



Case M-005

Telecoms Retail Pricing Market Study

Findings and recommendations

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1 Overview

- 1.1 This document provides an overview of the Jersey Competition Regulatory Authority (**the Authority**)’s findings and recommendations for the telecoms retail pricing market study.
- 1.2 A market study is the analysis of a market as a whole, or features of a market, in this case the prices consumers pay, to assess how well it is working and if any changes should be recommended to make it work better.
- 1.3 This market study has been carried out as the prices people pay and the value that they get from telecommunication services are an important indicator of how well markets are working well for consumers. Further, international comparisons allow for a broader understanding of how Jersey performs against other comparable jurisdictions.
- 1.4 In the delivery of this market study the Authority has been supported by Teligen, a division of Strategy Analytics, to conduct the analysis.¹ Accompanying this document is a Teligen report “Telecoms Retail Pricing Market Study for the Jersey Competition Regulatory Authority” (**final report**).² The final report sets out the detail behind the findings of the study summarised in this document.

¹ Teligen’s focus is on global pricing and benchmarking data across retail telecommunications services. It offers a range of benchmarking services and its services are used extensively by regulators and service providers around the world.

² Authority document number: JCRA 22/27

2 Background

2.1 This section is split into five subsections, which cover in turn:

- The Authority (see paragraphs 2.2 to 2.4);
- Overview of market studies (see paragraphs 2.5 to 2.8);
- Terms of reference (see paragraph 2.9);
- The market study process (see paragraphs 2.10 to 2.11);
- Market study limitations (see paragraph 2.12 to 2.13).

The Authority

2.2 The Authority is responsible for promoting competition in the supply of goods and services in Jersey, together with the economic regulation of the ports, postal and telecommunications sectors.

2.3 As an independent regulator, the Authority has ambitious aims to help shape and sustain the Island's economic future, for the benefit of Jersey consumers, citizens and businesses. These aims are captured in the Authority's Strategic Plan.³ This plan is the guiding framework within which the Authority shapes, prioritises and delivers its annual Business Plan.

2.4 Competition law and economic regulation seek to achieve economic efficiency and sustainable competition. This allows consumers to have the benefits of fair prices, desirable goods and services and the opportunity to choose what they want to buy. This can be challenging at times in a small market, such as Jersey, given understandable economic constraints. But equally, can present opportunities to consider pragmatic approaches tailored to market needs.

Overview of market studies

2.5 A market study is a flexible tool to explore whether a market, or a feature of a market, is working well for Jersey consumers. It considers the relationship between consumer behaviour in a market, the behaviour of businesses in that market, and the market's structure. By looking at these relationships, the Authority can determine whether action that will encourage changes to consumer behaviour, business behaviour, or both, will help address any market problems found.

2.6 The outcomes of a market study may be one or more of the following:

- A clean bill of health for the market;
- Consumer/business focused action; and /or
- Recommendations to Government/Authority.

2.7 An important point to note is that the focus of a market study is not the actions of any specific business or firm, but rather the functioning of the market as a whole. It should be nevertheless noted that, if as part of a study, evidence were found of a firm/s breaking Competition Law, the

³ See: <https://www.icra.je/strategic-plans/strategic-plan/strategic-plan/>

appropriate tool would be competition enforcement, not a market study. In this scenario the market study would be stopped and instead a formal investigation launched.

- 2.8 Consistent with the Authority's Strategic Plan, market studies are used to address issues with competition in those markets where change would most benefit Islanders.

Terms of reference

- 2.9 The study was carried out against published terms of reference which are included in the box below. These were set by reference to international best practice⁴ and the Authority's understanding of the market from its role as the regulator of telecommunications services.

Box: The published terms of reference⁵

The Authority shall conduct a market study to benchmark retail prices for telecommunications services on Jersey as of quarter 4 2021. The study will use the benchmarking methodology established by the Organisation for Economic Cooperation and Development (OECD).⁶ The comparison will be between prices charged in Jersey and those charged in OECD member countries and comparator jurisdictions (e.g. Guernsey, the Isle of Man) for different defined services.

In particular:

- Fixed voice services;
- Mobile voice and data services;
- Fixed broadband services;
- Mobile broadband services (dongle-based mobile broadband); and
- Bundled services
 - Phone and broadband; and
 - Triple play, phone, broadband and mobile.

For the purposes of this terms of reference the services are defined consistent with the appropriate OECD methodology⁷ and the figures will be adjusted according to the general price level for each jurisdiction to allow for comparison on a purchasing power parity basis.

The market study process

- 2.10 After finalising the terms of reference and securing the support of Teligen, the Authority launched this market study publicly in November 2021. The approach adopted was consistent with the OECD methodology and included the full range of services identified in terms of

⁴ For example, Ofcom's approach to international benchmarking, which was also supported by Teligen. See: https://www.ofcom.org.uk/data/assets/pdf_file/0021/108903/icmr-2017-international-price-benchmarking.pdf

⁵ See: <https://www.jcra.je/media/598411/telecoms-retail-pricing-market-study-terms-of-reference.pdf>

⁶ The OECD is an intergovernmental economic organisation. It is a forum of countries describing themselves as committed to democracy and the market economy, providing a platform to compare policy experiences, seek answers to common problems, identify good practices and coordinate domestic and international policies of its members.

⁷ The 2017 methodology document, covering the standalone baskets can be found here: [https://www.oecd.org/sti/broadband/DSTI-CDEP-CISP\(2017\)4FINAL.pdf](https://www.oecd.org/sti/broadband/DSTI-CDEP-CISP(2017)4FINAL.pdf) while the 2020 methodology document, covering bundles can be found here: https://www.oecd-ilibrary.org/science-and-technology/oecd-bundled-communication-price-baskets_64e4c18a-en

reference (see box above). A detailed explanation of the methodology is available in the final report (section 3), but at a high level the approach consisted of:

- The comparison of the best prices available from the leading operators by retail market share in each jurisdiction to buy a ‘basket’ of services. Baskets are based on typical usage levels for low, medium and high users, as defined by the OECD. To give examples of the baskets that are used in the analysis, a mobile basket includes the requirement for a set number of calls, text messages and data use; and a fixed broadband basket includes a set amount of data and a required download speed. Voice call durations are set according to OECD definitions.
- For each service, and each basket, all of the leading providers’ published residential prices are costed using the defined methodology for each profile, and the cheapest offer available from each provider is considered. Promotional offers (e.g. in the form of introductory reduced prices) are taken into account, where applicable. Ancillary costs, such as connection fees are also incorporated. The data to support this analysis was collected from operators websites, by Teligen, in December 2021.
- These results were then collated into Teligen’s price benchmarking systems and used to define the cheapest cost per jurisdiction for each basket. In line with best practice, within the systems, the prices of the baskets were adjusted to account for exchange rates and to allow comparison on a purchasing power parity basis. This enables prices to be compared by controlling for general price levels in different jurisdictions.
- The analysis and write up of for the study was completed in January-March 2022. In presenting the results in the final report, key comparisons are made with:
 - **the OECD average** – the OECD captures high income developed countries, a characterisation that also applies to Jersey;
 - **the additional comparator jurisdictions plus the UK average** – additional jurisdictions have been added to the core OECD dataset to capture specific drivers that may be applicable to Jersey. For example, Guernsey and the Isle of Man are the two other Crown Dependencies. Malta has been included as an island jurisdiction and Singapore has been added, given their advanced fibre network. Comparing Jersey against this average helps assess how Jersey fits when compared to a grouping that more closely reflects the Jersey experience; and
 - **the UK** – the UK has been brought out as it is a key comparator from the reference point of Jersey consumers. For example, Jersey consumers see UK advertising and often have had direct experience of the UK market.

2.11 The Jersey providers whose tariffs are included in the study are shown in Figure 1.

Figure 1: Jersey providers included in the analysis

Fixed voice services	Mobile voice and data services	Fixed broadband services*	Mobile broadband services	Bundled services*	
				Phone and broadband	Phone, broadband and mobile
<ul style="list-style-type: none"> JT 	<ul style="list-style-type: none"> Airtel-Vodafone JT Sure 	<ul style="list-style-type: none"> Airtel-Vodafone Homenet JT Sure 	<ul style="list-style-type: none"> Airtel-Vodafone JT Sure 	<ul style="list-style-type: none"> Airtel-Vodafone Homenet JT Sure 	<ul style="list-style-type: none"> Airtel-Vodafone JT Sure

* Across these services, the results for Jersey consider the results across the providers included, rather than the standard approach used across the comparator markets, where the cheapest per jurisdiction is selected. This approach has been adopted to better reflect the choice faced by consumers in Jersey and to avoid potential bias in the results.

Market study limitations

2.12 Measuring and comparing the prices of telecoms services is complex, however it is of much interest to policymakers around the world. Reflecting this, the OECD, working with Teligem, has developed a well-tested and an established methodology for comparing different services. This best practice methodology has been followed by the study. However, there are some limitations and it is important to bear these in mind when interpreting the results:

- The pricing analysis is based on a limited number of baskets, when actual consumer use will span a much wider range of types of use. Building on this point, few consumers will be on the cheapest tariff for their usage level.
- The tariffs used are those offered for sale on the relevant providers’ websites; the analysis excludes prices which are available only via other channels, and ‘retention’ or ‘loyalty’ discounts which may be tailored to individual customers.
- The study does not account for extended offering, and qualitative factors, such as availability of fibre, meshed WiFi solutions, mobile voice and data roaming, mobile coverage and speeds. These factors are not covered by the OECD methodology, due to the complexity of accounting for these in a quantitative way.
- Telecoms markets obviously differ in terms of size, number of operators, labour, demand, types of network and otherwise, however, benchmarking of retail tariffs and/or packages exist as means of assessing relative prices (not to test relative telecoms input costs, or efficiency etc.). This means the study cannot be taken as suggesting different jurisdictions are more efficient than others, or vice versa.
- Jurisdictions differ in terms of taxes and applicable duties – the OECD methodology includes all relevant - consumer related - tax rates for each jurisdiction. In so far as jurisdictions have different tax rates, this will influence their relative position in the analysis.⁸ However, consumers who purchase retail telecoms services incur these taxes and have no means of dispersing or recovering these, and therefore they form part of the retail price which needs to be taken into account.

⁸ For example Jersey’s sale tax is 5%, this compares to the OECD average of around 19%.

2.13 Further, with respect to fixed broadband on Jersey, the Authority notes the prices in the market do not yet fully reflect the outcome of the Wholesale Broadband Access Price Review.⁹ This review focused on the price at which JT sells access to its network to other broadband providers in the Island. From the 1st October 2021 the wholesale price of JT's product was reduced, with a sliding scale of further reductions over the next five years. In light of this, the Authority expects to see further new service offerings from Jersey operators and more competitively priced offers on a forward looking basis.

⁹ For all the case documents, see: <https://www.icra.je/cases/2020/t-011-wholesale-broadband-access-services-price-review/>

3 Market study findings

3.1 With respect to telecommunications services, the Authority's objective, as set out in its Strategic Plan, is to encourage sustainable competition, which will deliver innovation, value for money and service development for the benefit of consumers. Sustainable competition, also means that providers have an incentive to invest and can earn an appropriate return on their investment.

3.2 The market study has provided an insight into how this objective is being met:

- Jersey consumers benefit from a competitive market, with four providers of fixed services and three providers of mobile services. The study highlighted the range of services offered by the different providers and the choice available to consumers, which is often not matched in larger sized markets.
- Compared to the other Crown Dependencies of Guernsey and Isle of Man, as well as selected other similar sized and technologically advanced markets, the costs faced by consumers for the broad range of telecoms services on offer is predominantly competitive and below the overall average.
- When compared to the wider international market, costs generally remain competitive for most services, except for fixed broadband services and selected bundled offerings, where Jersey consumers face above average costs. For context, however, costs in the wider international market will span an extensive range, from very competitive to very expensive, with many underlying factors driving this.
- As an adjacent and accessible market, many Jersey consumers will directly compare the cost they pay and the services they receive to those experienced by UK consumers, so a comparison with the UK is a natural focus within any international analysis. Care must be taken with this comparison as the cost of goods and services in Jersey is higher than in the UK, along with wages, and this can bias any comparison. Nevertheless:
 - Direct comparison with the UK shows that mobile voice and data services are more expensive in Jersey than in the UK. Fixed broadband services of at least 100 Mbps – the minimum speed that Jersey consumer can subscribe to – are on par or better than costs faced by UK consumers.
 - Fixed voice service costs are lower in Jersey than in the UK, although the use of fixed-voice only is declining in both markets.
 - When comparing the cost of bundled services to the UK, most bundle types are either more expensive or on par with the UK.

3.3 More broadly, the results for Jersey against all the baskets considered can be seen in the table overleaf. This is an extract from the final report and provides a colour-coded summary of how the cost for Jersey is positioned relative to the OECD average, the average for the additional comparator jurisdictions plus the UK and the UK alone. Whereby:

- Green indicates that Jersey sits below the respective average cost, and hence offers a competitive result.
- Amber indicates that the cost of Jersey is on par with the average cost, within 5%.

- Red indicates that the cost of Jersey is higher than the respective average costs.

Figure 2: Results overview against key comparators, by service basket

	Jersey compared to OECD average	Jersey compared to additional jurisdictions plus UK average	Jersey compared to the UK
Fixed voice (20 calls)	●	●	●
Fixed voice (60 calls)	●	●	●
Fixed voice (140 calls)	●	●	●
Mobile (100 calls, no data)	●	●	●
Mobile (100 calls, 2GB data)	●	●	●
Mobile (unlimited voice, 20GB data)	●	●	●
Fixed broadband (>=0.25 Mbps)	●	●	●
Fixed broadband (>=100 Mps)	●	●	●
Fixed broadband (>=1000 Mps)	●	●	●
Mobile broadband (2GB data)	●	●	●
Mobile broadband (10GB data)	●	●	●
Mobile broadband (50GB data)	●	●	●
Bundled FBB-FV (low)	●	●	●
Bundled FBB-FV (medium high)	●	●	●
Bundled FBB-FV (very high)	●	●	●
Bundled FBB-FV-MVD (low)	●	●	●
Bundled FBB-FV-MVD (medium high)	●	●	●
Bundled FBB-FV-MVD (very high)	●	●	●

Jersey is below (cheaper than)	●
Jersey is on par with	●
Jersey is above (more expensive than)	●

3.4 A full discussion of the results, by service and baskets, including more detailed comparisons, is available in the final report.

4 Market study recommendations

4.1 The recommendations from the study aim to increase competition and benefit consumers. They are set out in the Figure below, alongside supporting rationale. Consistent with the Authority’s role as regulator of telecommunications services, a number of the recommendations are for the Authority to take forward in its future work programmes.

Figure 3: Overview of recommendations

Recommendation	Supporting rationale
<ul style="list-style-type: none"> The Authority would encourage consumers to shop around before agreeing their next contract to find the deal that is best for them. 	<ul style="list-style-type: none"> The market study focused on the cheapest services available, but these prices may not be representative of existing contracts consumers have in place. Therefore it is important consumers review their services and the opportunities available to them, once/if out of contract.
<ul style="list-style-type: none"> The Authority will, in future work programmes, take further steps to address problems consumers may face in switching services between providers. 	<ul style="list-style-type: none"> Competitive communications markets are more likely to work well for consumers when it is quick and easy to switch between providers. If consumers face confusion and avoidable inconvenience, this will reduce switching, and the competitive process is harmed.
<ul style="list-style-type: none"> The Authority will consider other service considerations, wider than just pricing, in its future work. A key focus will be on consumer protection, for example, around contractual terms and compensation. 	<ul style="list-style-type: none"> The study has shown that, broadly, Jersey telecoms services are competitive from a benchmarking perspective, albeit with scope for improvement. A key focus of regulators in other jurisdictions has been on consumer protection. For example, Ofcom, has a significant focus on consumer fairness, with the development of a fairness framework. This has seen the development of a package of measures to improve the consumer experience, including contractual terms and compensation. Consistent with this, the Authority’s Strategic Plan set out a strategic goal to ‘Safeguard Consumers’ and to “empower consumers to exercise informed choice and help markets work in the best interests of Jersey as a whole”.
<ul style="list-style-type: none"> The Authority will work with Teligen to track prices on an annual basis, with a full report update carried out after an appropriate period of time has passed. 	<ul style="list-style-type: none"> The study only included Q4 2021 and provides a snapshot of prices at a given point in time. Repeating the study in the future will help the Authority to understand how prices have developed from the snapshot that is presented in this study. The identification of trends from this, may help identify at early stage, areas of the market which require Authority attention.

5 Next steps

- 5.1 The recommendations from the study are for the Authority to take forward in its future work programmes under its work on the regulation of telecommunication services.
- 5.2 As set out in the Authority's 2022 Business Plan the Authority's market studies regime aims to address issues with competition in those markets where change would most benefit Islanders. Already in 2022, the Authority has completed the market study into Alcohol Pricing and Promotions. The Freight Logistics market study draft report was also issued for Consultation with the final report due to be published later in 2022. After this is complete, further studies are planned and these will be announced in due course.