Comments on JCRA Consultation 2009-T4

Reference to the JCRA's

Consultation on the publication of Jersey Telecom Ltd's
Regulatory Separated Accounts

Dated 15th December 2009.

Clear Mobitel (Jersey) Ltd has no objection to the publication by the JCRA to these responses via whatever medium is deems appropriate.

Responses to questions raised in JCRA 2009-T4.

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

Summary response to JCRA Question (1): Yes.

Jersey Telecom (JT) as the incumbent operator enjoys a position of significant market power ("SMP") in the Jersey telecommunications market, i.e. they have the ability to behave, to an appreciable extent, independently of other licensed competitor operators, customers and ultimately to the detriment of the Jersey consumer. CMJ very much agrees with the view that JT should not only publish its regulatory separated accounts (RSAs) but also its accounting methodology (cost attribution methods) in full. In particular JT should publish an updated statement of its cost attribution methods every year along with its RSAs.
If this were not to be the case, there is an ongoing risk that there would not be an appropriate level of accounting transparency in defined areas of market regulation. Full publication of JT's RSAs and accounting methodology will ensure that there is certainty of the true competitive situation in the marketplace for the JCRA, licensed competitor operators and JT itself.

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there any parts of the JT regulatory separated accounts which should remain in commercial confidence and therefore not be published?***

Summary response to JCRA Question (2): No.

The entire content of a standard-format transparent set of regulatory separated accounts should be published by JT.

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

Summary response to JCRA Question (3): Yes.

It is the opinion of CMJ that the form proposed for JT's submission of RSAs needs to be modified.

CMJ believes that the JCRA should mandate JT to publish its RSAs in a form similar to that which Sure CW (Guernsey) is mandated by the Office of Utility Regulation (OUR) to publish in Guernsey (*example can be found at www.surecw.com/Guernsey/page-966 for year ending March 2009*). The reason for this is to ensure maximum transparency.
CMJ believes that is vitally important for JT to clearly show its current cost accounting (CCA) adjustments in relevant profit and loss accounts in order to present a more realistic view of accounting positions in the RSAs. Further that it clearly publishes the percentage Rate of Return (pre tax) on mean capital employed by means of the standard accounting principal of weighted average cost of capital (WACC) for such accounts.

CMJ asserts that there it is necessary that a more granular format for JT's RSAs needs to adopted in order to ensure complete transparency across JT regulated businesses. Again, it is our collective view that a potential suitable blueprint for a suitable format lies with Sure CW (Guernsey) Ltd's RSAs which detail such important information on a business-by-business basis rather than in a simple consolidated accounting format as proposed in the JCRA's relevant consultation document. Although it is acknowledged that this would require more effort to produce, CMJ strongly believes this is the correct format to adopt in order to produce a transparent, useful set of RSAs for all to examine.

Finally, in the event of deviation from standard assumptions in the RSAs, JT should make such deviations clear in both in the RSA document and the published methodologies document that should accompany the RSAs, as indicated in CMJ's response to Question (1).

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