



MEDIA STATEMENT

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Competition Regulator paves way for more competition in the business connectivity market

The Jersey Competition Regulatory Authority (the Authority) has concluded a review of competition in the market for business connectivity. As a result, JT will have to take further steps to open up the wholesale market to other operators and will continue to be subject to price controls.

The business connectivity market includes leased lines and other services which play an important role in business communications and are used to support a wide variety of applications in both the public and private sectors. They are dedicated private circuits that provide a high level of network privacy, security and resilience to crucial areas of the economy including finance, health, communications (in particular mobile backhaul) and government.

Data shows that there were 1,005 leased lines in use in Jersey in 2019, worth £11.8m in annual revenue, or 10% of the overall wholesale market. JT is the largest provider of leased line services, which it also supplies to other telecommunication companies who want to retail the product to their customers.

By directing JT to supply wholesale leased lines to other operators, the Authority is promoting effective competition and choice in the market. The price at which JT can offer wholesale leased lines to other operators has also been capped, at 31% below the retail price, which equates to a further reduction of 11% on JT's current wholesale prices. This will provide a further opportunity for Jersey businesses to choose where they acquire their

business connectivity from and potentially reduce their costs, which should ultimately benefit consumers.

The Authority has also developed a more robust regulatory framework for the supply of wholesale leased lines enabling other licensed operators to migrate services while also providing greater transparency and certainty for all business users.

At the same time the Authority acknowledges the investment by JT in the Island-wide fibre network and is therefore proposing a fair and proportionate remedy to balance JT's significant market power with its need to achieve a reasonable return on its investment.

Peter Hetherington, Senior Economic Case Officer for the Authority said, "Business connectivity services are vital in supporting the Jersey economy and ensuring it continues to grow and remain competitive. This consultation was an extremely important and valuable exercise that has resulted in better competition in the business connectivity market that will lead to increased choice, lower prices, and improved benefits for customers."

Ends

ISSUED BY ORCHID

Allan Watts

T: 01534 888994 E: allan@orchid.je

Notes to Editors

- The Authority started a comprehensive review of the business connectivity market with a call for information, in late 2019, and have since undertaken a series of detailed public consultations and structured engagement with key stakeholders.
- Business connectivity includes leased lines and other services used by public and private organisations to support high-speed connectivity, data networks, network monitoring and mobile network backhaul.
- Demand for leased lines and business connectivity underpins communications and a wide range of activities across the Jersey economy.
- While the pandemic, growth in high-speed business-type broadband and other factors may impact long-term demand, leased lines and business connectivity **will** remain a core component of overall demand for telecoms services.
- As at 2019/20, leased lines and business connectivity represents a significant proportion of the Jersey telecoms market, with leased lines accounting for £11- £12m of value and up to 10% of the total telecoms market.
- The Authority completed the first phase of this comprehensive review in July 2021 - setting out the parameters of the market and concluding that JT is dominant in the supply of wholesale leased lines (in the whole Bailiwick of Jersey).
- The Authority then issued, in February 2022, a review and consultation on proposed remedies to address JT's market power and dominance.
- Absent effective regulation, JT might have the incentive and the ability to use its dominant position in the relevant market to limit competition in the market. The Authority's Decision addresses three specific competition issues:
 1. Refusal to supply: JT could refuse to allow other operators access to its network and so foreclose the downstream retail market to competition;

2. Price and non-price discrimination: Even if JT were to allow access, it could set price and non-price terms for other operators that make it hard for them to compete effectively with JT's downstream business;
 3. Excessive pricing: JT could set a price for wholesale access that is above the competitive level and on which it can earn monopoly rents thereby reducing consumer welfare in the market.
- The Authority's policy and approach is consistent with Government policy for telecommunications: - requiring the promotion of service level, or retail, competition to help ensure that wholesale access seekers get access to (JT's) wholesale products, which then allows for competition on differentiated retail services.

Definitions:

Leased line

A permanently connected communications link between two premises dedicated to a customer's exclusive use.

Mobile Backhaul

The part of a telecommunications network that connects the main body of the network with smaller subnetworks, usually by high capacity lines capable of transmitting data at very fast speeds.