form and containing such information as the JCRA may from time to time specify.

29.2 The JCRA may require reports on the accounting records and/or activities from time to time. The JCRA may direct the Licensee as to the basis and timing of such reports as the JCRA may require.

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ANNEX THREE TO INITIAL NOTICE

**Decision on the Publication of Jersey Telecom Limited's
Regulatory Separated Accounts**

◁ 2010

Introduction

Jersey Telecom Limited ('JT') is required under the terms of its licence Condition 29 to provide to the JCRA a set of accounting records set out in a manner that enables the activities specified in the JCRA Direction on Separated Accounts¹ (the 'Direction') to be separately identifiable. The Direction refers to Annex 1 of the JCRA Consultation on Accounting Separation and Costing Methodologies² that gave guidance on the form of documentation to be provided. Further, in 2009 the JCRA reviewed the JT separated accounts in order to ensure the correct interpretation of data. This review was carried out by telecommunications consultants Regulaid BV³ on behalf of the JCRA and certain recommendations have now been implemented for the 2009 separated accounts.

The JCRA, having regard to international best practice and noting that in many jurisdictions the national regulatory authority ('NRA') publishes the separated accounts of the dominant telecommunications operator, consulted on whether and in what format the JT Separated Accounts ("SA") should be published in its Consultation Document T-04⁴ in December 2009.

Responses

The JCRA received six responses to its consultation from:

Cable & Wireless Jersey Limited ("CWJ");
Clear Mobitel Jersey Limited ("CMJ");
Jersey Airtel Limited ("JAL");
Jersey Telecom Limited ("JT");
Newtel Limited ("Newtel"); and
Nitel Limited

All of the above are JCRA telecommunications licensees.

Summary of responses

In response to the first question posed in the consultation:

1. *Do stakeholders agree that JT should publish its regulatory separated accounts and its accounting separation methodology in full?*

¹ Direction re: Jersey Telecom Limited – Separated Accounts issued 1 July 2005 – available at: <http://www.jcra.je/pdf/050511%20Direction%20to%20JT%20re%20Separated%20Accounts.pdf>

² Consultation on Accounting Separation and Costing Methodologies - available at: <http://www.jcra.je/pdf/040602%20Accounting%20separation%20consultation.pdf>

³ Review of the Jersey Telecom Limited Separated Accounts and Wholesale Access Provisions – available at: <http://www.jcra.je/pdf/091127%20final%20redacted.pdf>

⁴ Consultation on the Publication of the Jersey Telecom Separated Accounts – available at: <http://www.jcra.je/pdf/091215%20JT%20Separated%20Accounts%20Consultation%20T-4.pdf>

Most respondents were in general agreement that the JT Separated Accounts should be published in order to increase transparency and to ensure that the telecommunications market remained competitive.

JT provided lengthy discussion on the utility of the SA to the regulatory process claiming that the JCRA did not use those provided to it over the past few years. The JCRA's response to this is that, as noted above, it has recently reviewed the JT SA methodology because in its view it was not consistent. The JCRA has, nevertheless, used information provided in the SA to review JT's proposed price changes and to assess complaints. It is of the view that the revised accounts will be of more utility.

JT also raised several arguments based on a small jurisdiction proportionality case for non-publication of SA data in markets where there is no holding of Significant Market Power ("SMP") by JT. The JCRA is aware of best international practice in this regard but would counter that until its recent Decision on SMP⁵ JT had previously been found to be dominant across all telecommunications markets in Jersey. The JCRA also notes that SA are published in other similar sized jurisdictions such as Guernsey, where the incumbent operator Cable and Wireless Guernsey, publishes its SA in full. In its response CWJ noted that its sister company at first had reservations but is now confident that publication using the standard EU proforma⁶ does not compromise its commercial confidentiality.

In response to the second question on the consultation:

2. *Are there any parts of the JT regulatory separated accounts which should remain in commercial confidence and therefore not published?*

Most respondents were of the view that all parts of the accounts that relate to markets where JT holds SMP should be published. CWJ noted that if the EU proforma is followed that this matter should not arise since it is widely used elsewhere by other operators including its sister company.

JT noted that only markets in which it holds SMP should be subject to publication and it noted the JCRA proposal for the removal of JT's SMP in the mobile retail market in its concurrent consultation on the telecommunications market⁷. The JCRA has noted the same comment above and will follow best international practice in this regard.

In response to the third question on the consultation:

⁵ Decision on the Holding of Significant Market Power in Various Telecommunications Markets – available at: <http://www.jcra.je/pdf/100420%20market%20review%20decision.pdf>

⁶ Document 98/322/EC: - available at: http://www.etsi.org/WebSite/document/aboutETSI/EC_Legislation/1998_322.pdf

⁷ Consultation on JCRA Review of the Telecommunications Market in Jersey – available at: <http://www.jcra.je/pdf/091127%20Telecommunications%20Market%20Review%20consultation%20t-3.pdf>

3. *Is the format of the separated accounts, as set out in the Annex to this consultation document an appropriate format?*

Several respondents commented on the format provided in the consultation document including JT itself. The format provided in the consultation document was drawn from the earlier SA documents provided to the JCRA by JT. Since that time the JT SA have been reviewed and certain changes implemented. The JCRA is therefore in agreement with the respondents in that the format should reflect the relevant network components identified in the original Direction⁸ (which for convenience is reproduced in ANNEX 4 to the Initial Notice) and follow the appropriate best practice. The pro forma provided by the EU and used by Cable and Wireless Guernsey is an appropriate format.

Both CWJ and Newtel commented on the current Direction's requirement to enable two JT Directors to sign the accounts in lieu of formal auditing. Newtel also commented that JT should also be required to publish its statutory accounts to UK Generally Accepted Accounting Principles ("GAAP") which should be consolidated against the SA.

CWJ commented that the current Direction includes a section of the SA that covers "Other Activities". CWJ is of the view that this should only relate to non-telecommunications activities which it proposes should be reported separately to ensure that they are being operated at "arm's length" from the regulated business.

CMJ also proposed that JT's SA should be based on Current Cost Accounting (CCA) methodology. The JCRA observes that this was a condition of the earlier Direction to which the JCRA gave JT a temporary derogation in 2006.

Decision and Direction pursuant to Condition 29.1

The responses to the consultation thus broadly support the JCRA's provisional view, as stated in Consultation Document T-04, that JT's SA accounts should be published. Therefore the JCRA has decided to Direct JT to publish its separated accounts. The first set of SA published shall be that for the year 2009 and shall include data for all markets in which JT currently has SMP, pursuant to the recent JCRA Decision on SMP. JT shall thereafter publish its SA for all future years for all markets in which it holds SMP, pursuant to the format in Annex 5.

In consideration of the comments from respondents, the JCRA has determined that the format of the separated accounts shall be that proposed in the 2005 Direction⁹ which for convenience is also reproduced in Annex 5 to the Initial Notice.

⁸ Direction to Jersey Telecom Regarding Accounting Separation - available at: <http://www.jcra.je/pdf/050511%20Direction%20to%20JT%20re%20Separated%20Accounts.pdf>

⁹ *ibid*

From 19 April 2010 JT shall no longer be required to show markets in its SA in which it no longer holds SMP. For the avoidance of doubt these markets are: Retail – Connection; Retail – Rentals; Retail – Prepaid Sales; Retail - Jersey Calls; Retail – Calls from Mobile; Retail – Calls to Mobile; Retail – SMS; Retail – Roaming; Retail – Directory Enquiries; and Other (MMS, GPRS Services).

The JCRA shall also require JT to publish its statutory accounts to UK GAAP standards for the year 2009 and for future years.

JT shall publish its separated accounts within one month of submitting the same to the JCRA.

JT shall also audit its SA accounts and consolidate against its statutory accounts and a copy of the audit report shall be submitted to the JCRA.

From 2011 JT shall be required to submit its SA in CCA format.



ANNEX FOUR TO THE INITIAL NOTICE

Jersey Competition Regulatory Authority ('JCRA')

Direction

Re:- Jersey Telecom Limited – Separated Accounts

pursuant to Condition 29 of the Telecommunications Licence granted to Jersey Telecom Limited ('JT') on 1 July 2003 ('the Licence').

WHEREAS:

(a) Condition 29 of the Licence provides:

29.1 “Within six (6) months of the Licence Commencement Date, the Licensee shall confirm to the JCRA that it maintains accounting records in a form that enables the activities specified in any Direction given by the JCRA to be separately identifiable, and which the JCRA considers to be sufficient to show and explain the transactions of each of those activities.

29.2 The JCRA may require reports on the accounting records and / or activities from time to time. The JCRA may direct the Licensee as to the basis and timing of such reports as the JCRA may require.”

(b) The JCRA issued a Consultation Paper on 2 June 2004 (‘the Consultation Paper’) specifying its proposals inter alia as to the activities of JT to be separately identifiable pursuant to Condition 29.1 of the Licence, and the basis and timing of reports to be provided to the JCRA pursuant to Condition 29.2 of the Licence. The Consultation Paper also explained (at section 2.1) the reasons for the requirement for separation of accounts.

(c) The JCRA has fully considered the submissions of the 3 respondents to the Consultation Paper before issuing this Direction. In particular, while JT submitted inter alia that the level

of disaggregation of accounts proposed in the Consultation Paper would represent a disproportionate requirement on JT, the JCRA believes that such level of detail is appropriate given that JT's position of Significant Market Power¹ extends across a wide range of telecommunications services, including fixed, mobile and internet access services, and the need for the JCRA to be able to monitor the financial relationships between the various parts of JT's business to ensure compliance with its licence conditions, particularly Condition 30 (cross-subsidisation), Condition 31 (undue preference / undue discrimination) and Condition 34 (fair competition).

NOW THEREFORE

the JCRA hereby directs JT:

1. Within 3 calendar months from the effective date of this Direction as defined in the Final Notice, to provide to the JCRA an activity-based cost methodology for review by the JCRA, and thereafter to incorporate such changes to the methodology as the JCRA may deem necessary for the production of the accounting records referred to in Condition 29.
2. By 31 December 2005, to provide to the JCRA separated accounts for each of the business activities listed in the Annex to this Direction, showing any transactions between those activities, and between each of those activities and any other activity carried on by JT ('Separated Accounts'), for the period 1 January 2004 to 31 December 2004 using historical cost accounting ('HCA').

¹ JCRA Direction 2004-1

3. By 31 December 2005, to provide to the JCRA for review by the JCRA a methodology for preparing Separated Accounts using current cost accounting ('CCA').
4. By 30 September 2006, to provide to the JCRA Separated Accounts for the year 1 January 2005 to 31 December 2005 using HCA.
5. By 1 July 2007, to provide to the JCRA Separated Accounts for the year 1 January 2006 to 31 December 2006 using CCA.
6. To ensure that Separated Accounts follow the principles and formats contained in Annexes 2 to 6 of the Consultation Paper, and are signed by two directors of JT.

Date: 12 May 2005

**By Order of
The JCRA Board**

Annex

JT's Business Activities subject to this Direction

a) Core Network

b) Local Access Network

c) Retail Fixed:

- Retail – Exchange Line Rental and Connection
- Retail - Local Calls
- Retail - National Calls
- Retail – International Calls
- Retail – Calls to Jersey Mobiles
- Retail – Non-geographic Calls free to calling customer
- Retail – Non-geographic Calls charged at local rates
- Retail – Non-geographic Calls charged at national rates
- Retail – Non-geographic Calls charged at premium rates
- Retail – Internet Calls
- Retail – Directory Enquiry
- Retail – Public Payphones
- Retail – Leased Lines (private circuits)
- Retail – Remaining Activities

d) Broadband

- xDSL
- Other

e) Mobile

Access Network

Retail:

- Retail – Connection
- Retail – Rentals
- Retail – Prepaid Sales
- Retail - Jersey Calls
- Retail – Calls from Mobile
- Retail – Calls to Mobile
- Retail – SMS
- Retail – Roaming
- Retail – Directory Enquiries
- Other (MMS, GPRS Services).

f) Other Activities, for example:

Retail Sales
ISP Services
Network Cabling

Annex 1 of the Consultation Paper provides full definitions for the disaggregated Retail activities specified above.

ANNEX FIVE TO THE INITIAL NOTICE

Annex 5 Proforma Reporting Formats

Figure 5.1 -Proforma reporting formats for the Core Network business

(a) Profit and Loss

	Current Year	Prior Year	
Turnover			
From Retail			
From other operators			
Total turnover	_____	_____	①
Operating costs			
CCA adjustments			
Total operating costs	_____	_____	②
Return	_____	_____	③ = ① - ②

The calculation of the return must be consistent with the basis on which the cost of capital is calculated. Therefore, if - as envisaged in the main body of the guidelines - a pre-tax and pre-interest WACC is used, the return shown in the accounts should be equivalent to profit before interest and tax.

Figure 5.1 (cont.) – Proforma reporting formats for the Core Network business

(b) Balance sheet information

	Current Year	Prior Year	
Fixed assets			
Tangible fixed assets			
Intangible fixed assets			
Investments			
Total fixed assets	_____	_____	①
Current assets			
Stocks			
Debtors			
Investments			
Cash at bank & in hand			
Total current assets	_____	_____	②
Creditors			③
Provisions for liabilities and charges			④
Mean capital employed	_____	_____	⑤ = ① + ② - ③ - ④

All entries in the “balance sheet” should be prepared on a current cost basis. They should be average values for the year to which they relate. Where possible and material the average values shown should be weighted averages. If information is not available, a simple average of opening and closing balances may initially be used.

(c) Return on capital employed

	Current Year	Prior Year	
Return			①
Mean capital employed			②
Return on mean capital employed (%)			③ = ①/②

Figure 5.2 – Proforma reporting formats for the Local Access-Network business

(a) Profit and Loss

	Current Year	Prior Year	
Turnover			
Transfer charges to Retail			
From other operators (if any)			
Total turnover			①
Operating costs			
CCA adjustments			
Total operating costs			②
Return			③ = ① - ②

(b) Balance sheet information

As for Core Network.

(c) Return on capital employed

As for Core Network.

Figure 5.3 – Proforma reporting formats for the Retail business

(a) Profit and Loss

	Current Year	Prior Year	
Turnover:			
Connection charges			
Rental charges			
Call charges			
Other turnover			
Total turnover	_____	_____	①
Operating costs:			
Operating costs specific to Retail			
Transfer charges from Core Network			
Transfer charge from Local Access- Network			
CCA adjustments			
Total operating costs	_____	_____	②
Return			③ = ① - ②

The same formats would apply to separate regulated activities within Retail.

(b) Balance sheet information

As for Core Network.

(c) Return on capital employed

As for Core Network.

Figure 5.4 – Proforma reporting formats for the Mobile business
(a) Profit and Loss

	Current Year	Prior Year	
Turnover:			
Total turnover	_____	_____	①
Operating costs:			
Operating costs specific to Mobile			
Transfer charges from Core Network			
Transfer charge from Local Access- Network			
CCA adjustments			
Total operating costs	_____	_____	②
Return	_____	_____	③ = ① - ②

(b) Balance sheet information

As for Core Network.

(c) Return on capital employed

As for Core Network.

Figure 5.5 – Proforma reporting formats for “Other activities”

(a) Profit and Loss

	Current Year	Prior Year	
Turnover			①
Operating costs			②
	_____	_____	
Return			③ = ① - ②

As discussed in the main body of the guidelines there may be a case for disaggregating “Other activities” in order to provide greater transparency of the performance of specific activities. It will be up the JCRA to specify the extent to which separate accounts for these activities will be prepared.

(b) Balance sheet information

As for Core Network.

(c) Return on capital employed

As for Core Network.

Table 5.6 **Statement of Costs of Network Services**

The Statement of Costs of Network Services presented here is an example of the table that JT Ltd might use for the purpose of fulfilling the requirements set out in the document.

This should be interpreted as an illustrative example and should be modified in accordance with the particular characteristics of JT Ltd's network and its components.

Both Eircom and British Telecom have their regulatory financial statements published on their respective web-sites, and these might also be used as a reference for these statement of costs of network services.

Table 5.6 (JT Ltd to amend and supply a completed table that reflects the JT Ltd network, the table below is illustrative)

STATEMENT OF COSTS OF NETWORK SERVICES

	TRAFFIC SENSITIVE			NON-LENGTH DEPENDANT				LENGTH DEPENDANT			
	Subscriber unit	Primary Switch	Secondary Switch	RSU to Secondary Link	Primary to Primary Link	Primary to Secondary Link	Secondary to Secondary Link	RSU to Secondary Link	Primary to Primary Link	Primary to Secondary Link	Secondary to Secondary Link
Average costs (pence/min.)	x	x	x	x	x	x	x	x	x	x	x
Total costs	x	x	x	x	x	x	x	x	x	x	x
Usage Factors (routing or percentages)											
Retail Services											
Local calls	x	x	x	x	x	x	x	x	x	x	x
Local internet calls	x	x	x	x	x	x	x	x	x	x	x
Guernsey calls	x	x	x	x	x	x	x	x	x	x	x
National calls	x	x	x	x	x	x	x	x	x	x	x
...	x	x	x	x	x	x	x	x	x	x	x
...	x	x	x	x	x	x	x	x	x	x	x
RIO services											
Call termination	x	x	x	x	x	x	x	x	x	x	x
Call origination	x	x	x	x	x	x	x	x	x	x	x
...	x	x	x	x	x	x	x	x	x	x	x
...	x	x	x	x	x	x	x	x	x	x	x

Table 5.6 cont STATEMENT OF COSTS OF NETWORK SERVICES (conveyance element) (JT Ltd to amend and supply a completed table that reflects the JT Ltd network, the table below is illustrative)

	TRAFFIC SENSITIVE			NON-LENGTH DEPENDANT				LENGTH DEPENDANT							Call conveyance cost per minute - peak	Call conveyance cost per minute - off-peak
	Subscriber unit	Primary Switch	Secondary Switch	RSU to Primary/ Secondary Link	Primary to Primary Link	Primary to Secondary Link	Secondary to Secondary Link	RSU to Primary/ Secondary Link	Primary to Primary Link	Primary to Secondary Link	Secondary to Secondary Link	Gradient - Peak	Gradient - Off-Peak	Gradient - Weekend		
Average costs (cent/min.)	X	x	x	x	x	x	x	x	x	x	x					
Average cost per minute ⁽¹⁾																
Retail Services																
Local calls	X	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Local internet calls	X	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Guernsey calls	X	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
National calls	X	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
...	X	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
...	X	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
RIO services																
Call termination	X	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Call origination	X	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
...	X	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
...	X	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x

(1) Those costs are obtained from multiplying the average cost per minute by the usage factors, both of which are shown in the table of previous page. These costs reflect the conveyance element of the service only

Table 5.7 Transfer Charge Statement (£)

Services / Costs	Network	Local Access	Other Operating	Total Transfer Charges
Exchange Line rental and connection				
Local calls				
Local internet calls				
National internet calls				
Guernsey calls				
National calls				
International calls				
Calls to Jersey mobiles				
Non-geographic calls free to calling customer				
Non-geographic calls charged at local call rate				
Non-geographic calls charged at national call rate				
Non-geographic calls charged at premium rate				
Internet				
Directory Enquiry				
Public payphones				
Lease lines				
Remaining Activities				

Table 5.8 Inter Business Costs Summary (£)

	TO	Access	Network	Retail	Mobile	Other	Total
FROM							
Access			X	X	X	X	X
Network		X		X	X	X	X
Retail		X	X		X	X	X
Mobile		X	X	X		X	X
Other		X	X	X	X		X
Total		X	X	X	X	X	X