



Clear Mobitel (Jersey) Limited

Case T-011 Wholesale broadband access services:
price review

March 2021

Introduction

The fixed line market in Jersey is still largely dominated by the former incumbent operator, JT. JT enjoys the position of having sunk investment prior to privatization which enabled it to carry forward its access network both overhead and underground into the current fibre era. It is not feasible for a new entrant to develop the same infrastructure and therefore as an SMP operator JT should be required to make available wholesale access to its infrastructure in order to ensure a competitive market for consumers.

Response to Consultation

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.

Clear Mobitel Jersey Limited ('CM') agrees with the Authority's approach to only include wholesale bitstream as it is the most flexible wholesale product for other operators.

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.

CM has long endorsed the cost-oriented approach to assessing the appropriate wholesale pricing of the incumbent's products and agrees with the Authority in this respect. Ex-ante margin squeeze tests are lengthy and cumbersome and would not be an efficient use of the Authority's resources.

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.

On an island with a relatively small full fibre network that has been completed within recent years and the lack of realistic infrastructure competition, the top-down approach is best suited to ensure cost orientation.

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?

As noted above the JT fibre network is relative new and thus attracts little sunk cost, however, its access infrastructure should be considered as a sunk cost since it has served for many years and was inherited by JT at the point of incorporation.

CM notes that the WACC has been set somewhat lower than that previously used by the JCRA in 2008. CM welcomes this change as it more closely reflects the SMP position of JT.

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?

CM agrees that the proposal to base charges on Busy Hour usage would be onerous and inefficient albeit that this would more closely relate to actual network usage. The fixed fee approach is easier to administrate and could be based on the average busy hour usage. This would, however, mean that it is likely that the cost per byte would be incrementally higher but this would be offset against the additional cost of real-time measurement.

CM therefore agrees that this is the most pragmatic approach.

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?

The current methodology for providing broadband is in the legacy mode of providing a fixed line (WHR) as a bearer for broadband. There are consumers that do not require a fixed line telephone associated with their broadband service and CM foresees this as a growing trend.

CM, therefore, would like to see the two part tariff being offered as an alternative to a single part tariff. The broadband only service would use the bearer circuit but this would necessarily be priced lower if no fixed line were associated. This would truly represent bitstream as a separate product.

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

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