



**The Jersey Competition Regulatory Authority**

**Consultation Paper 2005- 1**

**Mobile Telephony in Jersey: the Way Forward**

**31 January 2005**

## **Introduction**

Currently, there is only a single mobile operator in Jersey, namely Jersey Telecom Ltd ('JT') through its mobile division trading as JT GSM. JT is also the incumbent fixed line operator. While the Jersey telecommunications licences held by all fixed line operators (including Cable & Wireless Jersey Limited (C&W) and Newtel Limited ('Newtel'), as well as JT) includes the right to operate mobile telephony services, operators which wish to offer a mobile service also require access to radio spectrum in order to do so. So far no spectrum has been available to operators other than JT to provide a mobile telephony service.

However, the JCRA has recently carried out a spectrum audit with the cooperation of Ofcom, the UK authority that manages spectrum on behalf of the Channel Islands' governments. This audit, final results of which were received by the JCRA at the beginning of December 2004, has concluded that there is sufficient spectrum available to permit up to three mobile operators (including JT) on the Island using either GSM (Second Generation or '2G') frequencies or Third Generation ('3G') frequencies, or both. The purpose of this Consultation Paper is to solicit views on 2 main issues:

1. how should the additional spectrum available for mobile telephony be allocated? For example, should priority be given to making the additional features of 3G services available in Jersey at the earliest opportunity? Or should priority be given to removing JT's monopoly in the provision of mobile telephony by allowing additional mobile operators to enter the market as quickly as possible? As explained in this Paper, these two objectives are not necessarily consistent.
2. to the extent that the additional spectrum is granted to one or more new entrants to the mobile market, what roll-out obligations should be imposed on them to ensure that consumers benefit from competition at the earliest opportunity?

The JCRA welcomes comments from all interested parties, including consumers and businesses, on these issues.

## **Mobile Telephony Services**

Since the introduction of analogue mobile telephony services in the 1980's, mobile telephony technology has developed. The GSM, or 2G, system was introduced in the mid 1990's and has subsequently been enhanced to offer additional services, particularly General Packet Radio Service ('GPRS') which enables access to the Internet and other data-based services. This has generally been termed "2½G" in the industry, but for the sake of brevity, all references to 2G in this document will include 2½G services.

The services available on 3G networks are broadly similar to those on 2G, except that data transfers are faster. Additional features, such as Internet access and download of video, are more efficient on 3G networks, although in the UK, Hutchinson 3 has

mainly gained market share from existing operators through price competitive voice services.

It is anticipated that 3G services will develop as the technology matures and as handset design and availability improves. All existing UK operators are committed to introducing 3G over the next year or so. While 3G is technically more advanced than 2G, it requires more infrastructure to attain the same coverage range as 2G networks.

### **Policy Options for allocating additional mobile radio spectrum in Jersey**

In determining how the additional spectrum available for mobile services in Jersey should be allocated, a key issue is whether spectrum should be allocated to JT for the purpose of introducing 3G and more advanced services before any other operator has had an opportunity to establish a 2G network in competition to that of JT (Option 1) or whether competition to JT's existing 2G mobile operation should be introduced before allocating 3G spectrum to one or more operators (Option 2).

Under Option 1, JT would be invited to bid for spectrum for 3G purposes, and at the same time the other operators qualified to provide mobile services in Jersey (C&W and Newtel) would be invited to bid for spectrum for both 2G and 3G services. In the absence of any bid from a currently-qualified alternative operator, consideration could then be given to inviting bids from other operators not currently qualified to provide mobile services, such as UK-based mobile operators. Only at the end of this process would any operator be granted a spectrum licence: JT alone would be granted a licence in the absence of any bids from other operators.

Under Option 2, operators currently qualified to provide mobile services (C&W and Newtel) would first be invited to bid for spectrum to provide 2G services. As with Option 1, in the absence of any bid from a currently-qualified operator, consideration could be given to inviting bids from other operators willing to apply for telecommunications and spectrum licences. Upon satisfactory roll-out of their 2G services (what would be regarded as satisfactory is discussed below) the new entrant(s), and JT, would simultaneously be allocated spectrum to provide 3G services.

In considering which of these options is more appropriate for Jersey, the JCRA will need to balance a number of factors. Option 1 has the benefit of making available to Jersey consumers to the additional features of 3G services within the shortest timeframe. JT has recently started to offer 3G services in Guernsey through its fellow subsidiary Wave Telecom, and the JCRA believes it may be in a position to offer 3G services in Jersey within 12 (or less) months of being granted the necessary spectrum. Under Option 2, on the other hand, the JCRA expects that there would be an additional interim period of 18 months (the time it would take for one or more other operators to roll-out their 2G networks) before networks for 3G (or any more advanced services which had been developed in the meantime) could be rolled-out.

However, granting JT the ability to offer 3G services before any alternative operator was able to do so could allow JT a 'first-mover' advantage in marketing its 3G services to its existing customer base without any competition from other operators in

such services. This could make it more difficult for any other mobile operator which may wish to provide 3G services to recoup any investment, strengthen JT's market position, and as a result (in the absence of price regulation by the JCRA) carry the risk of higher prices to consumers, at least in the short term .

***Q1. Which of the above options do consultees consider the most appropriate in the Jersey market?***

***Q2 Is there any other option (or variation of the above options) which consultees consider more appropriate for the Jersey market?***

### **Network Roll-out Obligations on New Mobile Operators**

Whichever option is selected for allocating the additional mobile radio spectrum, the introduction of one or more additional mobile networks raises the question of whether network roll-out obligations should be imposed on the new entrant(s), and if so what targets in terms of time and coverage should be set.

It is common for infrastructure-based mobile operators to be subject to roll-out obligations, to ensure that radio spectrum is used efficiently and that consumers can benefit from competitive services as soon as possible.

In Jersey, because of the demographic distribution, it is probably reasonable to measure network coverage by population rather than geographic area, especially in the early stages of network development. The licence would ensure adequate geographic coverage over a longer period.

***Q3. Do consultees agree that such a strategy is in the best interest of the consumer?***

To ensure that any new mobile network is rolled- out within as short a period as possible and with minimum disruption to the environment, it may be necessary to ensure that licence conditions on site-sharing are included and enforced in licences by the regulator.

***Q4. Do consultees consider that this is a reasonable option for the Jersey market?***

The JCRA suggests as a basis for discussion coverage targets of 80% of population within 12 months (before launch of the service would be permitted) and 90-95% geographical coverage within 3 years.

***Q5. Do consultees agree that these are realistic coverage targets?***

In certain other jurisdictions such as the UK, competition in the form of service provision has been introduced in addition to competition between mobile network operators. One such type of service provider is a 'mobile virtual network operator' ('MVNO'), which has no infrastructure of its own but instead uses services or

network elements of an existing operator. For example, Virgin Mobile in the UK uses the network of T-mobile in this way. One issue for Jersey is whether there is scope for service-based competition as well as infrastructure competition, particularly in the period during which any new infrastructure-based provider is rolling-out its network and JT continues to have a monopoly.

Where there is an incentive for a mobile network provider to offer such wholesale services to service providers, as in the case of a relatively new infrastructure-based entrant seeking to recoup its investment, this can be achieved with little regulatory intervention. However, a requirement on JT to offer a wholesale service where it has little commercial incentive to do so may require closer regulatory oversight and hence resources. One question which arises therefore the resources and costs which the JCRA would have to devote to this matter are justified by any consumer benefits may result, given that new network providers may be offering their services in competition with JT within 12 months of being allocated spectrum.

***Q6. Do consultees believe that JT should be required to supply wholesale services to service providers (assuming a demand for such wholesale services exists)?***

### **Consultation Period**

Written comments on this Consultation Paper are invited, to be received no later than **5pm on 28 February 2005**. Submissions should be clearly marked “Comments on Mobile Telephony in Jersey: the Way Forward” and may be supplied either in hard copy or electronically, addressed (as appropriate) to:

Mr G. Maret  
Case Officer  
Jersey Competition Regulatory Authority  
6<sup>th</sup> Floor Union House  
Union Street  
St Helier  
Jersey JE2 3RF

E-mail: [enquiries@jcra.je](mailto:enquiries@jcra.je)

N.B. The JCRA may publish the submissions on its website. Any commercially sensitive information should therefore be clearly marked as such.