



Clear Mobitel (Jersey) Limited
Clear Mobitel (Guernsey) Limited

2019 Call for Information on the Review of a wholesale Bitstream solution in Jersey

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Introduction

The fixed broadband wholesale market in Jersey has traditionally been regulated at the Retail Minus level with effectively a “White Label” version of the incumbents’ own product range. The level of discount and the methodology of determining an appropriate price has been consulted on previously¹ but to date no changes to the original wholesale pricing methodology has been implemented or proposed by CICRA.

The current wholesale product range and the available wholesale rates make it difficult for new entrants to effectively compete with the incumbent except in the area of price differentiation. The alternatives used elsewhere are Local Loop Unbundling and Cost Plus pricing have been considered but the resulting economic analysis indicates a disproportionate cost for incumbents in small jurisdictions.

Since the initial introduction of broadband services the market has changed both in technology and consumer demand and requirements. While Wholesale Line Rental has introduced an element of competition into the fixed line market, there has been little impact on the broadband element. This is because many users no longer see the benefit of a fixed line telephone and would prefer to have the reduced cost of a broadband only service and rely on mobile for voice telephony.

Response to Consultation

Question 1: Does the respondent agree that the States of Jersey Policy is clear in its statement requiring “that wholesale access seekers get access to wholesale products, which allow access seekers to compete based on differentiated retail services” and that a wholesale Bitstream service could address the States of Jersey policy? If the respondent has alternative views or evidence the respondent is asked to explain those and provide all of its analysis and assessment relating to this matter to inform the Authority’s considerations and next steps.

As noted above the current arrangement only allows for price differentiation. This surely is not the intention of the States policy which indicates its desire for “differentiated retail services”. This would seem to embrace a wider definition of alternative methods of differentiating products such as being able to tailor services to, for example, prioritize different types of traffic.

¹ T1222GJ - Consultation - Broadband price control review
T878J - Consultation - CICRA Considers Wholesale Broadband Charges in Jersey

Question 2: Does the respondent agree that a Bitstream solution would provide retail broadband suppliers with a cost effective way of providing differentiated retail services. If the respondent has alternative views or evidence the respondent is asked to explain those and provide all of its analysis and assessment relating to this matter to inform the Authority's considerations and next steps.

A Bitstream product should be provided in isolation, that is without a bundled telephone line. As noted above many users do not see value in bundling telephony with broadband.

With the unbundling of telephony and the subsequent lowering of cost for the broadband only line there is ample opportunity for new entrants to tailor services differently to appeal to different market sectors.

There is undoubtedly an initial cost in providing the appropriate configuration access for the Bitstream control but this should be considered as a "one-off" charge which the new entrant could either absorb into operating costs or recover from users. Nevertheless, it is a cost effective way of enabling differentiation of wholesale products far in excess of the current method. It is expected that the product would enable the wholesale provider the ability to tailor specific products to either replicate or counter the incumbent's own range.

Question 3: If a Bitstream service is the correct solution then what is the correct technical definition for such a service?

Building out a fixed line network is an expensive undertaking, particularly in the residential market. In Jersey JT has chosen to replace its copper with fibre and thus the incentive for new entrants to invest in infrastructure.

Bitstream is effectively a virtual unbundled line. It should be considered as an IP only service with other products overlaid on the virtual bearer. The new entrant will have a configurable interface at the handover point of the network. Bitstream has been widely deployed on both copper and fibre networks².

Question 4: If Bitstream is the correct wholesale service then what pricing methodology should be applied to this service to ensure it allows operators to compete with the dominant broadband supplier?

² https://www.vodafone.com/content/dam/vodafone/about/public_policy/policy_papers/nga_wholesale_access.pdf

Bitstream access achieves in a way the effect of local loop unbundling (LLU). Since LLU is not achievable in a full fibre network it is the most effective way of enabling new entrants a way of controlling their own customers.

As noted above current wholesale broadband products are priced on a Retail-minus methodology. For a raw IP product where there is no bundled services a cost-plus pricing methodology would be more appropriate since the incumbent is providing a wholesale only product. The overheads of the bundled products is stripped from the wholesale Bitstream.

Question 5: What do respondents believe is a reasonable implementation timescale following the agreement of a technical definition. Respondents should provide evidence based justification for their proposed timescales.

Given that the incumbent is likely to already have in place the majority of components required for the Bitstream product it would appear likely that a relatively short implementation period is indicated. The new entrant's point of interconnect (POI) would appear to be the only part of the product that would require any special development.

There would of course also be an administrative load which would measure the costs of provision and any agreed ongoing monitoring costs necessary to ensure the integrity of the product.

Determining the cost would likely be the most onerous part of the regulator's workstream. In theory a cost-plus definition could be deduced from the incumbent's regulatory separated accounts. If these are in good order then it should not prove to be a lengthy task.

It would appear that a short time to market is possible.

For the avoidance of doubt, this document may be published in its entirety.

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