



NON-CONFIDENTIAL

**JT's response to CICRA's JT Gigabit Isles
Compensation for enforced router replacement
consultation**

8th June 2015

1. Introduction

1. This response is provided by JT (Jersey) Limited referred to as JT. JT welcomes the opportunity to provide its views.

2. Response to Jersey and Guernsey consultation questions

Q1. Views are sought on the current compensation and router ownership arrangements, in particular where there are aspects of the current arrangements that disadvantage users and/or inhibit competition?

Router Compensation Process

In October 2013¹ JT Network agreed to provide compensation to all broadband service providers participating in the switchover of broadband services from copper provided ADSL to fibre FTTH. At that time both Sure and JT Retail had agreed to participate in switchover. JT Retail were already providing their customers with a Tilgin router and a compensation payment equal to the value of the Tilgin router was agreed to be paid to Sure to cover the cost of them supplying a comparable compatible router to their customers.

A fibre router subsidy of this kind is unusual and JT know of no other market where such a router subsidy has been given when a property is connected up to a fibre broadband service. In every other European market the regulatory authority is encouraging investment in fibre for the benefit of the economy, and JT is disappointed with the stance adopted by CICRA in putting barriers in the way instead of being supportive of a FTTH deployment.

In a mature market such as ADSL broadband, consumers use a mix of routers either purchased themselves or provided by their retail broadband provider as part of the service they sign up to. The fibre router subsidy provided by JT Network ensures that broadband end users are not disadvantaged at time of switchover to fibre, however, it is JT's expectation that after the network has migrated to fibre, retail broadband providers will continue with their previous policies of either providing a router as part of the retail service or requiring customers to purchase their own router.

¹ Email from Andrew Riseley dated 15th October 2013

The switch from copper to fibre is planned by JT Network on a unique property number (UPRN) and the fibre switchover team contact the broadband end user at each property based on the fixed line telephone number that is attached to the broadband service to make the appointment to move them to fibre. In the case of Sure, the fibre switchover team provide a weekly report which details the Sure customer telephone numbers and addresses that will be switched over to fibre and Sure then dispatch a router to that address. The router subsidy is then paid to Sure on a monthly basis as a credit onto the Sure account and a spreadsheet is sent to Sure detailing the telephone numbers and addresses that have been successfully switched to fibre during the preceding month.

Barrier to Switching Broadband Service Provider

JT Retail has in place a policy whereby it provides a Tilgin router to each of its customers at the time that the property is switched over to fibre, if the customer then decides to move its services from JT to Sure, JT's policy is to request its customer to return the Tilgin router to JT Retail. However, in practice this does not actually happen and JT does not request any customers moving to Sure (or any other service provider for that matter) to return their fibre router. Based on what actually happens in practice, JT Retail has now amended its policy document so that in a scenario where the customer moves its broadband service from JT to another provider the router remains with the property/customer.

Therefore in actual fact JT fibre broadband customers moving to Sure have the opportunity of re-using the Tilgin router unless Sure has decided, for its own technical or commercial reasons to issue these customers with its chosen fibre router. Sure's argument that the customer or the broadband service provider is being financially disadvantaged is incorrect as the router remains with the property and the customer can use the fibre router with the Sure broadband service.

Sure's argument that JT's policy is a barrier to customers' switching retail service providers doesn't hold weight for two reasons. JT in actual fact does not enforce its policy of asking the customer to return the router and secondly the evidence from the number of customers actually moving to Sure [~~3~~ **redacted** between January 2014 and April 2015] indicates that there is no barrier to switching service providers as Sure have been very successful in gaining customers from JT. The broadband customer obviously does not see the router as a

barrier to moving service provider and in fact will re-use the router issued to them by JT at the time of switchover to fibre.

Materiality of the issue

Section 5 of the consultation paper discusses CICRA’s view of the materiality of the issue. As previously discussed JT believe that there is no issue as JT has not enforced its router return policy when a customer moves to another service provider and the numbers of customers moving service provider on a monthly basis is significant.

CICRA’s market analysis of 2013 indicated that there were approximately 35,000 broadband services with the market share split between the operators as follows:

Service Provider	% market share (2013)
JT	76%
Sure	11%
Newtel/Airtel*	14%

* Newtel and Airtel figures are provided together as JT does not have a wholesale arrangement with Airtel for broadband services and therefore it is assumed that Airtel’s market share is included in Newtel’s wholesale broadband numbers.

JT Network’s figures from the end of April 2015 is that there are [redacted ✂] broadband services with the market shares split between the operators as follows:

Service Provider	% market share (end April 2015)
JT	[redacted ✂] %
Sure	[redacted ✂] %
Newtel/Airtel	[redacted ✂] %

Q2. Respondents are asked for their views on the above options or any others? Their views on the advantages and disadvantages of such alternatives are welcomed to assist CICRA in forming its views?

JT agrees with CICRA's view that compensation should be paid for the benefit of the end customer living in the property at the time that the broadband service is switched from copper to fibre. JT Network provides the subsidy on a per property basis and the router supplied by the retail service provider is provided to the occupier of the property / broadband subscriber at time of fibre switchover. In the case of JT Retail (and Newtel) the router is installed at the premise at the time that fibre is installed in the property and in the case of Sure, a router is posted to their broadband customer for them to install in their property.

Section 6.5 of the consultation proposes that the compensation (ie the router) should be to the bill payer at the time of conversion to fibre. This is what happens in reality as the broadband customer (or bill payer) either receives the router to install themselves or a router is installed at the time of fibre installation. However as previously mentioned the appointment is booked on a property and telephone number basis and the compensation is noted against the telephone number.

Compensation direct to the retail service provider is the most appropriate at the time of switchover. JT Network does not in all cases have a direct relationship with the customer, and this is especially so with the launch of WLR on 1st June 2015. It is appropriate that the retail providers detail which broadband services they wish to provide to their customers along with the most appropriate router, this is not the responsibility of the wholesale network provider.

The agreement reached with Andrew Riseley in October 2013 was for Sure to provide the JCRA with details of the routers supplied to its customers during each 6 month period and the costs incurred by Sure for the supply of each router. From an email received from Michael Byrne on 2nd February 2015, it is clear that Sure has not provided this to the JCRA and the JCRA has not requested this information from Sure. JT however has in fact paid Sure, in good faith, [redacted ✕] for routers installed for the period January to end of December 2014 and [redacted ✕] for routers installed for the period January to April 2015. JT continues to run this process of providing router compensation direct to Sure, in good faith, without any information from Sure or the JCRA to validate that Sure are using the subsidy payment to supply comparable compatible routers.

Excerpt from Andrew Riseley's email of 15th October 2013

"Our proposal is therefore that JT Networks will pay [redacted ✕] to Sure in respect of each customer migrated to the FTTH network, in accordance with the arrangements

outlined in John's letter. Within 30 days of the expiry of each 6 month period of the migration, Sure will provide the JCRA with specific details of the routers supplied to its customers during that period and the costs incurred therein. At the end of the migration, the JCRA will calculate the total sum spent by Sure on fibre-compliant routers. If the average cost per customer is less than [redacted X], then Sure will repay to JT Networks the total amount of the difference, within 30 days of the JCRA's calculation."

Sure confirmed acceptance of this and stated that "we would therefore suggest that the 30th June 2014 marks the end of the first 6 month period."

Q3. Respondents are asked for their views on how customers, to whom compensation payments are due, are identified and tracked? If respondents feel exchange line number is an unsatisfactory proxy for the customer then what alternative would they suggest and why ?

JT agrees that exchange line number is the correct reference to use as discussed above.

Q4. Respondents views are sought on the need to depreciate the value of the compensation payment, the period over which the compensation payments should be depreciated and the depreciation method.

Q5. Respondents views are sought on the compensation transfer scheme presented by this paper. Reasons should be provided for any suggested changes or alternative approach.

Q6. Respondents views are sought on the continuing need for a settlement scheme and whether JCRA should play the role suggested above. If respondents disagree with the proposed scheme they should give their reasons and make alternative proposals.

Q7. Respondents are also asked for their views on what role, if any, JCRA should play in monitoring, or even participating, in the scheme described in Annex A for the transfer of depreciated compensation payments when customers switch service provider?

Answer to Q4, Q5, Q6 and Q7

JT believe that the method described and proposed by CICRA is complicated and unnecessary. JT Retail does not require that the customer return the router if they move service provider and there is therefore no issue to address.

The scheme proposed would be time consuming to administer and would rely on each retail provider keeping a record of the date their customer moved from a copper provided service to a fibre service. This information is held at a network level on a per property basis and the retail providers would not necessarily keep this information as the contract does not re-start at a wholesale level, unless a speed change request is received at the same time.

JT does not agree with the statement the “October 2013 agreement has provided to be unsatisfactory to any service provider that must provide a fibre router without the benefit of JT Networks’ compensation payment”. As discussed above JT Retail do not request that the router be returned, JT therefore does not believe that there is an issue to address. There is no barrier to customers moving broadband providers and there is no requirement for the retail provider to provide their customer with a fibre router outside of when their property is first moved over to fibre.

The current process of providing each broadband service provider with either a Tilgin router or a financial subsidy works. However it is important that Sure provide the JCRA with a report detailing the make, model and price it pays for each fibre router provided to its customers moving from a copper provided broadband service to a fibre provided service to ensure that the subsidy is properly applied to the end user and that Sure is not using this scheme as a way to benefit financially.