



JT's Response to Initial Notice

Fixed Interconnection Rates in Jersey

23rd October 2012

1. Introduction

JT (Jersey) Limited ("JT") welcomes the opportunity to respond to the Jersey Competition Regulatory Authority's ("JCRA's") Initial Notice regarding JT's fixed interconnect rates ("FIRs").

JT has the following comments to make on the JCRA's proposed direction.

2. JCRA's Proposal

The JCRA propose in the Initial Notice that JT's charges for wholesale calls on its Public Switched Telephone Network ("PSTN") should be charged at a flat rate of 0.428 pence per minute for fixed termination rate ("FTR") and that the fixed origination rate ("FOR") shall be no more than 0.472 pence per minute. The rates proposed by the JCRA for FTR and FOR are the same FIRs applied in Guernsey by Cable & Wireless ("C&W"). The JCRA also propose that the FIRs should be billed on a per second basis effective from the first second and that the FIRs should be back dated to 1st April 2012.

3. JT's Comments on JCRA Proposal

JT agrees with the proposal to adopt a pan Channel Islands approach to FIRs however to ensure that a true pan-Channel Islands approach is adopted the JCRA cannot look at FIRs in isolation of the interconnect links required to originate and terminate PSTN call traffic.

The interconnect link is the physical link between the carrier's network and the equipment of the other operator. The charges for these links along with the FIRs rate make up the charges for interconnection and the use of the carrier's network.

In Jersey, JT provides several interconnect link options however, both Cable & Wireless Jersey ("C&WJ") and Jersey Airtel Limited ("JAL") have chosen to interconnect with JT using a Non Diverse Full Span Interconnection Service ("NDFSIS"). The NDFSIS comprises of a circuit termination unit which has capacity for 21 x 2Mbit/s ports to carry the traffic. JT charges a recurring monthly charge of £541 for rental of the CTU which includes 21 x 2Mbit/s of capacity.

In Guernsey, C&WG provides a Non Diverse In-Span Interconnect Link. This interconnect link includes 2 x 2Mbit/s of capacity in the rental price of £437.34 per month. However, JT requires two Non Diverse In-Span interconnect links to provide diversity to its two points of presence (PoPs) in Guernsey as C&WG do not offer a diverse interconnect link product. JT utilises 9 x 2Mbits of capacity into PoP 1 and 13 x 2 Mbit/s of capacity into PoP 2. The

additional 2Mbit/s of capacity is charged at a rate of £218.01 per month. To bring that into context, using the PoP 2 capacity as the example, JT utilises 13 x 2Mbit/s of capacity which is charged at £2,842.71 per month (11 x £218.01) and is additional to the rental charge of £437.34. In contrast, C&WJ does not require additional capacity in Jersey as the JT NDFSIS includes 21 x 2Mbit/s of capacity in the monthly rental price of £541. The table below shows the comparison in monetary terms.

Service Name	Carrier	Monthly Rental Charge	Monthly Charge for additional 2Mbit/s capacity	No of 2Mbit/s capacity	Monthly Charge for additional 2Mbit/s capacity	Total Monthly Charge
In Span Interconnect	C&W	£437.34	£218.67	13	2405.37	£2,842.71
Non Diverse Full Span Interconnect	JT	£541.00	£0	21	£0	£541.00

One off connection charges are not shown in the table above as these are regarded as sunk costs as both carriers have had their interconnection in place for a considerable period of time. The table does however demonstrate the significant difference in monthly charges for maintaining an interconnect link.

As previously stated, the JCRA cannot look at the FIRs in isolation of the interconnect links carrying the FIR traffic. JT would therefore urge the Channel Island Regulatory Authorities (“CICRA”) to include interconnect links in its review of FIRs during 2013 and would request that it bring forward this piece of work as one of its priorities at the beginning of 2013. JT is strongly of the belief that this disparity on interconnect link charging must be reviewed prior to 30 September 2013, as it impacts directly on operators abilities to compete with the dominant fixed telecommunications provider.

4. Effective Date

In the Initial Notice the JCRA proposed that the direction be deemed to come into effect from 1st April 2012. As stated time and time again, the JCRA has to take into account the practicalities of running a commercial telecommunication operation when it makes proposals for changes that impact the running of these businesses. The back dating of charges is a substantial issue for JT, particularly at this time, when it is in the process of installing a new billing system which is due to be implemented during Q4 2012. This is a complex project and is stretching JT's IT and billing resource. JT will be unable to provide resource to calculate and reimburse back dated fees from the 1st April 2012 date as proposed by the JCRA. The back dating of FIRs would involve re-running our wholesale billing system with the new rates for each month billed between the Final Notice date and the effective date of the rate change as well as checking the call data recorders and producing new invoices. JT would be unable to charge any of the backdated call minutes on a per second basis as the wholesale billing system rates all calls that are less than one minute as one minute calls, for example, a 3 second call and a 59 second call would be rated as one minute. 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.

5. Summary

In summary, while JT agrees that there is merit in adopting a pan-Channel Island approach to regulating FIRs, the FIRs element cannot be taken in isolation of the interconnect link and it is imperative that the JCRA looks at the whole picture when making decisions which have a major impact on operator's costs and revenues. Therefore, JT believe it is imperative that the CICRA review the interconnect link charges at the same time as it reviews FIRS and would urge that the CICRA review these charges as a priority at the beginning of 2013.

JT cannot accept back-dating of the FIRs to 1st April 2012 as the work involved in back dating charges is substantial for JT, especially at this time, when it is in the process of installing a new billing system which is due to be implemented during Q4 2012.