



John Curran
Executive Director
JCRA
2nd Floor, Salisbury House
1-9 Union Street
St. Helier
Jersey
JE2 3RF

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Dear John

JERSEY TELECOM PRICE CONTROL – INITIAL NOTICE OF PROPOSED DETERMINATION

Thank you for the opportunity to respond to the JCRA's Initial Notice concerning its proposed determination in relation to JT's Price Control.

As you know, Cable & Wireless Jersey ("C&WJ") has long considered the price-controlled services of JT ("Jersey Telecom") to be charged on the basis of inefficiently incurred costs and whilst JT may have, in the past, been able to convince the JCRA of the appropriateness of such charges, we are pleased to note that the JCRA has since acknowledged the significantly higher charges for certain services, when compared to the equivalent services provided by C&W in Guernsey. Because JT's current price-controlled charges do not appear to be reflective of efficiently incurred costs the charges to its own customers and those of other local communications providers appear to have been unnecessarily inflated. In effect, it could be said that JT has been rewarded for its past and current inefficiencies. We are hopeful that progress in the Channel Islands Wholesale Access Project (CIWAP) will, as a minimum, lead to the setting of appropriate wholesale charges in relation to exchange line rental, so that customers in Jersey will benefit from the lower prices that their counterparts in Guernsey enjoy.

We are disappointed that the JCRA is not currently proposing that JT should reduce its line rental charges, but we acknowledge the JCRA's recognition that at least JT should not be allowed to increase such charges prior to December 2012. We are hopeful that prior to then the members of the CIWAP Group will reach agreement on the provision of wholesale line rental (WLR) services and that these will be launched during 2012, thereby somewhat offsetting the need for retail price regulation in Jersey. Until the pricing details have been confirmed we would urge caution in relation to the consideration of the cessation of the remainder of JT's price-controlled services.

For the avoidance of doubt, and to re-iterate C&W's consistent position, we believe that any wholesale products launched as a result of CIWAP initiatives must be made available at the same time and at the same price(s) in Jersey and Guernsey, recognising efficiently incurred costs.

Importantly, we note that the range of JT services that are currently price-controlled does not include leased lines. Having reviewed the history of this position, there appears to be some ambiguity as to how/why leased line services (whilst being previously recognised as a dominant

service) became excluded from this requirement. We note various comments from the JCRA, as far back as 2004, in which the JCRA had discussed taking action on the pricing structure of JT's leased lines. It is clearly disappointing from C&WJ's perspective that little progress has been made in this area to date. We are hopeful that the pricing issues, including the current minimal retail margin, might finally be appropriately reviewed during 2012.

We are also disappointed to learn from comments within the JCRA's Initial Notice that it appears that JT's draft separated regulatory accounts for 2010 are not fit-for-purpose. C&WJ would question how value for money can be achieved for Jersey consumers whilst JT primarily outsources the production of its separated accounts, the financial results of which 'raise questions about the underlying allocation of charges between the wholesale and retail arms of JT'. In doing so, JT appears to be trying to distance itself from its regulatory obligations, particularly as 'the JCRA believes it is impossible to have confidence that any increased charge for price-controlled services would be cost-justified' [if based on JT's draft 2010 regulatory accounts].

In summary, C&WJ welcomes the JCRA's proposals to prevent JT from further increasing the charges of its price-controlled services, but considers that urgent steps need to be taken (both through the WAP process and other JCRA workstreams) to reduce the relevant charges borne by JT's customers and its Jersey competitors.

Kind regards



Chris Durnell
Head of Legal & Regulatory, Channel Islands and Isle of Man