



JT's Response to CICRA Draft Decision  
Wholesale Broadband Services – 50 and 100 Mbps

26th June 2019

## **1. Introduction**

This response is made by JT (Jersey) Limited in response to CICRA's Draft Decision to re-introduce 50 Mbps and 100 Mbps wholesale broadband products.

JT made a detailed and lengthy submission to CICRA's call for information on 50 and 100 Mbps wholesale broadband services (CICRA 19/08) and while JT believe all the points made in that response are still valid, they are not repeated in this response.

## **2. Proposed introduction of 50Mbps and 100Mbps wholesale broadband products**

CICRA issued a call for information on the re-introduction of 50 Mbps and 100 Mbps wholesale broadband products on 25<sup>th</sup> February 2019 and issued a draft decision on 29<sup>th</sup> May 2019 which concluded that:-

*(a) The States of Jersey Telecoms Policy is clear in its requirement for differentiation of retail services and that this, in the Authority's considered opinion, includes differentiation by speed;*

*(b) JT should re-introduce a 100 Mbps wholesale service with a download speed of 10 Mbps at a contention ratio of 40:1;*

*(c) The 100 Mbps wholesale service should be introduced with a price of £17.84;*

*(d) JT should re-introduce a 50 Mbps wholesale service with a download speed of 5 Mbps at a contention ratio of 40:1;*

*(e) The 50 Mbps wholesale service should be introduced with a price of £16.23;*

*(f) The 50 and 100 Mbps service should be introduced within 3 months of the Authority issuing its direction on this matter;*

*(g) The prices of the 50 and 100 Mbps service should remain fixed for a period of three years from introduction;*

*(h) JT should enter into a consultation process with its wholesale customers before making any material changes or seeking to cease the 50, 100 and 250 Mbps service; and*

*(i) In addition JT should engage with its wholesale customers to seek an understanding on requirements and demand for additional speeds in addition to the speeds proposed in this Draft Decision.*

In setting out its reasoning in the draft decision CICRA makes two main points supporting the introduction of slower speed products:-

- (a) “it believes that the consumer market has not created the demand for very high speed services in Jersey as might be the case in other jurisdictions such as Singapore and Qatar” and it believes that “the demand for high speed services is driven by a number of factors including the maturity of the digital economy in the country”.

In making its draft decision it relies “on evidence provided by JT and Sure demonstrates that consumers, at this point in time are not switching to higher speed services and indeed as put forward by Home Net and Sure in their responses, would actively consider taking speeds lower than JT’s current entry level product.”

- (b) “Second, JT is the incumbent network service provider in Jersey and its downstream customers have requested lower speed services to meet the demand of their retail customers. The Authority considers the approach taken by JT in removing lower broadband speeds results in customers having no alternative other than to increase speeds which might also lead to increased monthly costs to consumers”

JT did not provide information that demonstrated its customers did not require higher speed products and to suggest it did is misleading, self-serving and factually incorrect. When a minimum guaranteed broadband speed of 250Mbps is ubiquitously provided, it should not be of any surprise that a limited number are seeking increased speeds.

Further, JT’s view is that Sure is seeking to dismiss any requirement for high speed products in Jersey in order to support its view that high speeds are not required in Guernsey, principally as a result of those speeds not being available by Sure in the Guernsey market. If one were to agree with Sure’s position on this matter, it would result in broadband speeds in Jersey being restricted as a result of those broadband speeds not being available in Guernsey.

Sure’s position in the Guernsey market has been to create an “up to 20Mbps” product at the minimum entry point, with few subscribers gaining access to such speeds at peak time (and JT would very much

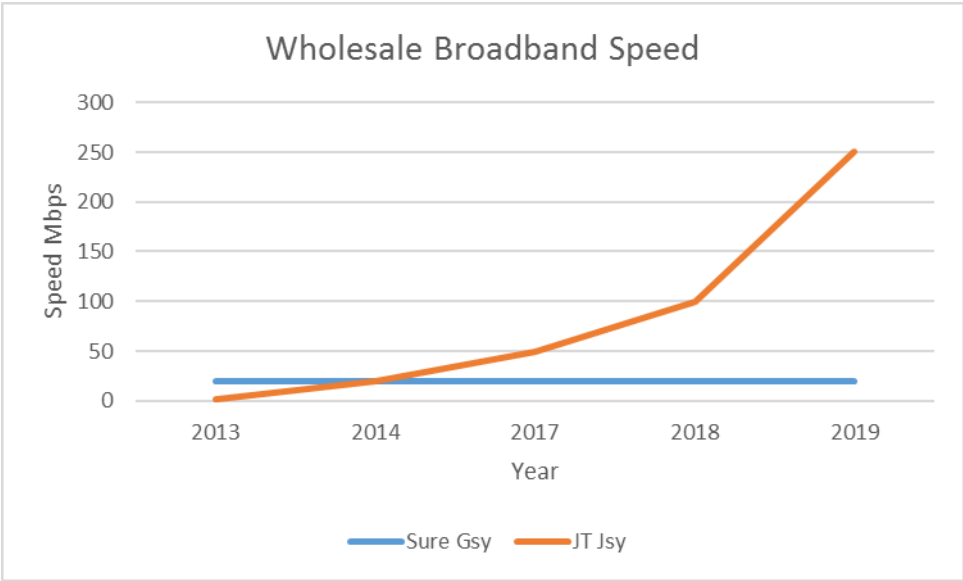
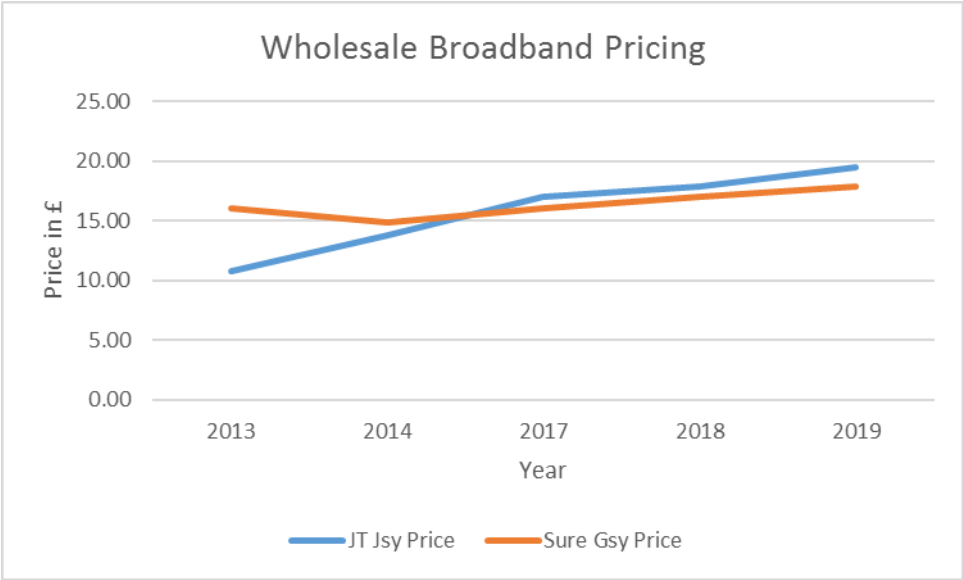
like to see statistics of the numbers that actually do). In addition, Sure charges a significant premium for any broadband product at any speeds higher than this entry point, which further reinforces the point as to why people aren't taking those higher speeds in Guernsey.

As an observation at this point, JT finds it quite bizarre and unprecedented that CICRA is focussing on slowing down broadband speeds in Jersey instead of finding means of increasing broadband speeds in Guernsey.

Additionally, JT would like to emphasise the point made in its submission that although wholesale broadband prices have risen, which has resulted in an increase of retail prices, consumers are still provided with a value for money service at prices which compare favourably to other jurisdictions. There is no evidence to support CICRA's second point that increased speeds might also lead to the increased costs to consumers.

JT's submission of 8<sup>th</sup> April 2019 clearly demonstrated that JT's entry level wholesale broadband prices have remained at a comparable level to neighbouring jurisdictions even though consumers have received a higher speed service. In fact the current price for the entry level 250 Mbps wholesale product is £19.45 and this is the same price as the 50 Mbps service was in March 2014. JT has actively kept pricing low to make high speed broadband services affordable to Jersey consumers.

The charts below show the entry level wholesale product price and speed in Jersey and Guernsey during the period 2013 to 2019



### 3. Pricing of 50Mbps and 100Mbps wholesale broadband products

The pricing proposed for the 50Mbps and 100Mbps wholesale broadband products of £16.23 and £17.84 respectively, is a £3.22 and £1.61 reduction respectively to the current entry level 250 Mbps wholesale price of £19.45. Sure state in their response “based on the proposed price, we would not expect the take up to be as high as we had been planning for. Customers need a lever to encourage them to take action. A minimal reduction in wholesale (and therefore our associated retail) price is unlikely to achieve that.”

We therefore question the take up figures included in the Sure response (see table below) and request that CICRA request revised take up figures for the 50 Mbps and 100 Mbps products. We cannot believe that half of Sure’s Jersey broadband base will move to a lower speed product for a £1 - £3 reduction in price. JT’s retail division has no interest in selling either a 50Mbps or a 100Mbps broadband product and will continue to focus on selling the 250Mbps broadband service as part of its JT One triple play product.

#### Migration of broadband services table provided in Sure Response dated 18<sup>th</sup> March 2019

Based on Sure’s migration plans:	Q1	Q2	Q3	Q4
Subs on 50 Mbps	150	500	800	1500
Subs on 100 Mbps	5400	5300	5200	5100
<b>Total subs on lower speed services</b>	<b>5550</b>	<b>5800</b>	<b>6000</b>	<b>6600</b>

Once CICRA has reviewed the revised take up figures from Sure we believe it is necessary for CICRA to conduct a cost benefit analysis to ensure that the additional time, effort and costs that will be imposed on JT to re-introduce 50Mbps and 100Mbps wholesale broadband products is aligned with its duties, specifically, “*perform its functions in such manner as it considers is best calculated to promote efficiency, economy and effectiveness in commercial activities connected with telecommunications in Jersey so as to further the economic interests of Jersey.*”

Additionally, CICRA need to take into consideration that JT intend to introduce a bitstream product during 2019. Paragraph 5.75 of the draft decision states “*The Authority considers that the introduction of a Bitstream service by JT should enable all OLOs to offer differentiation of services, including the ability to differentiate by speed.*”

It is therefore JT's belief that there is no proven demand for a 50Mbps and 100Mbps service. Furthermore, JT, as mentioned above, intends to provide a bitstream product during 2019, which will allow retail broadband providers to offer a broadband service differentiated by speed if they choose to do so.

We therefore strongly advise CICRA to re-examine the take up figures with Sure before issuing a final decision on the re-introduction of slower speed wholesale broadband products and to then carry out a cost benefit analysis of the proposed change to ensure that it can justify its chosen approach.

Finally, there is a jurisdictional point in that having a lower entry-level broadband speed is not in any way aligned to the interests of Jersey, which benefits from having world-leading fibre network and is now intently focussed on making best use of that asset. The references to Qatar and Singapore, and the maturity of the digital economy in those jurisdictions, is demeaning to the digital ambitions of Jersey and not consistent with the level of ambition built into the Government of Jersey's plans and the function of organisations such as Digital Jersey, Locate Jersey, Jersey Business and Jersey Finance, amongst others.

While the rest of the world is focussed on how to ensure a widespread rollout of fibre and how to increase the quality and speed of broadband products, CICRA has created history by becoming the first regulator in the world to issue a draft decision to oblige an incumbent operator to provide slower speeds in the market. It would be a terrible mistake were this to become a formal decision and CICRA should not betray Jersey's digital ambition by doing so.