



DIGITAL JERSEY

PROMOTING TECHNOLOGY
AND INNOVATION



Mr. Michael Byrne
Chief Executive, JCRA
2nd Floor Salisbury House
1-9 Union Street, St Helier
Jersey, JE2 3RF
By email to info@cicra.je

14th April 2015

Dear Michael,

Initial Notice: Review of the price control for wholesale on-island leased lines: Jersey

I am responding on behalf of Digital Jersey to your invitation to comment on the above document.

Digital Jersey is funded by the States of Jersey to accelerate the growth of the digital economy in the Island and to act as a representative body for the digital sector. Our objectives are to:

- Enable growth of the digital sector, measured by GVA and jobs
- Enable a connected digital society
- Establish Jersey as an internationally well regarded “digital centre”

We welcome the efforts being made by JCRA to consult on the remedies proposed by the Business Connectivity Market Review, including the price control in the wholesale market for on-island leased lines in Jersey.

Recognising the vital role telecommunications plays in the development of digital business and the creation of an effective digital ecosystem for growth, Digital Jersey is focused on ensuring that Jersey has effective data connectivity. ‘Effective data connectivity’ is defined as providing:

- Sufficient data connectivity capacity to meet existing and future needs
- Sustained competitive pricing
- Competitive technology and services

These objectives equally apply to the specific area of access and pricing of wholesale and retail leased lines.

Regulating a fast moving market

We recognise the particular challenge facing JCRA of seeking to ensure that the market for telecoms services in Jersey is not subject to abuse by the very small number of telecoms services providers. This is particularly difficult at the current time as technological advance means that markets and infrastructure are subject to rapid change placing an additional challenge to your ability to implement an efficient and effective regulatory model on a timely basis.



Reducing significance of retail leased lines

We believe that retail leased lines are becoming less significant, particularly to small and medium size enterprises due to the arrival of fast fibre. Available to all businesses, this has the potential to be more flexible and meet business requirements previously only available through dedicated leased lines and therefore should reduce the need for business to contract for fixed leased line capacity.

Significant opportunities for business should arise as a result of the introduction of fibre both in terms of speed and capacity. However, the fact that JT holds significant market power (SMP) over the pricing, physical specification and physical connection schedule for fibre services is creating uncertainty for business.

We believe that JCRA should devote significant resources to ensuring that business gets prompt, fair and access to fibre services and competitive pricing as a matter of urgency.

Comments on the consultation document

Our understanding of the proposition in the consultation document is that JCRA has little or no evidence of a problem in the pricing of leased lines at a retail level. Further, given the costs involved in benchmarking studies and/or detailed cost analysis you have concluded that it is proportionate to require that wholesale lease line prices should be the retail prices charged by JT less 20%. You have also concluded that you have no basis to intervene in the retail market price.

We agree that the objective should be to produce prices that as far as possible replicate those that would arise from an effective competitive market. Further we agree that benchmarking and/or cost analysis would likely provide the means for this.

We offer our thoughts on these conclusions as follows:

Evidence from recent discussions with small and medium size businesses is that there are concerns with pricing of retail leased lines and that the costs compare poorly with other jurisdictions. However, we accept that evidence for this is more subjective than objective, emphasising that we do not possess the necessary powers or budget to conduct a thorough investigation to validate this position. Nonetheless this does challenge your conclusion that there is not a problem with retail pricing.

While recognising the challenge of providing benchmarking and a detailed cost analysis, if retail leased lines are essential to the future success of small and medium size businesses on the Island, then we believe that JCRA should conduct this work, despite the costs that might be involved. As a precursor though the question of how important leased lines will be needs to be determined.

We observe that no support is offered to underpin the proposal that 20% is the appropriate level of discount between wholesale market participants. We would ask for clarification on this point. We note that different discount levels are used in highly similar markets elsewhere and suggest that commentary from you as to why these discount levels vary would be helpful.

Finally we also observe that a mechanism for regular review of both the retail price and the discount level is required. This to ensure that pricing to the end user is and remains competitive.



Timing of the consultation and CICRA resources

Digital Jersey notes the extended period that this consultation has taken and would welcome JCRA's views on why this process has been so lengthy; also how subsequent initiatives can be executed in a timelier manner.

Digital Jersey continues to express concerns over the resources at CICRA's disposal, especially given the broad range of issues that you are addressing, not simply regarding telecommunications but across all sectors.

Government Policy

Digital Jersey continues to hold the firm view that the work of CICRA is constrained by the lack of a clear government telecommunications policy that identifies and secures the future of this critically important sector. We believe that having such a policy would enable the work of CICRA and lead to more effective action.

Enabling Effective Data Connectivity

Digital Jersey notes that many of the challenges discussed in its March 2014 publication 'Enabling Effective Data connectivity' have yet to be addressed.

Improving responses to consultations

Digital Jersey remains committed to assisting CICRA agenda regarding data connectivity. For future consultations please consider how Digital Jersey can assist in improved the circulation and response from the digital sector.

Yours faithfully

Paul Masterton
Chairman, Digital Jersey