



Wholesale broadband access services: price review

Information note

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*Jersey Competition Regulatory Authority
2nd Floor Salisbury House, 1-9 Union Street,
St Helier, Jersey, JE2 3RF
Tel: +44 (0)1534 514990
Web: www.jcra.je*

1 Overview

- 1.1 The Jersey Competition Regulatory Authority (the Authority), supported by Frontier Economics¹, is carrying out a price review for wholesale broadband access services. These access services are used by Other Licensed Operators (OLOs) to provide broadband to their retail customers over the JT fibre to the home network.
- 1.2 This information note provides an overview of the background to the review, its scope and the review timetable.

2 Background

- 2.1 This background provides an overview of current wholesale broadband access services, previous Authority casework and Jersey Government (Government) policy.

Current wholesale broadband access services

- 2.2 OLOs currently have access to two sets of wholesale broadband access services which are both provided using the same network elements:

Wholesale access products

- 2.3 Wholesale access products have defined speed and quality of service characteristics and see JT manage the broadband service, from the 'last mile' connectivity to the end customer through to the OLO's point of presence. There are currently two standard and two superior wholesale access products available, which deliver download speeds of 500 Mbps and 1 Gbps.²

Wholesale bitstream service

- 2.4 Bitstream is a form of virtual access, whereby OLOs can rent the access link and manage the broadband service, from the 'last mile' connectivity to the end customer through to the OLO's point of presence. It enables OLOs to self-manage their customers' needs in relation to speed, contention and quality of service.

Previous Authority casework

- 2.5 In 2018 the Authority undertook a review of the broadband market³ and found the appropriate market definition in Jersey is:

¹ Frontier Economics is a microeconomics consultancy providing economics advice to public and private sector clients. Frontier have extensive experience in supporting price reviews and carrying out fixed network modelling across multiple jurisdictions.

² Superior products offer lower contention ratios than standard products.

³ Case - T1358GJ, Broadband Market - Market Review: <https://www.jcra.je/cases/2018/t1358gj-broadband-market-market-review/>.

“Wholesale access to the Internet at fixed location using an access network based on fibre or cable or using the 4G and ultimately 5G wireless access network via a fixed device in the whole Bailiwick of Jersey.”

2.6 Given this market definition, the Authority determined:

“JT has Significant Market Power on the market as defined.”

2.7 After this finding, in 2019 the Authority supported the introduction of bitstream access.⁴ The Authority also reviewed the withdrawal of 50 and 100 Mbps wholesale access products.⁵

Government policy

2.8 The Authority’s approach to wholesale broadband access services is consistent with Government policy. In 2018 the Government commissioned the consultancy Oxera to develop a telecoms strategy for the island.⁶ Policy Principle 2 is that the Authority:

“should ensure that JT supplies other operators with wholesale access ... which allow access seekers to compete based on differentiated retail services.”

2.9 Consistent with this recommendation, the States of Jersey Telecoms Strategy Action Plan requires the Authority to:

“As appropriate, direct JT to offer fibre wholesale products to allow for differentiated retail services.”⁷

3 Scope of price review

3.1 The price review covers three key areas:

Area 1: The appropriate set of wholesale broadband access services in Jersey

3.2 The review will consider the need for JT to provide both wholesale access and wholesale bitstream products. Considerations will include the functionality of the two sets of products and an assessment of how they contribute to facilitating competition based on differentiated retail services. The review will also draw on OLO’s views on current and future demand.

⁴ Case - T1452GJ, Bitstream Access: <https://www.jcra.je/cases/2019/t1452gj-bitstream-access/>.

⁵ Case - T1453GJ, 50 and 100Mbps Broadband Access: <https://www.jcra.je/cases/2019/t1453gj-50-and-100mbps-broadband-access/>.

⁶ Oxera (2018) ‘A Telecoms Strategy for Jersey’.

⁷ See <https://www.gov.je/Industry/TelecomsStrategy/Pages/JerseyTelecomsStrategyActionPlan.aspx>.

Area 2: The appropriate regulatory pricing approach in Jersey

3.3 The review will consider the appropriate pricing approach for wholesale broadband access services. The two key approaches are the use of cost orientation and/or an *ex ante* margin squeeze test.⁸ In considering these two approaches and how they can be tailored to Jersey, the Authority will consider previous precedent, best practice guidelines and draw on international examples.

Area 3: Dependent on the outcome of areas 1 and 2, the appropriate price/s for the relevant services in Jersey

3.4 Dependent on the outcome of the areas above, the review will set the modelling approach. The assessment will be focused on the monthly rental prices, though ancillary one-off charges related to these services (e.g. connection charges) will also be assessed. For the consultation an overview of the modelling used by the Authority will be provided alongside discussion of the key model inputs.

4 Price review timetable

4.1 The table below provides an overview of the timetable for the price review. The Authority and Frontier Economics have already held meetings with licensed operators and issued information requests to support the review.

Table 1: Outline price review timetable

| Date | Milestone |
|--------------------|--|
| January 2021 | Issuing of Non statutory Draft Decision (Consultation) |
| March 2021 | Consultation closes on Draft Decision |
| Spring 2021 | Issuing of Initial Notice and Non statutory Final Decision |
| Spring/Summer 2021 | Consultation closes on Initial Notice |
| Summer 2021 | Issue of Final Notice |

⁸ Cost orientation sets wholesale prices on the basis of the cost of providing the services, including an allowed margin. A margin squeeze, in contrast, test checks whether OLOs, as access seekers, can profitably replicate the retail broadband offers of JT as the incumbent, given JT’s wholesale prices and an estimate of retail costs per customer.