

JCRA MEDIA RELEASE

2 JUNE 2005

JCRA INTERVENES TO STOP ANTI-COMPETITIVE PRICING SCHEME

Following intervention by the Jersey Competition Regulatory Authority ('JCRA'), Jersey Telecom ('JT') has agreed to change the structure of the discounts it grants to certain corporate customers, to ensure other operators can compete with JT on a level playing field.

While the Competition (Jersey) Law will not be fully in force until 1 November 2005, telecoms operators are already subject to rules on fair competition through their licences.

Under JT's 'TRAC' (Telecoms Real Advantage Club) Scheme, business customers which achieved an aggregate spend of at least £60,000 were eligible for discounts of up to 15% across a range of services. However, in assessing whether the £60,000 target was met, the scheme took into account not only services where JT is subject to competition (such as private circuits), but also those in which JT has a monopoly or near-monopoly (such as local fixed line calls and calls to mobile phones.). This meant that other telecoms suppliers which were able to compete with JT for some services but not others were restricted from doing so. JT's market power in the non-competitive areas was therefore being 'leveraged' into the more competitive ones.

Such discount schemes have consistently been held by the European Competition Authorities to be an abuse of dominant position.

The JCRA's Executive Director, Bill Brown, said:

"This is not about the level of prices JT can charge or the level of discounts it can offer. JT is free to set these levels provided it complies with its licence. We welcome competition on price, since this leads to lower prices for consumers. However, that

competition must be fair. Competition law has clearly established that discount structures of this kind impede competition, thereby ultimately leading to higher prices. We are pleased that JT is taking steps to remove these concerns”.

The JCRA has also noted that the TRAC Scheme was not published, and has reminded JT of its licence requirement to publish all prices and discount schemes.

ENDS.

For all enquiries please contact Graeme Marett on 01534 514990.