

To

Tim Ringsdore
Jersey Competition Regulatory Authority

Via Email

24th March 2021

Dear Tim

Response to JCRA 21/01, Wholesale broadband Access Services: Price Review Consultation

Please see detailed response below from Jersey Airtel Limited in relation to the above referenced consultation paper.

We very much welcome the approach being taken by the Authority to ensure fair equitable access and price control to the fibre assets of JT to deliver sustainable competition, innovation, and value for money for the benefit of island consumers of fixed broadband services. Critical to this is the wholesale price of Bitstream, which currently does not lend itself to developing a viable business case as we look to move into this market.

The work, school, and stay in touch from home challenges faced by all islanders because of the Covid 19 pandemic have never more focused the need for delivering resilient, flexible, and competitive fibre connectivity to cover the needs of all islanders in every socio-economic group. Various initiatives undertaken during the pandemic e.g., Free Broadband for home schooling led by Digital Jersey and a similar programme from Jersey Employment Trust, and The Samaritans clearly confirming the price and affordability barriers that exist to fibre services.

Jersey Airtel's own experience of developing a significant base of 4G home broadband subscribers is further testament to this and when combined with our own market insight into the diminishing use of landline services (which customers are forced to pay for as part of a broadband service, despite not using it) it proves that many inequalities and price barriers exist which need to be addressed to.

This consultation is the perfect opportunity for the Authority to address the Bitstream price imbalances during a critical period of economic recovery for the island, and it is imperative that wholesale pricing is brought in line with other jurisdictions in the next few years via the regular price reviews so that the 1Gbps wholesale bitstream product is priced no more than £15 inclusive of all the charges to enable more competitive and innovative products in local broadband market.

We are pleased with JCRA's timely decision to cap price of 1Gbps wholesale bitstream product at £22.07 and expect it to remain unchanged until the next price review as it helps us in carving a 'barely positive' business case to move into broadband market with long term factoring in JCRA's future regular review of wholesale access price.

Having said that, we note that, 50, 100, 250 and 500 Mbps products are available only under the two-part tariff option, and the proposed pricing for these products are not proportionately lower compared to 1Gbps product. We propose these be made available at proportionate costs to ensure universal access to all wholesale broadband products for all based on their bandwidth requirement and affordability.

Question 1: Do you agree with the proposed approach to only include the wholesale bitstream service in scope of the price review and to exclude wholesale access products? If you do not agree you should provide all of your analysis and assessment.

Jersey Airtel (JA) response: Yes, we agree that wholesale bitstream is the preferred approach as it offers the flexibility to the OLO's and includes the products available in wholesale access.

Question 2: Do you agree with the proposed approach to adopt cost orientated wholesale prices for the price review, rather than use an ex-ante margin squeeze test? If you do not agree you should provide all of your analysis and assessment.

JA response: Yes, we agree with this approach. However, we would like further clarification on what actions JCRA will take to ensure that ex ante margin squeeze does not take place.

Question 3: Do you agree with the proposed approach to modelling cost orientated prices using a top-down approach? If you do not agree you should provide all of your analysis and assessment.

JA response: Yes, we agree with this approach, however we have the following concerns:

- a. We require the flexibility to buy wholesale b/band without WLR to allow us to compete cost effectively.
- b. Customers who are unable to afford additional cost of landline should have the freedom to go for broadband only – our experience in the 4G home broadband market has proven this.
- c. We urge the Authority to separate the cost of WLR from Bitstream. The demand for landline services is falling, yet consumers and OLO's are still forced to pay for a service, which in many cases they are not using. We request that the Authority shares some figures from JT as to how many of its customers are actually using (zero traffic) landline services.
- d. In addition to the wholesale price, the OLO's also have to make significant investment in providing ISP backhaul/interconnect, service delivery core network and customer facing teams and systems. In view of this, we expect the pricing to be significantly lower than what is proposed currently in the coming years. 1Gbps connection should not cost more than £15.
- e. We would like to see more granularity on one off costs like connection charges etc, item wise with proposed charges, to ensure that any additional charges do not dilute the benefits offered by the service price control.

Question 4: Do you agree with the proposed specification of the cost model, including in particular:

- model scope;
- model methodological choices; and
- approach to JT's WACC

If not, what alternative would you propose and why?

JA response: We are in broad agreement with the cost model specification, but request conformation on two key points:

- a. High Risk Vendor infrastructure replacement should not be included in the cost modelling.
- b. JT received a grant from the Government of Jersey for the Fibre roll our project. We request clarification on how this benefit is factored into the cost modelling.

Question 5: Do you agree with the proposed fixed fee approach set out in this Consultation and Frontier report? If not, what alternative would you propose and why?

JA response: Yes, we agree in principle with the proposed Fixed fee approach.

However, we would like to re-iterate the need to separate WLR pricing from bitstream services as explained in response to question 3, when 1000's of users are paying for a service they don't use and have not even purchased the required the hardware devices to utilise for voice calls. We urge the Authority to investigate actual landline usage data.

Further, it is not clear if the approach is to go for either of the 'fixed' or 'two-part tariff' or implement a combination of both to address high and low speed products. While we are unclear on this aspect, we would like to submit that in the fixed fee approach, there is no mention of differential charging if the end customer opts for speeds less than 1Gbps. We propose there be fixed fee slabs for 50, 100, 250 and 500 Mbps products with proportionate costs to ensure that the end customer has the freedom to choose lower speed products at proportionate prices. We believe this is important to ensure universal access to broadband for all customers depending on their affordability as speeds of 50Mbps is more than sufficient to meet the needs of an average household with good quality and experience.

Question 6: What are your views on the relative merits of a two-part tariff approach over a fixed fee approach? If your view is that a two-part tariff approach is appropriate, do you agree with the proposed approach set out in this Consultation and Frontier report? If not, what alternative would you propose and why?

JA response: We also agree in principle with the fixed plus variable model as it allows for flexible charging in line with market demand. We understand the variable part will be based on busy hours usage rather than the set package limit. We would like to know more about the variable charging mechanism including the methodology of how this busy hour will be captured – eg daily/weekly/monthly on its own or averaged.

We would like further explanation of how the busy hours usage charge has been derived:

1.90/sub usage charge = £3.1 price/Mbps x 0.62 BH usage per sub (page 18 PPT)

Further, we notice that the lower speed (50, 100, 250 and 500 Mbps) products in this tariff are priced very high compared to 1Gbps product, which will disincentivise the end customers from choosing any product other than 1Gbps product. We suggest products in the range of 50, 100, 250 and 500 Mbps be made available at proportionate costs so that access to broad band could be ensured for all depending on their spending power and the real requirement of bandwidth.

Question 7: Do you agree with the proposed approach to other charges? If you do not agree you should provide all of your analysis and assessment.

JA response: We would like to see full details of every line item of additional charges, and the rationale behind these costings – limited reference is made other than connection charges. Once each of those is clearly defined, we

would like to see more granularity on one off costs like connection charges etc, item wise with proposed charges, to ensure that any additional charges do not dilute the benefits offered by the service price control.

Question 8: What are your views on the impact of the proposals set out in this Consultation? Are there any other impacts the Authority should take into account? You should provide all of your analysis and assessment.

JA response: We welcome the Authority's overall objectives in the proposal to promote innovation, value, and choice for Jersey consumers of fixed broadband services and are pleased to work with the JCRA to ensure that current price structure imbalances are addressed to deliver a future proof model for wholesale services for all stakeholders, however, we expect authority to consider the need for the flexibility to buy wholesale broadband without WLR driven by falling demand for landlines.

At the heart of our response and imperative to promote innovation, competition, and value for money, is the need to bring wholesale Bitstream costs in line with other global jurisdictions within the next two years. We expect it to be between £12-£15 for a 1Gbps service in order for us to create a sustainable long term business case to compete in the fixed broadband space.

We propose a periodic review every 2 years to ensure policy/pricing in line with global best practise to ensure continual growth and competition in the market.

If you or your team require any further clarification on any of our points raised here, I would welcome the opportunity of a session to discuss it further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sid Ahlawat', with a stylized flourish underneath.

Sid Ahlawat
CEO