



JT's Response to Initial Notice

Wholesale Leased Lines – Review of Price Controls

28th August 2012

1. Introduction

JT (Jersey) Limited ("JT") welcomes the opportunity to respond to the Jersey Competition Regulatory Authority's ("JCRA's") Initial Notice regarding the Review of Price Controls on Wholesale Leased Lines.

JT has the following comments to make on the JCRA's proposed direction to cap the wholesale on-island leased lines service provided by JT at a level of JT's retail price minus 20% to bring its pricing in line with that in place in Guernsey.

2. Retail Minus % Proposal

JT does not object to the JCRA's preliminary view of basing Jersey on-island wholesale leased lines charges at the same retail minus level as provided by Cable and Wireless (C&W) in Guernsey. In order to bring JT's wholesale on-island leased lines fully into line with the retail minus pricing offered by C&W Guernsey JT will be removing the term discounts that are currently provided on its wholesale leased line circuits with effect from the date of the Final Notice.

JT currently provides term discounts on its re-occurring charges and connection charges of its wholesale on-island leased lines as follows:-

1 year contract – retail minus 9%

2 year contract – retail minus 9% of JT Retail 2 year contract price

3 year contract – retail minus 9% of JT Retail 3 year contract price

5 year contract – retail minus 9% of JT Retail 5 year contract price

Term discounts are not available on wholesale leased lines provided by C&W Guernsey and in order to implement C&W Guernsey wholesale pricing in Jersey, JT will be removing term discounts from wholesale leased lines on the same date that the rental price change comes into effect.

3. Effective Date

In the Initial Notice the JCRA proposed that the direction be deemed to come into effect from 1st April 2012. As stated in a number of previous responses on pricing related matters, the practicalities of running a commercial and efficient telecommunications operation make such a requirement extremely onerous and this is a substantial issue for JT, particularly at this

time, when it is in the process of installing a new billing system and work flow processes which are due to be implemented during Q4 2012. This is a complex project and is stretching JT's IT and billing resources to its absolute limit and we will therefore seriously struggle to back date fees from the 1st April 2012 date proposed by the JCRA. The back dating of on-island leased line charges will involve looking into every wholesale on-island leased line, reviewing start dates and recovery dates for services that have been ceased during the period between the Final Notice effective date and the Initial Notice proposed date of 1st April 2012. JT strongly assert that it would be straight forward to make the change effective from 29th December 2012, thereby allowing charging to take place at the start of a billing period and without adding additional workloads to JT's IT and billing teams when they are in the process of a carrying out a complicated change over to a new billing system. This is the pragmatic and sensible thing to do.

4. Factual Errors in the Initial Notice

Section 5 of the Initial Notice on page 9, refers to the retail minus discounts on broadband services and it incorrectly states that *"copper broadband services are priced at a uniform retail minus 20%, whereas the discount on the recently introduced fibre broadband service ranges from 20% up to 40%."* This statement is incorrect as the copper broadband services are priced at a uniform retail minus 40% and have been since the wholesale broadband products were launched in 2003. Consequently the following statements are also incorrect and misleading:-

"This suggests that the appropriate margin for wholesale services may be increasing over time. These more recent price calculations indicate a step change may have occurred that is not reflected in the current leased line pricing."

JT's on island leased line circuits were set at retail minus 9%, which allows for the avoidable retail costs to be removed from the wholesale price. This is the standard approach when setting retail minus pricing.

5. Summary

While, JT agrees to bringing its wholesale on-island leased line pricing in line with that of C&W Guernsey, in order to do this JT will be removing its wholesale term discounts on the same date that the new retail minus pricing comes into effect.

JT does not accept the JCRA's proposal to back date wholesale on-island leased line charges to 1st April 2012 as it is in the process of a carrying out a complicated change over to a new billing system. JT's IT and billing teams cannot accept additional workloads at a time when they are already stretched to their limits. JT therefore proposes that the effective date be 29th December 2012, thereby allowing wholesale on-island leased lines to be billed as per the normal billing cycles, in the normal billing period commences which commences on the 29th of each month.