



**Invitation to Tender for the  
Review of Jersey Telecom's Fibre-to-the-Home Cost Model**

**April 2012**

**Jersey Competition Regulatory Authority,  
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1-9 Union Street, St Helier,  
Jersey JE2 3RF**

## Part 1: Introduction

1. This document constitutes an invitation from the Jersey Competition Regulatory Authority (“JCRA”) to tender for a contract to undertake a critique of the model used by Jersey Telecom (“JT”) to calculate the wholesale cost of its fibre services. In the event that prices are found not to be cost-justified, the successful tenderer will be required to propose alternative charges based on the best available information.
2. JT was a States department that provided the monopoly telecommunications service. The States introduced the Telecommunications (Jersey) Law 2002 (‘the Law’) that enabled the JCRA to licence and regulate telecommunication providers in Jersey. Prior to the full implementation of the law JT was incorporated into a limited liability company under Jersey law, the States retained 100% of the share capital. Since 1 January 2003 JT has lost its statutory monopoly and now faces competition in all telecommunications markets. Nevertheless, it remains the dominant provider of fixed network communications, where there is limited infrastructure competition, and retains a strong market position in the mobile sector following the introduction of competition in that sector.
3. The JCRA is required under the Law to ensure that consumers in Jersey have their demands for telecommunications services met in the most efficient way, in particular by promoting competition where appropriate. To this end the JCRA has licensed other operators (‘OLOs’) to provide competitive and innovative services within the island. In addition, the JCRA can impose special requirements on telecommunications operators through licence conditions when an operator has Significant Market Power (‘SMP’).
4. JT have announced that they are to build a fibre-to-the-home network to replace their current copper network, the copper network being removed a short time after the fibre network is laid. Work on rolling out the fibre network has commenced and JT proposes to have all homes in Jersey connected to fibre by 2016. JT has already published retail and wholesale charges for certain services on its fibre network and these may be found here: <http://www.jtglobal.com/Jersey/Personal/JT-Fibre/>
5. Under the terms of its licence issued by the JCRA, JT as a Licensee with SMP in certain markets<sup>1</sup> is required to comply with a number of licence conditions aimed at ensuring a level playing field in the telecoms market in Jersey.
6. One condition of the licence is that JT are required to offer wholesale services on a cost and objectively justified basis.
7. Accordingly, JT have provided the JCRA with proposed wholesale and retail prices for services provided over the new fibre network and the cost model on which these prices are based.
8. The JCRA invites interested companies to tender for a contract to carry out a critique of JT’s cost model.
9. Further information on the telecoms market in Jersey can be found on the JCRA website – [www.cicra.je](http://www.cicra.je).

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<sup>1</sup> Response to the Consultation Paper 2009 – T3 “Review of the Telecommunication Market in Jersey” and Decision on the Holding of Significant Market Power in Various Telecommunications Markets

## **PART II: SCOPE AND OBJECTIVES OF THE PROJECT**

### **Objectives**

10. Under the Law<sup>2</sup> the JCRA is required to:
  - (i) “protect and further the short-term and long-term interests of users within Jersey of telecommunications services;
  - (ii) promote competition among persons engaged in commercial activities connected with telecommunication in Jersey
  - (iii) efficiency, economy and effectiveness in commercial activities connected with telecommunications in Jersey; and
  - (iv) further the economic interests of Jersey.  
...”
11. The construction of a fibre-to-the-home network in Jersey is likely to the significant structural change of the next 20 years in the Jersey telecommunications market.
12. The JCRA considers it vital that the regulatory environment is ideally suited to encourage competition, efficiency and economy in the market. An appropriately priced fibre services are central to this aim.
13. JT are required to supply their services on a cost justified basis and have provided the JCRA with a cost model with which they have estimated their costs.
14. The primary purpose of this project is to critically appraise JT’s cost model and identify, if necessary, any changes to the model such that the cost estimates for each service best achieve the objectives outlined in paragraph 10 above and that prices be cost and objectively justified, as required under JT’s licence conditions.
15. The JCRA anticipates that the successful consultant’s report will begin by considering the most appropriate cost model, having given consideration to the statutory aims of the JCRA and compare it to the model used by JT, concluding with recommended changes, if any, to JT’s model.
16. In addition, a benchmarking exercise assessing the wholesale costs and retail mark-ups of broadband services ranging in speeds from 2Mbps to 1Gbs should be conducted.
17. The analysis will also consider, inter alia:
  - The appropriateness of the remaining model inputs such as demand forecasts, Opex, Capex, WACC, price indexes etc.; and
  - Interconnection costs.

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<sup>2</sup> Telecommunications (Jersey) Law 2002, Part 3, clause 7(2).

18. The successful tenderer will be expected to draw upon their practical experience and knowledge of cost modelling telecommunications services to ensure that any recommendations will contribute to ensuring that Jersey has an effective and sustainable telecommunications market.

## Scope of the Project

19. In realising the project objectives the JCRA believes that the successful tenderer will need, as a minimum, to:
  - Survey cost model structures for fibre networks outlining the strengths and weaknesses of each approach and the conditions under which their use is most appropriate;
  - Assess the market structure in Jersey, concluding by outlining a model structure that best meets the statutory responsibilities of the JCRA;
  - Analyse the most appropriate approach to costing the different elements of the network, including ducting, access, copper, fibre and active equipment.
  - Review the JT model against the best practice model outlining the material differences between the two models and the likely effect of these differences.
    - If it is possible to modify the JT model such that it best meets the statutory responsibilities of the JCRA, without compromising its integrity, outline the recommended changes; or
    - If it is not possible to modify the JT model, provide guidance on the appropriate cost based price level.
  - Audit the key inputs (Opex, Capex, demand forecasts etc.) for the JT model;
  - Conduct a benchmarking exercise for a range of comparable wholesale and retail broadband services to those offered over JT's fibre network; and
  - Review costs of interconnection with JT's fibre-to-the-home network and benchmark them against international jurisdictions.
20. The JCRA expects that these tasks will form an essential part of the scope of the project, but this is not a comprehensive list and tenderers are invited to clearly state the approach and process they propose to use to meet the requirements of this Invitation to Tender.

### **PART III: Timetable and Deliverables**

21. The key deliverables will be two reports covering the scope of the project, as outlined above, an initial draft report that will be submitted to the JCRA within 4 weeks of the project commencement and a final report to be submitted on four weeks after the draft report having considered comments and feedback on the draft report from JT, OLOs and the JCRA.
22. In addition to the two reports, the consultant must meet with JT and the OLOs two weeks after the publication of the draft report to discuss the findings of the report and review any submissions that may be received.
23. In undertaking this process the successful tenderer should make its recommendations explicit throughout all the work it provides, as well as providing justification for their views in a clear and transparent manner that the JCRA considers satisfactory.
24. A public version of the successful consultant's report will be made available to JT and OLOs.
25. The consultant will be required to provide an electronic copy of all draft and finalised working papers and reports (in Microsoft Word), as well as two hard copies of all finalised working papers and reports. The consultant should also provide in Microsoft Excel all numerical work associated with all draft and finalised working papers and reports.
26. The work will be conducted in English and all deliverables will be submitted in English.

### **Qualifications**

27. The consultants should have:
  - a. Substantial telecommunications experience;
  - b. A proven track record in building fixed telecommunications network cost models;  
and
  - c. Team members who have specific relevant experience of this type of project.

### **Confidentiality**

28. The successful applicant must agree to a confidentiality agreement covering the firm and the individuals assigned to the project.

### **PART IV: INFORMATION REQUIRED FROM THE TENDER**

29. The following information is required from the applicant for the tender:
  - a. Demonstration of a clear understanding of the work to be performed.
  - b. A detailed description of the methodology that the applicant intends to adopt. This should include the envisaged project timetable containing any additional milestones for deliverables that the applicant considers appropriate.

- c. Information regarding the expertise and experience of the specific people who will carry out the work including full CVs of the staff proposed for the project. This will also identify the role undertaken by members of the proposed project team.
  - d. Description of previous relevant project experience of the organisation.
  - e. Management arrangements for ensuring the successful completion of the project.
  - f. A clear statement that the firm has no existing conflict of interest in relation to the proposed assignment and will not place itself in such a position while retained by the JCRA. Tenderers are required to disclose any matter which may give rise to a potential conflict of interest.
  - g. A commitment that in the event a member of the project team withdraws part way through the project, the successful tenderer shall ensure that the JCRA does not incur any additional costs in ensuring the new team member is brought up to speed. The JCRA would expect the consultant to have the necessary means to transfer knowledge amongst its staff.
  - h. Daily rates of each team member in pounds Sterling (daily rates to be based on 8 hours per day) together with the anticipated number of man days for each team member.
  - i. The total cost of the services tendered for including a breakdown of the person days or effort required (note that VAT is not applicable within Jersey).
30. The applicant is free to supplement the required information, and to provide illustrations or add background details where they are necessary to provide a clear understanding of the proposals or are likely to add materially to the JCRA's understanding of the applicant's intentions in providing the service. However, the submission from applicants should be no longer than 15 A4 pages, with supplementary information contained in relevant annexes. The applicant may be invited to clarify submitted information.
31. JCRA requires a fixed cost quotation for the work and rates must be fixed for the duration of the project. Travel and related expenses must be included in the quotation along with any other charges.
32. It is the practice of the JCRA to link payment to deliverables associated with the project. However the tenderer is invited to define payment terms relating payments to the provision of deliverables by the consultant. For the avoidance of doubt the JCRA will not authorise payments to be made simply on the basis of the signing of the contract between the Office and the successful applicant.
33. Any exchange rate risk will be borne by the applicant.
34. The JCRA is not bound to accept any tender received or the lowest tender. Selection will be based on compliance with this request for proposal documentation and, inter alia, the following matters:
- a) Understanding of the issues;

- b) Approach and methodology proposed and its appropriateness for the Jersey market;
  - c) The calibre and relevant previous experience of the team;
  - d) Price; and
  - e) Value for money.
35. The JCRA standard terms and conditions for tenders are available as a separate document but should be read in conjunction with this tender request.
36. Completed tenders should be emailed to Daniel Vincent at [daniel.vincent@cicra.je](mailto:daniel.vincent@cicra.je) **before midday 4 May 2012.**

# **Terms of Tender**

## **Deliverables**

All deliverables shall be in English.

A DRAFT report shall be submitted to the JCRA after completion of the programme of work. The JCRA shall provide comments to the tenderer, where appropriate, after receiving the draft report, enabling the tenderer to complete the FINAL REPORT.

The final report shall be provided to the JCRA in both hard copy and electronic formats.

## **Qualifications**

The tenderer shall provide to the JCRA with the tender document relevant previous experience of this class of work.

The tenderer shall provide the experience of the members of team that shall be employed on this project including the CVs of the team members.

## **Confidentiality**

The tenderer shall be required to sign a confidentiality agreement with the JCRA not to disclose to a third party any data received with or obtained from the review.

## **Terms**

The tender shall provide the following information:

1. Tenders are required to submit a fixed price contract. All costs shall be expressed in Pounds Sterling;
2. The projected timeline of the programme of work;
3. A clear statement that the tenderer has no conflict of interest with any other relevant party on the Island of Jersey, and/or that it shall not place itself in such a position during the completion of the programme. The tenderer shall disclose to the JCRA any matter which in its view may breach such a conflict of interest;
4. A breakdown of costs for the programme of work shall be provided at the end of the contract in sufficient detail that the JCRA may determine where any additional invoiced costs have been incurred;



5. Value Added Tax is not applicable to work carried out on the Island of Jersey;
6. The terms of payment for the completed work.
7. The tenderer understands that final report produced for the JCRA shall become the intellectual property of the JCRA.