

Channel Islands Competition Regulatory Authority,
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23 January 2017

Response by Jersey Airtel Limited to JCRA,

"2016 Consultation on the Review of Mobile Termination Rates (MTR) in Jersey"

Airtel's response to the above consultation has the same viewpoint as both their earlier responses regarding MTR's. However, the purpose behind the present consultation (Document No. CICRA 16/48 dated November 2016) is unclear. It is not borne out sufficiently and precisely why JCRA wants to review MTR other than the fact that it believes it is within JCRA's remit to do so and that JCRA has concluded that each of the 3 operators has an SMP status for mobile termination. How will the reduced MTR help Jersey customer has not been explained. Finally, in reference to the document from the below link (dt. 19th April 2010), JCRA have stated "each mobile operator is therefore free to set its own termination rate", Airtel are unsure as to why JCRA have observed the need for intervention?

Decision on the Holding of Significant Market Power in Various Telecommunications Markets <http://cicra.qg/files/100420%20market%20review%20decision.pdf>

Airtel have always agreed with the JCRA in regards to looking after the end user which is why Airtel brought down retail rates when they first launched in the Channel Islands back in 2007. Airtel since launch have always endeavored to bring competition to the local market with its innovative products intervention (3G mobile internet, fixed wireless phones, 4G home broadband to name a few), forcing prices down to benefit the Jersey customer naturally and without regulatory/competition intervention. In keeping with this paradigm, Airtel already offers local and UK calls as part of bundled minutes. These can range from 125 minutes to 2000 minutes (besides other benefits like data and texts).

As in past consultations, Airtel do not totally agree with the JCRA on how SMP for mobile services has been defined in Jersey. Ownership of Mobile number series should not be the only factor determining SMP status. Incumbency is a huge determiner in a small, high penetration, churn dominated telecom market.

Airtel believe that the proposed 75% lowering in the MTR will be punitive to Jersey retail customers and telecom operators alike. A telecom operation has various revenue sources, the earnings from which are used to launch new services. Airtel has recently deployed world class 4G+ network, investing £15m. Further investments are planned in new billing technology and subsequently in IoT and 5G domains. While it is not our contention that revenues from MTR specifically are used to fund such initiatives, it is definitely an important contributor.

The only entities to benefit from lower MTR will be the international carriers in UK (and the UK operators), who, as noted in Document No. CICRA 15/22, do not offer calls to Jersey at par with UK. There is no guarantee that even UK customer will gain from this exercise.

Please find below Airtel's responses to the questions raised by the JCRA in their latest MTR consultation:

Question 1

Does the respondent agree with the JCRA's provisional views relating to the retail market product market? If the respondent does not agree with the JCRA's provisional views the respondent should provide all of its analysis and assessment of this market.

Airtel agrees that the focal product should be calls terminated using MNO's CS core network irrespective of the radio technology used.

Airtel has always disputed this determination and continues to believe that incumbent (JT) holds SMP in Jersey. By the logic presented in 4.2, each MNO will have SMP status for fixed number ranges allocated to them.

Airtel believes the methodology adopted by CICRA is flawed and incomplete, considering only the number ranges allocated to each MNO as the basis of determining SMP status.

However, including calls originating from outside the Channel Islands should not form part of the review. This is because foreign opcos (including UK) are under no obligation to reciprocate the pricing set here.

Question 2

Does the respondent agree with the JCRA's provisional views that there is no common pricing constraint linking in the MTR set by each of the MNOs and therefore the relevant market is each MNO? If the respondent does not agree with the JCRA's provisional view the respondent should provide all of its analysis and assessment of this market.

For reasons outlined previously, Airtel does not agree with the argument that each MNO is an independent relevant market. The only market definition must be geographic which treats the Bailiwicks of Jersey and Guernsey as one common entity with a transit rate defined between the two.

Question 3

Does the respondent agree with the JCRA's provisional views relating to the call types included within the proposed product definition? If the respondent does not agree with the JCRA's provisional view the respondent should provide all of its analysis and assessment of this market.

Airtel agrees to all call types as listed in Table 1 except for Call forwarding (inc International) and Calls to Jersey numbers roaming abroad. In both these scenarios, calls need to be carried over international links which presently are not regulated by CICRA.

Question 4

Does the respondent agree with the JCRA's provisional views relating to the geographic market for the wholesale market? If the respondent does not agree with the JCRA's provisional view the respondent should provide its own analysis and assessment of this market.

Airtel agrees provisionally, however, basis reasons mentioned earlier, we recommend that both Bailiwicks of Jersey and Guernsey should be considered as one market and if required CICRA could define a transit charge between the two Bailiwicks.

Question 5

Does the respondent agree with the JCRA's provisional views relating to the proposed market definition? If the respondent does not agree with the JCRA's provisional view the respondent should provide all of its analysis and assessment of this market.

Airtel does not agree with the definition provided. Each MNO should not be taken as a separate market. The logic and basis for deriving at this conclusion is flawed and incomplete. Other factors like incumbency need also be taken into cognizance.

Question 6:

Does the respondent agree with the JCRA's provisional views relating to the proposed relevant mobile call termination markets? If the respondent does not agree with the JCRA's provisional view the respondent should provide all of its analysis and assessment of this market.

Airtel does not agree with the JCRA's provisional views relating to the proposed relevant mobile call termination markets. Each MNO's Mobile Number ranges should not be taken as a separate market. Only definition of market should be Bailiwick of Jersey and Guernsey combined as one geographic market.

Question 7:

Does the respondent agree with the JCRA's provisional views relating to the barriers to entry and countervailing buyer power? If the respondent does not agree with the JCRA's provisional view the respondent should provide all of its analysis and assessment.

Airtel does not concur with the JCRA's provisional views relating to the barriers to entry and countervailing buyer power. Neither do we agree to the definition of market as derived by JCRA (No. ranges of MNOs). The SMP analysis is based on this derivation and hence incorrect.

Question 8:

Does the respondent agree with the JCRA's provisional views that ex-post competition law would be insufficient to address the lack of effective competition in the markets defined and prevent the problems identified in this consultation? If the respondent does not agree with the JCRA's provisional view the respondent should provide all of its analysis and assessment.

Explanation provided in Q9.

Question 9:

Does the respondent agree with the JCRA's provisional views on ex-ante remedies? If the respondent does not agree with the JCRA's provisional views the respondent should provide all of its analysis and assessment.

Airtel, as explained earlier, does not agree with the market definitions and SMP determination as described by JCRA. The only market definition from MTR perspective should be geographic, taking both the Bailiwicks together. Airtel strongly believes that no remedy or intervention is needed in MTR determination. The mobile telecoms market in the Channel Islands is highly competitive considering the very small target base and high proportion of seasonal traffic. The JCRA also has to consider the high cost of implementing new technologies in order to keep Jersey competitive in the global markets.

Further, as already pointed out, this move has no beneficial impact on end user. Airtel is already offering UK and CI calls as a bundle and does not charge anything to the end user for incoming calls whilst in the Channel Islands. Any remedy to decrease MTR may lead to increased call/data costs for Channel Island mobile telecom users.

Question 10:

Does the respondent agree with the JCRA's provisional findings on the justification for a BU-LRIC approach to the setting of the MTR? If the respondent does not agree with the JCRA's provisional findings the respondent should provide all of its analysis and assessment.

Explanation provided in Q11.

Question 11:

Does the respondent agree with the JCRA's provisional view that the Ofcom MTR model is a suitable proxy to be used as a BU-LRIC MTR model to be applied to the Jersey market? If the respondent does not agree with the JCRA's provisional view the respondent should provide all of its analysis and assessment.

Airtel strongly believes that option (a) i.e. keep MTR at current level of 4.11 ppm, is the correct approach. While the JCRA's conclusion, that the UK is the closest partner to the Channel Islands, is agreeable to Airtel, it does beg to differ on using UK BU-LRIC MTR model basis the fact that UK opcos/carriers are under no obligation to lower MTR charged by them to Channel Island opcos.

Basis the above, Airtel is of the opinion that MTR review is an exercise with limited or no positive impact on Jersey mobile customer. The only entities who will definitely benefit are UK carriers and operators. Instead, we strongly recommend that JCRA immediately launch review of the off-island lease line market. The costs here are highly

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prohibitive and totally out of synch when compared to UK. Even a 25% reduction will result in significant savings for Channel Island customers.

We trust our response to be seriously considered. Should you have any further questions in this respect please don't hesitate in contacting the undersigned.

Yours sincerely

A handwritten signature in black ink, appearing to read "Lisa Moyse". The signature is written in a cursive style with a large, sweeping initial "L".

Lisa Moyse
Head-Roaming & Regulatory Affairs

