



Channel Islands
Business Connectivity Market Review

Initial Consultation and
Call for Evidence on the Scope of the Review

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1. Overview

CICRA (the Channel Islands Competition and Regulatory Authorities), in its role as telecommunications regulator in Jersey and Guernsey, is launching a review of the business connectivity market in the Channel Islands.

While telecommunications services form an important aspect of the economy of the Channel Islands in their own right, the range, value and competitiveness of telecommunications services available to business customers across the Channel Islands are an important factor in their ability to conduct business, and in the islands' economic development generally.

CICRA currently regulates certain aspects of the business connectivity market, including the price of wholesale leased lines offered by the incumbent operators¹ in their home markets. In Jersey, prices are set at the retail price minus 20%, while in Guernsey prices have been frozen since 2008.

Across the telecoms sector, technology has evolved and customer expectations have grown over the years. Increases in the volume, speed and bandwidth of telecoms services has been substantial and patterns of usage have changed. CICRA is mindful of the pace of change in the telecommunications sector, and the business connectivity market in particular. The provision of business connectivity services is changing, with operators in Jersey and Guernsey laying new fibre networks in certain areas of the islands in competition with the existing networks of the incumbent operators.

It is important to ensure that the regulatory approach to the business connectivity is fit for purpose; to support businesses across the Channel Islands and provide a suitable framework for business connectivity services which enables them to compete effectively in their markets, including with businesses outside the islands.

These technological developments and the changing expectations of customers, together with the increasing competitiveness they see in similar markets worldwide, give rise to continuing expectations of lower prices for increasing capacity and better quality services. In CICRA's view, it is now an appropriate time to conduct a wider review of the business connectivity market and how it should be regulated, rather than continue the rollover or extension of existing price controls.

We are therefore seeking business customers' views on the price and quality of services in the business connectivity market, and the range and scope of services that should be considered as part of this review. We would like to understand to what extent new technologies or alternative approaches can be substituted for older products, and whether

¹ The incumbent operators are Cable and Wireless Limited (Sure) in Guernsey and JT (Jersey) Limited in Jersey. CICRA does not control the price of services offered by other licensed operators.

there is need to consider regulating products such as direct internet access or IP feed, given that the previous regulatory focus has been on private circuit/leased line products.

The initial parts of this consultation document set out the background to the existing market for business connectivity services and the current form of regulation, followed by CICRA's provisional view of the scope for this review and the call for evidence. Finally, in **Annex 1** we set out a number of questions that CICRA wishes to direct to business connectivity customers in the Channel Islands.

2. Background and current regulation of business connectivity services

At present, CICRA regulates the prices of wholesale leased lines² (WLL) in Jersey and Guernsey and the retail price of off-island connectivity in Guernsey. Sure in Guernsey and JT in Jersey are both required under the terms of their respective licences³ to offer leased lines and both have been found to have SMP (Significant Market Power) in their respective home markets for WLL. In Guernsey, Sure's prices for leased lines have been frozen since 2008, while in Jersey, JT's wholesale prices are regulated on a "retail minus" basis, currently set at the retail price minus 20%.

Other regulators, Ofcom in the UK and Comreg in Ireland for example, have looked at the scope and definition of business connectivity services. While the European Union framework within which they both work is fairly prescriptive, it nevertheless provides a useful guide. Among other issues, both Ofcom and Comreg have identified that the increasing quality and speed, and reductions in price, of ADSL broadband mean that it is now more practical for businesses to use this as an alternative means of service provision than it would have been in the past. However, given the relatively high cost of bandwidth and inclusion of download limits on many services, it is not clear whether ADSL services provide a suitable substitute for business customers in the Channel Islands. This is one of a number of issues on which we would like to hear business customers' opinions.

3. Scope of Review

CICRA's initial expectation is that the review should encompass all forms of business connectivity, from leased lines/private circuits (whichever type of technology or interface is used and whether provided over copper or fibre), to WDM ("wavelength") services and potentially dark fibre or other services, together with direct internet access/IP feed. Our provisional view is that ADSL broadband and the equivalent fibre based products would not form part of this review since much of the provision is for domestic customers and broadband is subject to a separate strand of regulation. However, CICRA would consider

² Leased Lines defined as [Ofcom BCR 2008] – interchangeable term with private circuits, and includes partial private circuits – where a business rents a link (a "tail") to the exchange where services are provided.

³ Copies of the licences and the full set of licence conditions for each operator can be found on the CICRA website at http://www.cicra.gg/telecoms/licensee_framework.aspx.

SDSL services to the extent that customers find they form part of the business connectivity market and do not rule out in the future considering business ADSL services as part of this market as well.

We would also want to establish whether there are separate markets for traditional types of private circuits/leased lines compared with alternative (ethernet) interface products. Are there separate economic markets for smaller and larger capacity links? And should CICRA consider a separate geographic market within the Channel Islands for St Helier or St Peter Port, where market entrants have invested in their own infrastructure?

We understand that customers will have an expectation that this review is likely to lead to increasing regulation and/or price reductions, but we need to be clear at the outset that this is not necessarily the case. While the results of this review may lead to some new products not previously regulated being subject to more detailed scrutiny, or possibly even to price regulation, we may find that in some market areas competition is now sufficiently developed that price controls should no longer be imposed, or that older legacy products should not be protected in order to encourage customers to make use of newer technology.

4. Call for evidence

Responses to this initial consultation and call for evidence will be used to decide the scope of CICRA's review of the business connectivity market. In this context, CICRA is seeking to establish what economic markets exist for business connectivity services, to what extent the various products are substitutable for one another, and to determine whether or not telecommunications providers hold SMP in individual markets. The second stage of the business connectivity market review will involve a consideration of whether regulatory action should be undertaken in respect of any operators that do hold SMP for these products.

Where we require more detailed information, we may seek to approach individual customers to discuss their views and information about their own procurement of business connectivity services. While we understand that the telecoms companies have included confidentiality clauses in their service agreements, we trust that, as in the past, they will provide blanket waivers to allow customers to contact us to discuss any concerns that they might have.

CICRA will respect the confidentiality of individual responses. It will use the information collected to inform its review and will not publish details of individual contracts or customer responses without prior permission.

Please send your responses to CICRA by email to info@cicra.gg, to arrive no later than **midday on Wednesday 3 July 2012**. Should you have any questions or queries regarding this document please contact CICRA on this email address or directly contact the offices of the GCRA in Guernsey (tel. 01481 711120) or the JCRA in Jersey (tel. 01534 514990).

In order to assist businesses responding to this request, we set out a number of specific questions below. We would appreciate responses to as many of these as possible, but if you would like to make any other comments, please do so under the relevant heading or in a covering letter.

Annex 1 - Initial Questions for Business Customers

General – range and value of services

- 1. Do you currently purchase specific business connectivity services for your business from either the incumbent operator or from another service provider? If so, which products do you purchase (leased line/private circuit, SDSL or ADSL) and what bandwidth (capacity) do you purchase?**
- 2. Does price have a significant impact on your purchasing decision, or are other issues such as service and reliability more important?**
- 3. Are you likely to seek to increase capacity in the near future (next 12 to 24 months)? If prices were lower would you purchase more capacity (bandwidth) now or bring forward a planned increase?**
- 4. What is your view on the business connectivity market in the Channel Islands? Is the cost of current business connectivity services in the Channel Islands reasonable? Are the service levels and range of products sufficient?**
- 5. In your view, what products and services should be considered as part of this business connectivity market review? Do you broadly agree with the scope of review outlined by CICRA in the main document or are there specific services which should be included or excluded from the review, such as dark fibre, duct access or “wavelength” services?**
- 6. Does ADSL provide a suitable alternative to leased lines/private circuits? For example, is the provision of a VPN service over ADSL sufficiently robust for your business to rely on this service?**
- 7. If you procure services in both Jersey and Guernsey, do you procure on a pan-Channel Islands basis or separately, and is there a difference in competitiveness between the islands’ business connectivity markets?**
- 8. If you have experience of telecoms services outside the Channel Islands, how does the price, value and range of business connectivity services here compare?**
- 9. Are there any business connectivity services not currently available in the Channel Islands that you would want to be able to access?**

Specific products and markets

10. Should we consider separate markets for traditional interface (TI) products and newer or alternative interface (AI), primarily ethernet products?
11. Can the two be easily substituted, or are there reasons for businesses to persist with older technology, such as the cost of switching or in order to support legacy systems that need to be maintained?
12. If the two can easily be substituted, is there any reason to require operators to support legacy products or existing TI services? Would it matter to you if TI services were no longer available?
13. Are there separate geographic markets within the island, for example, for St Helier in Jersey and St Peter Port in Guernsey, where new entrants have invested in their own infrastructure?

Internet Access/IP feed

14. Do you purchase direct internet access/IP feed? If so, do you buy in the Channel Islands, or purchase it elsewhere and then “import” access to the Channel Islands? Is the service bundled with other telecoms or IT services?
15. If you do purchase direct internet access/IP feed, is the cost of direct internet access reasonable? And would you purchase more capacity if the price were lower?
16. Is there sufficient choice of providers in the Channel Islands? And is the standard of service sufficient?
17. If you have experience of buying the service elsewhere, how do costs compare?
18. Do you make compromises in the way you run your business – for example, by the way you arrange your IT services or by locating some staff and services outside the Channel Islands - and would you purchase greater capacity or consider bringing more functions to the Channel Islands if costs were lower?
19. Do you have suggestions for how this part of the market could be made more competitive? Would you consider purchasing access in the UK, France or elsewhere and purchasing additional circuit capacity on and off island as an alternative to local DIA/IP feed?