

# WHOLESALE BROADBAND SERVICES IN JERSEY: PRICE CONTROL

Report for the Jersey Competition and  
Regulatory Authority (JCRA)

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# Contents

<b>1</b>	<b>Executive Summary</b>	<b>4</b>
<b>2</b>	<b>Introduction and context</b>	<b>7</b>
2.1	Fixed broadband market in Jersey	7
2.2	The need for a price control	7
2.3	Overarching objectives for the price control	9
2.4	Scope of this control	10
<b>3</b>	<b>Appropriate regulatory pricing approach</b>	<b>11</b>
3.1	Our proposed approach to modelling cost-oriented wholesale prices	11
3.2	The time period considered	14
<b>4</b>	<b>Cost-oriented prices for Wholesale Broadband products</b>	<b>15</b>
4.1	Specification of the model	15
4.1.1	Scope and methodological approach	15
4.1.2	Proposed prices	18
4.2	Drivers of broadband cost increases	21
<b>5</b>	<b>Consideration of a wholesale ‘broadband-only’ product and other wholesale charges</b>	<b>23</b>
5.1	Consideration of a ‘broadband-only’ wholesale product	23
5.1.1	Technical challenges to implementation	23
5.1.2	Similarity of costs with Wholesale Broadband	24
5.2	Assessment of other charges	25
5.2.1	One-off charges	25
5.2.2	CP Interconnect charges	26
<b>Annex A</b>	<b>– Further detail on the cost modelling approach</b>	<b>27</b>
A.1	Cost categories included in the model	27
A.2	Adjustments to JT’s data inputted into the model	30
A.3	Further detail on methodology and assumptions	33

## WHOLESALE BROADBAND SERVICES IN JERSEY: PRICE CONTROL

<b>Annex B – High level assessment of JT’s cost of capital</b>	<b>40</b>
B.1 Approach to estimating JT’s cost of capital	40
B.2 Cost of Equity	41
B.3 Cost of Debt	47
B.4 Gearing and Tax	49
B.5 Conclusion	50
<b>Annex C – Cost modelling changes following the JCRA’s consultation</b>	<b>53</b>

# 1 Executive Summary

- 1 The JCRA has engaged Frontier Economics to support it in this review of the pricing of JT's Wholesale Broadband services in Jersey. A report by Frontier Economics was issued alongside the JCRA's Draft Decision on this review, which set out the underlying analysis supporting the proposals in that Decision. This report is an updated version of that report, which outlines the updated set of analysis that informs the JCRA's Final Decision. The focus on this report is to explain this analysis - the responses to the JCRA's Consultation and the JCRA's assessment of stakeholder comments is set out in the Final Decision, so these are not covered in detail in this document.
- 2 Fixed broadband services in Jersey are predominantly provided over fibre-based technology (known as Fibre-to-the-Premises, or 'FTTP'). In addition to the incumbent network, JT, there are Other Licensed Operators (OLOs): Sure Jersey and Homenet who provide retail broadband services using JT's FTTP network.<sup>1</sup>
- 3 The objective of this price control is to set an appropriate level of prices for wholesale access to JT's FTTP network, which is required to offer retail broadband and fixed voice services across Jersey. The appropriate level of these wholesale prices is the level at which JT is able to recover its efficiently incurred costs of providing these services and a reasonable rate of return. Setting cost-oriented wholesale prices allows OLOs to compete with JT at the retail level, which in turn leads to positive consumer outcomes (lower retail prices and wider choice of offers).
- 4 JT is already subject to a cost-based wholesale price control, which was set in 2021 for a period of five years from October 2021 to September 2026. This set a regulated price for JT's Wholesale Bitstream product, which when purchased in combination with JT's Wholesale Line Rental (WLR) product, allows OLOs to offer both retail voice and broadband products, differentiated by speed. The implied price for OLOs of taking both Wholesale Bitstream and WLR was referred to as the "maximum price" in the 2021 price control. The regulated price was determined using a cost model, which was developed by Frontier Economics.
- 5 The upcoming price control period is from October 2026 to September 2031. The JCRA has engaged Frontier Economics primarily to update the cost model to ensure that it is fit for the purpose of setting the regulated price for "Wholesale Broadband" during the upcoming price control period. For the purpose of this price control, JCRA uses the term "Wholesale Broadband" to refer to the combination of WLR and Wholesale Bitstream products; therefore, the price of Wholesale Broadband reflects the "maximum price" set in the 2021 price control. In addition

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<sup>1</sup> Homenet also provides services using its FTTP networks, although its FTTP network has limited coverage.

to modelling the Wholesale Broadband prices, we were also asked to consider the implications of introducing a wholesale 'broadband-only' product.

### Proposed regulated Wholesale Broadband prices

- 6 The upcoming price control sets the price for Wholesale Broadband in Jersey (equivalent to the "maximum price" in the 2021 price control). It will be a single monthly price per broadband subscriber in each year of the price control. The Wholesale Broadband price consists of two elements, the WLR charge, and the Wholesale Bitstream price. The Wholesale Broadband price is the main focus of this report. The current Wholesale Broadband price, for the year October 2025 to September 2026, is £24.51 per subscriber per month.
- 7 Since the 2021 price control, which set the current Wholesale Broadband price, there has been significant inflation in Jersey, which is also reflected in JT's costs. Other factors have also increased the level of costs that need to be reflected in the Wholesale Broadband price: for example, JT is expected to incur new costs associated with enhanced IT/software systems, to maintain alignment with industry best practice and prepare for future Telecoms Security Requirements. As a result, the average price level required to ensure JT recovers its efficient costs has risen.
- 8 In our report accompanying JCRA's Draft Decision, we set out that there could be several ways of setting prices over the next five years to ensure JT recovers its efficient costs of providing Wholesale Broadband, including a reasonable rate of return. The different options involved different 'Starting Charge Adjustments' (SCAs) relative to the 2025/26 price, and subsequent 'glidepaths' for the Wholesale Broadband price over the next five years relative to *forecast* 2.7% RPI inflation (assuming the price control would be 'nominal' i.e. prices would be fixed upfront based on the forecast level of inflation, and would not be updated if actual inflation differs from the forecast). We explained that in a 'real' price control, prices would instead vary with *actual* RPI inflation each year, following an SCA.
- 9 The JCRA's Final Decision confirms that the upcoming price control will be a 'real' price control. Using the price control model, the JCRA has decided on an SCA of 10.2%, meaning Wholesale Broadband prices will rise to £27.00 per subscriber per month from October 2026, followed by a glidepath of RPI + 3.7% in subsequent years of the price control. The Table below illustrates how prices would therefore evolve over the price control if RPI were to turn out at 2.7% per year (in line with the forecast of inflation used in our modelling). More information on how the JCRA will update Wholesale Broadband prices over the course of the price control is provided in the JCRA's Initial Notice.

**Table 1** Estimated cost-based Wholesale Broadband price for JT’s services: 2026/2026 – 2030/2031, per subscriber per month, assuming annual inflation of 2.7%

	2026/27	2027/28	2028/29	2029/30	2030/31	Average
Price	£27.00	£28.72	£30.56	£32.51	£34.59	£30.72
<i>Increase relative to previous year, including forecast inflation</i>	10.2%	6.4%	6.4%	6.4%	6.4%	

Source: Frontier Economics

Note: Each year of the price control runs from 1<sup>st</sup> October to 30<sup>th</sup> September of the following calendar year. The average is calculated as a weighted average (weighted by subscriber numbers). Percentages include a forecast of 2.7% inflation (e.g. 6.4% equals forecast RPI inflation of 2.7%, plus 3.7%).

### Consideration of a wholesale ‘broadband-only’ product

10 The JCRA’s Telecoms Market Review in 2025 set out a discussion on the possible introduction of a wholesale ‘broadband-only’ product.<sup>2</sup> The JCRA highlighted two considerations for introducing a wholesale ‘broadband-only’ product:

- (a) technical challenges of implementation; and
- (b) the costs to JT of providing a wholesale ‘broadband-only’ service would be very similar as providing Wholesale Broadband (i.e. Wholesale Bitstream plus WLR).

11 A review of stakeholder submissions suggests that while there are no insurmountable barriers to introducing a wholesale ‘broadband-only’ product in Jersey, there are various technical challenges that need to be resolved before introducing such a product.

12 Additionally, input from operators in Jersey has confirmed the position that there is likely to be little/no difference in the cost to JT of providing a wholesale ‘broadband-only’ service relative to a combined WLR and Wholesale Bitstream service. In turn, the impact on retail prices of introducing a wholesale ‘broadband-only’ product would be limited – this is consistent with market outcomes in the UK. In light of this, and consistent with JCRA’s position in its Final Decision, we consider it would not be proportionate to set separate regulated prices for a wholesale ‘broadband-only’ product in addition to Wholesale Broadband prices.

<sup>2</sup> Case T-083 Telecoms Market Review: Draft Decision <https://www.jcra.je/media/c5bjzona/2025-02-26-t-083-telecoms-market-review-draft-decision.pdf>

## 2 Introduction and context

13 In this Section of the report, we first set out our understanding of the current state of the fixed broadband market in Jersey, at the retail and wholesale level. We then set out the rationale for this wholesale price control. We conclude this Section by outlining the scope of the report and its structure.

### 2.1 Fixed broadband market in Jersey

14 Fixed broadband services in Jersey are provided to households predominantly over fibre-to-the-premises (FTTP) networks. The same networks provide fixed voice telephony services.

15 JT is the largest operator in Jersey, and operates an island-wide FTTP network. Using its network, JT provides retail fixed broadband and voice services to residential and business subscribers, as well as leased line services to business customers. JT also offers wholesale access to its FTTP network, enabling other licensed operators (OLOs) to offer their own retail services to households and businesses.

16 In addition to JT, there are currently two OLOs offering retail fixed broadband and voice services: Sure Jersey and Homenet. Sure serves customers solely using JT's FTTP network, whereas Homenet provides retail services using a mix of JT's FTTP network, and its own FTTP network, although its FTTP network has limited coverage. Previously there was another OLO, Airtel, providing fixed broadband services in Jersey. However, Airtel was acquired by Sure in late 2024. As such, Airtel is no longer present in the relevant retail market(s).

17 According to the most recent data from Statistics Jersey, JT has a market share of 60% (in terms of the number of fixed broadband subscriptions), with OLOs collectively making up the remaining 40% of the market.<sup>3</sup>

### 2.2 The need for a price control

18 The JCRA's Telecoms Market Review Final Decision has concluded that JT has significant market power (SMP) in the provision of wholesale access to the internet through its fibre network.<sup>4</sup> As a remedy to address JT's SMP, the JCRA confirmed the continuation of a cost-based wholesale price control for JT.

19 JT is already subject to a cost-based wholesale price control, which was set in 2021 for a period of five years from 1 October 2021 to 30 September 2026. This

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<sup>3</sup> Statistics Jersey (2025) Telecommunications Statistics and Market Report 2024; page 26.

<sup>4</sup> JCRA (2025) Case T-083 - Telecoms Market Review - Final Decision.

## WHOLESALE BROADBAND SERVICES IN JERSEY: PRICE CONTROL

set a regulated price for JT’s Wholesale Bitstream product. Wholesale Bitstream is a wholesale product that, when purchased with JT’s WLR product (which can only be used to offer voice-only services at the retail level), allows OLOs to offer *both* retail voice and broadband services, differentiated by speed. The regulated price for Wholesale Bitstream and the implied “maximum price” for the combination of WLR and Wholesale Bitstream was determined using a cost model, which was developed by Frontier Economics. The 2021 price control was ‘nominal’, meaning that prices were set upfront for the full period, based on a *forecast* of Retail Price Index (RPI) inflation in Jersey. This differs to a ‘real’ price control where prices would be adjusted each year based on *actual* RPI inflation.

- 20 While it is currently necessary to purchase both WLR and Wholesale Bitstream to provide broadband to customers, it is also worth noting that the purchase of this package allows the retailer to offer *both* voice and broadband services. The 2021 price control model therefore aimed to set the “maximum price” on the basis of the cost to JT of providing both wholesale voice *and* broadband services, to ensure that JT could cover the costs that it efficiently incurred, and would receive an appropriate return on its investment.
- 21 The cost model for the 2021 price control produced the regulated Wholesale Broadband prices below.

**Table 2 Cost-based “maximum price” for the 2021 price control period, per subscriber per month**

	2021/22	2022/23	2023/24	2024/25	2025/26	Average
WLR	£11.10	£11.10	£11.10	£11.10	£11.10	£11.10
Additional charge for the Wholesale Bitstream product	£16.84	£15.85	£14.96	£14.15	£13.41	£15.04
<b>‘Maximum price’ (incl WLR)</b>	<b>£27.94</b>	<b>£26.95</b>	<b>£26.06</b>	<b>£25.25</b>	<b>£24.51</b>	<b>£26.14</b>

Source: Frontier Economics

Note: Each year of the price control runs from 1<sup>st</sup> October to 30<sup>th</sup> September of the following calendar year. The average is calculated as a simple average (not weighted by subscriber numbers).

- 22 In addition to the wholesale products described above, OLOs need to purchase CP interconnection services, which provide a connection between JT’s and OLOs’ networks. There are also one-off charges, for example to connect customers.

## 2.3 Overarching objectives for the price control

23 An overarching objective of the price control is to ensure that the pricing of wholesale access to JT’s fibre network is regulated in a way that contributes to achieving the Jersey Government’s telecoms objectives. These are set out in the Telecoms Strategy for Jersey and in the Telecoms Action Plan.

24 In particular, the Jersey Government wants to ensure that the benefits of the JT FTTP network are maximised through effective service-based competition, i.e. access seekers are able to provide differentiated retail services to consumers at a competitive price:

25 *“The benefits of fibre must be complemented by proportionate regulation so that all telecoms operators can offer retail services to customers that enable effective competition in the market, enabling as many residents as possible to access the service they require at efficient costs”.*<sup>5</sup>

26 In line with this objective, the Strategy Action Plan makes the following recommendation:

27 *“CICRA/JCRA should ensure that JT supplies other operators with wholesale access to the Gigabit network on a fair, reasonable and non-discriminatory (FRAND) basis, and that wholesale access seekers get access to wholesale products, which allow access seekers to compete based on differentiated retail services.”*<sup>6</sup>

28 Based on the above, the key objectives of this wholesale price control are:

- (a) **Enabling retail competition in the market**, by ensuring wholesale products allow access seekers to compete effectively and to provide a choice of retail products for consumers;
- (b) **Achieving competitive prices**, ensuring that wholesale and hence retail prices are not excessive;
- (c) **Maximising take-up** of broadband services on the fibre network; and
- (d) **Incentivising JT to invest** by ensuring that JT is able to recover its efficiently incurred costs and to earn an appropriate rate of return on its investment.

29 We note that, unlike in some other jurisdictions in the EU, promoting network competition is not a policy objective. Instead, the Telecoms Strategy document states: *“On balance, encouraging network competition [...] is unlikely to be efficient or commercially feasible.”* It further recommends to *“promote retail competition (not*

<sup>5</sup> <https://www.gov.je/Industry/TelecomsStrategy/Pages/JerseyTelecomsStrategyActionPlan.aspx>

<sup>6</sup> Jersey Telecoms Strategy Action Plan, <https://www.gov.je/Industry/TelecomsStrategy/Pages/FinalOxeraReportOnTelecomsStrategyForJersey.aspx#anchor-0>

*network competition) as the most effective way of delivering the benefits of next generation connectivity to consumers and businesses.”*

### 2.4 Scope of this control

30 The JCRA has engaged Frontier Economics to update the cost model to ensure that it is fit for the purpose of setting the regulated price for “Wholesale Broadband”, which is the term the JCRA uses for the combination of WLR and Wholesale Bitstream products, during the upcoming price control period.<sup>7</sup> The upcoming price control period will run from October 2026 to September 2031. The overall scope of the work is to:

- (a) collect up-to date data from JT;
- (b) review modelling assumptions such as efficiencies and asset price trends; and
- (c) review JT’s weighted average cost of capital.

31 Any recommendation on proposed regulation should follow international best practice, while recognising the need for a proportionate and pragmatic approach, tailored to Jersey.

32 We have drawn on the views of relevant stakeholders. These views have been gathered through workshops with key stakeholders, through information requests sent to both JT and access seekers, and through the JCRA’s consultation process.

33 The remainder of this report sets out the draft findings of our review:

- (a) Section 3 provides our assessment of the appropriate regulatory pricing approach;
- (b) Section 4 outlines our assessment of the appropriate monthly rental prices for Wholesale Broadband; and
- (c) Section 5 sets out our consideration of a wholesale ‘broadband-only’ product and provides our assessment of the pricing of JT’s CP Interconnection Services and one-off charges.

34 The report also includes Annexes, which provide a more detailed overview of the cost model, and a high-level assessment of JT’s cost of capital which feeds into this model. The Annexes also summarise the main updates made to the cost model relative to the 2021 price control, and the changes to the model following the JCRA’s consultation.

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<sup>7</sup> The Wholesale Broadband price is equivalent to the “maximum price” discussed in the 2021 price control.

### 3 Appropriate regulatory pricing approach

35 In this Section, we set out our view of the appropriate regulatory pricing approach for the upcoming price control in Jersey. We propose a similar approach to the one we used for the 2021 price control: setting prices for a five-year period (with each year running from October to the following September) based on a top-down cost-oriented basis.<sup>8</sup>

#### 3.1 Our proposed approach to modelling cost-oriented wholesale prices

##### Cost orientation

36 We continue to consider that, given the circumstances in the fixed broadband market in Jersey, it is appropriate to set wholesale access prices based on cost-orientation. This is due to the following considerations:

- (a) The demand and the cost of JT's network are predictable;
- (b) The Jersey Government's objective (see Section 2.3) is to maximise the use of JT's network rather than to promote infrastructure-based competition;<sup>9</sup> and
- (c) There is a lack of external price constraints.

37 Cost-oriented prices enable JT to recover its efficiently incurred costs and a reasonable rate of return. Cost-oriented prices also seek to protect consumers, by ensuring JT does not recover more than its efficient costs and the reasonable rate of return.

38 As noted above, WLR can be used to offer voice-only retail services but not broadband; the combination of WLR and Wholesale Bitstream products (i.e. Wholesale Broadband) is required to offer retail broadband services; and the combination of WLR and Wholesale Bitstream (i.e. Wholesale Broadband) in practice allows retailers to offer both voice and broadband services. As such, cost-orientated pricing will be applied to the Wholesale Broadband prices, which is the WLR charge plus the additional charge for Wholesale Bitstream services. This means that the total price paid to JT to provide a broadband service is reflective of JT's cost of providing both wholesale voice and broadband services.

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<sup>8</sup> More information on the approaches considered, and our assessment of the appropriateness of alternatives, can be found in: Frontier Economics (2021) Wholesale Broadband Access Services in Jersey: Price Review <https://www.jcra.je/media/598354/final-decision-frontier-economics-report.pdf>

<sup>9</sup> We note that in any case it would be difficult to achieve widespread infrastructure-based competition in Jersey, given the small size of the jurisdiction.

### Top-down cost modelling

39 For the purposes of informing the cost-based prices we have chosen to develop a “top-down” model. This approach involves modelling the cost of an existing operator, meaning the cost-based price reflects the actual costs incurred by the operator in building and maintaining its network.<sup>10</sup> We take a “top-down” approach for the following key reasons:

- (a) **This is consistent with the JCRA’s and Jersey Government telecoms market objectives** to incentivise JT to continue investing in its network by ensuring it is able to recover its efficiently incurred costs, and to enable competition in the market through allowing wholesale access to JT’s network rather than through encouraging network competition.
- (b) **JT’s FTTP network is already well-established.** This means that there is data available to implement a top-down approach, i.e. the costs incurred by JT in deploying and maintaining the network, and the demand on that network.
- (c) **A “top-down” model is proportionate to the small size of the jurisdiction.** Developing a bottom-up model is a complex exercise and requires a significant amount of input data and assumptions on demand and costs. A top-down model on the other hand is simpler and can draw on information that JT already collects as part of its annual Regulatory Financial Reporting.

40 The starting point for top-down cost modelling is the output of JT’s JCRA-reviewed Regulatory Financial Reporting, which contains an exhaustive view of JT’s actual costs, and a detailed allocation of those costs to different services. We discuss this further in Annex A.1.

### Efficiency adjustments

41 We recognise that the use of data on JT’s actual costs, as provided in JT’s reviewed Regulatory Financial Reporting submissions, may overestimate efficient level of costs if some of these costs reflect inefficiencies. We have therefore made adjustments to JT’s cost data where appropriate. These adjustments and our reasoning are described in more detail in Annex A.2.

42 In particular, where we have observed that JT’s costs have increased at a faster rate than RPI inflation in Jersey, we have considered whether these cost increases were justified. Such increases in costs could be justifiable if they reflect:

- (a) Activities or cost items relevant to providing Wholesale Broadband that were not captured in the 2021 price control model (e.g. costs of complying with Telecoms Security Requirements);

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<sup>10</sup> The “top-down” approach differs from a “bottom-up” approach, which models the network of a hypothetical operator by identifying the specific network assets needed for the operator to serve an efficient forecast level of demand.

- (b) Improvements in the quality of JT's Wholesale Broadband service over time; and/or
- (c) Inflation in relevant input prices (e.g. labour, or materials) that has exceeded the rate of general RPI inflation in Jersey since the start of the 2021 price control.

43 We also take into account efficiency gains that JT would be expected to make in future years, when considering how JT's costs will evolve over time.<sup>11</sup> This is common practice among NRAs, for example Ofcom makes similar assumptions in its charge controls.<sup>12</sup>

### Capital cost recovery

44 Our model for the upcoming price control period allows JT to recover its capital costs over the lifetime of assets/investments required to provide Wholesale Broadband. Specifically, the model calculates a set of annualised capital charges that seek to (i) appropriately reflect the capital costs that JT needs to recover (i.e. avoid under/over-recovery), and (ii) maintain pricing stability over time. Below, we provide a summary of our approach, with a more detailed explanation provided in Annex A.3.

45 Our approach to annualising JT's capital costs varies depending on the type of asset. In particular, we draw a distinction between:

- (a) **“Legacy”** assets, which are assets that were installed / built over a long period of time, have largely been depreciated and which have now been “re-used” for the JT FTTP network (e.g. ducts); and
- (b) **“Newly-built”** assets, which are assets that were installed / purchased more recently, such as equipment installed or upgraded as part of JT's FTTP roll-out (e.g. Optical Line Terminals (OLTs) at local exchanges), or JT's fleet of vehicles.

46 For legacy assets, we implement a RAB-style approach.<sup>13</sup> Under this approach, the amount to be recovered falls over time, reflecting the gradual depreciation of JT's assets. As such, the RAB approach focuses on recovering the remaining value of historical investments. This is an appropriate approach for legacy assets like ducts, as these reflect investments that are largely ‘sunk’, close to being fully depreciated, and at little risk of early obsolescence.

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<sup>11</sup> Our proposed annual efficiency gains assumption is set out in Annex A.3.

<sup>12</sup> See for example: Ofcom (2026): Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31: Annexes 1-21; paragraph A11.53. and A 11.54.

<sup>13</sup> RAB stands for Regulated Asset Base.

47 For newly-built assets, capital charges are calculated based on principles of a standard annuity. Under this approach, the amount to be recovered each year is stable over the lifetime of the asset. This is an appropriate approach for newly-built assets like vehicles, as a stable recovery profile reflects how investors would normally expect investments to be recovered and also supports greater pricing stability.

### 3.2 The time period considered

48 The 2021 price control is set to run from 1 October 2021 to 30 September 2026, a period of five years. We again recommend to set cost-oriented wholesale prices for a five-year period for the upcoming price control. Using a five-year charge control period is consistent with the EC recommendations,<sup>14</sup> and Ofcom's price controls for wholesale fixed telecommunications services in the UK.<sup>15</sup>

49 The JCRA plans to introduce the upcoming price control from October 2026, meaning the five-year period would equate to 1 October 2026 to 30 September 2031.

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<sup>14</sup> The EU Directive states: "*in the interest of greater stability and predictability of regulatory measures, the maximum period allowed between market analyses should be extended from three to five years, provided market changes in the intervening period do not require a new analysis.*" See: DIRECTIVE (EU) 2018/1972 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2018 establishing the European Electronic Communications Code

<sup>15</sup> Ofcom sets out that, recognising "*that the long-term nature of network investments requires regulatory stability [...] The market review process requires us to review the relevant markets every five years taking account of recent and prospective market developments*" – we consider similar conditions apply in Jersey. See: Ofcom (2026): Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31: Volume 1: Overview, summary and structure, <https://www.ofcom.org.uk/siteassets/resources/documents/consultations/statement-promoting-competition-and-investment-in-fibre-networks-telecoms-access-review-2026-31/main-documents/volume-1-overview-summary-and-structure.pdf?v=413672>

## 4 Cost-oriented prices for Wholesale Broadband products

50 In this Section, we first set out our approach to modelling a cost-oriented Wholesale Broadband price for JT's service, and the recommended prices for the upcoming price control. We then discuss the drivers of increases in the recommended Wholesale Broadband price in Jersey, relative to the price fixed for the last year of the 2021 price control.

### 4.1 Specification of the model

#### 4.1.1 Scope and methodological approach

51 The purpose of the cost model is to estimate cost-based monthly rental prices for JT's Wholesale Broadband service for the period 1 October 2026 to 30 September 2031.

52 The overarching objective of the prices is to ensure that, over the course of the price control, JT recovers an appropriate level of costs from the provision of the Wholesale Broadband product, including an appropriate return on investment. This is the cost that allows JT to recover the overall cost of its FTTP network, taking into account that a share of those costs should also be recovered from other wholesale broadband charges (such as connection charges), and the other services that JT provides over this network infrastructure (i.e. retail broadband, fixed voice, and leased line services).

53 As explained in Section 3, we have developed a "top-down" cost model to inform the maximum price for the Wholesale Broadband product, drawing on outputs from JT's reviewed Regulatory Financial Reporting. This uses the actual costs incurred by JT, but adjusts these for any potential historical inefficiencies, as well as further efficiencies that JT would expect to make over the period. These costs include the cost of the FTTP network, including the annualised capital costs and operating costs of the network, as well as other direct costs associated with providing fixed wholesale services (such as JT's wholesaling team). They also include a share of other costs which support the provision of both FTTP and non-FTTP services (such as JT's building stock and billing systems).

54 The tables below summarise the scope of the cost model, as well as the methodological approach that underpins the model. The chosen approach accounts for international best practice in the development of cost models, including the recommended costing approach outlined in the EC's 2013 Costing Recommendation. It has however been tailored to the specific market situation in

Jersey, and reflects the JCRA’s objective to ensure a proportionate approach. Further detail on each element of the approach is provided in Annex A .

**Table 3 Model scope underpinning the cost model**

<b>Element</b>	<b>Approach</b>	<b>Rationale</b>
Modelled charges	Wholesale Broadband prices (WLR charge plus Wholesale Bitstream charge)	As directed by the JCRA
Service scope	Wholesale fixed voice and broadband services provided by JT	Wholesale Broadband is required to offer broadband services but also enables retailers to offer both voice and broadband services to consumers. Therefore the model considers the costs associated with JCRA’s provision of wholesale voice and broadband services, to ensure these costs are fully recovered via the Wholesale Broadband price.
Network scope	The existing JT FTTP network as of October 2025 ( <i>not reflecting the additional cost of serving new-build premises, or demand from these premises</i> ).	We do not explicitly model the additional costs of serving new-build premises as: <ul style="list-style-type: none"> <li>■ Cost/demand is not expected to be material: noting an expected Jersey household growth of ~ 0.03%/year.<sup>16</sup></li> <li>■ This is a conservative approach: expected cost of serving a new household is similar if not smaller than for an existing household.</li> <li>■ This is a proportionate approach: it avoids adding significant complexity to the model.</li> </ul>
Costs considered	<ul style="list-style-type: none"> <li>■ Network capital costs (e.g. FTTP access network, exchange equipment,</li> </ul>	Reflects costs incurred to support the provision of Wholesale Broadband (i.e.

<sup>16</sup> Compound annual growth rate of total projected households from 2025-2030 in Statistics Jersey’s ‘Net nil’ migration scenario. See: Statistics Jersey (2024) Household & housing needs projections 2023-2040. <https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/Households%20and%20Housing%20Needs%20Projections%20Report%202023%20to%202040.pdf>

Element	Approach	Rationale
	<p>Core network links and routers, voice platform costs, buildings).</p> <ul style="list-style-type: none"> <li>■ Network operating costs (e.g. repair and maintenance).</li> <li>■ Wholesaling costs (JT wholesaling team, operating / billing systems).</li> <li>■ Common costs (e.g. share of HR / Finance costs).</li> <li>■ TSR opex and capex forecasts.</li> </ul>	Wholesale Bitstream + WLR) over the price control period.
Time period for pricing	2026-2031	Reflects chosen price control period

Source: Frontier Economics

**Table 4 Key methodological choices underpinning the cost model**

Element	Approach	Rationale
Cost base	Nominal ( <i>cost trends are inclusive of expected inflation</i> )	Model costs for each year of the price control period based on the forecast level of inflation. <sup>17</sup>
Model type and cost standard	Top-down Fully Allocated Costs (FAC)	<ul style="list-style-type: none"> <li>■ Ensures JT recovers its actual efficiently-incurred costs over the price control period.</li> <li>■ Proportionate given the small size of the jurisdiction.</li> <li>■ Consistent with approach used in the previous price control period.</li> </ul>
Asset valuation method	Historical cost accounting	Consistent with objectives of price control to ensure JT recovers its actual efficiently-incurred costs, and focus on

<sup>17</sup> As explained in the next section, the JCRA has chosen to implement a “real” rather than a nominal price control. In practice, the model calculates the required glidepath of prices, including forecast inflation, in order for JT to recover its forecast level of efficiently incurred costs. To then define the real price control, the element of that glidepath that is represented by the forecast level of inflation (i.e. 2.7%) is then replaced with a parameter for the actual level of inflation in each year.

Element	Approach	Rationale
		facilitating retail competition based on access to JT's network, rather than infrastructure-based competition.
Capital cost annualisation approach	<ul style="list-style-type: none"> <li>■ “Legacy” assets (e.g. ducts, buildings): RAB-type approach</li> <li>■ “Newly built” assets (e.g. fibre cables, ONTs etc): standard annuity reflecting asset price trends.</li> </ul>	<ul style="list-style-type: none"> <li>■ RAB-type approach ensures that for older assets that have been re-used for the FTTP network, only the remaining value of these assets is reflected in the Wholesale Broadband price.</li> <li>■ The net/gross book values (NBV/GBV) are used to ensure that the price recovers only costs actually incurred by JT.</li> <li>■ Standard annuity approach for newly built assets ensures the efficient recovery of these costs and is used because assets are expected to be replaced more frequently, in comparison to the legacy assets.</li> </ul>
Efficiency adjustments	<ul style="list-style-type: none"> <li>■ Historical efficiency adjustments</li> <li>■ Forward-looking operating cost efficiencies (<i>Opex trends reflect inflation and efficiency gains</i>)</li> </ul>	<ul style="list-style-type: none"> <li>■ Ensures JT recovers only its efficiently-incurred costs.</li> <li>■ Forward-looking assumptions consistent with approach in other jurisdictions (e.g. Ofcom in UK).</li> </ul>

Source: Frontier Economics

#### 4.1.2 Proposed prices

##### Implications of a real price control

55 To date, the wholesale broadband price control has been ‘nominal’, which means that prices are fixed upfront based on the *forecast* level of inflation, and are not updated if actual inflation differs from the forecast. The JCRA’s Final Decision confirms that the upcoming price control will be a ‘real’ price control, which means that prices instead vary with *actual* RPI inflation each year.

- 56 Real price controls are commonplace (e.g. Ofcom's price controls in the UK link wholesale prices to CPI inflation), and are preferable when future inflation is uncertain: if inflation turns out lower than expected, implying the wholesaler's efficient costs are expected to be lower, a real price control ensures the benefits of lower costs are passed on; and if inflation turns out higher than expected, implying the wholesaler's efficient costs are higher, a real price control enables the wholesaler to recover these costs. Real price controls may lead to more price volatility *within* a price control period, relative to nominal price controls. However, real price controls also offer protection against large price changes *between* price control periods.
- 57 There are generally<sup>18</sup> two key elements to a real price control:
- (a) a one-off 'starting charge adjustment' (SCA) in the first year of the price control, which adjusts wholesale prices to be closer or equal to cost; and
  - (b) an adjustment factor including outturn inflation in subsequent years of the price control (i.e. RPI +/- 'X%'), such that prices reach a target level by the end of the price control period. This is often referred to as a 'glidepath'.
- 58 As set out in the JCRA's Final Decision, the SCA and glidepath for the upcoming price control for Wholesale Broadband in Jersey target a profile of prices that enables JT to recover its efficient costs over the price control period while also considering the effect on retail market competition.

### Key calculation steps and inputs

- 59 The Wholesale Broadband rental price in Jersey will be a single monthly price per broadband subscriber in each year from October 2026 to September 2031. The price consists of a charge for the Wholesale Bitstream service as well as WLR.
- 60 Currently, an OLO taking the Wholesale Bitstream product must also take WLR<sup>19</sup>, and it is not proposed to change this structure as part of this control (see Section 3.1). Consistent with this, we focus on the Wholesale Broadband (i.e. Wholesale Bitstream + WLR) charge below. It is set to recover JT's cost of providing Wholesale Broadband over the course of the price control.
- 61 In practice, the model follows four main steps to estimate the monthly Wholesale Broadband charge:

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<sup>18</sup> For example, this is in line with how prices are presented in Ofcom's TAR 2026-31. Ofcom (2026) Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 4: Pricing Remedies. See: <https://www.ofcom.org.uk/siteassets/resources/documents/consultations/statement-promoting-competition-and-investment-in-fibre-networks-telecoms-access-review-2026-31/main-documents/volume-4-pricing-remedies.pdf?v=413675>

<sup>19</sup> The WLR applies both to voice only customers and to broadband customers.

- (a) Forecast demand on the JT FTTP network in each year over the modelling period is inputted into the model. This includes the number of broadband subscribers on the JT FTTP network, but also fixed voice-only subscribers.
- (b) The capital and operating costs relating to the FTTP network to be recovered from wholesale fixed broadband rental services in the 'base year' of the price control are then estimated, based on considering the whole range of costs that support the provision of Wholesale Broadband, and how these should be appropriately allocated to Wholesale Broadband.
- (c) These costs are then forecasted over the rest of the price control, based on forecasts of inflation, net of assumptions about the efficiency gains that JT should be able to make each year (which would reduce its costs, all else equal).
- (d) The annual costs as well as the number of subscribers are pro-rated, to reflect that the price control years run from October to September.<sup>20</sup>
- (e) Finally, the overall Wholesale Broadband charges are calculated so that, given the forecast level of monthly demand over the price control, the relevant forecast costs are fully recovered.<sup>21</sup> As set out above, the JCRA has decided on a profile of prices that includes an SCA (i.e. increases in the first year relative to the 2025/26 price) and 'glidepath' (i.e. the rate of price increases for each year of the price control after 2026/27, relative to *actual RPI inflation*).<sup>22</sup> This reflects that JT's costs have risen notably since 2021, putting an upward pressure on prices (Section 4.2 below), and that the expected rate of inflation over the upcoming price control period is uncertain.

62 The set of key inputs and assumptions used in these calculations is outlined in full in Annex A of this report, along with supporting evidence. The value of the inputs has been informed by data provided by JT, as well as by OLOs, in response to information requests for this control and the JCRA's consultation. Where relevant and applicable to Jersey, we have also drawn on data from the UK and other justifications, in particular assumptions used in cost models developed to inform Wholesale Broadband prices.

### The estimated Wholesale Broadband charge

63 The JCRA has decided on an SCA of 10.2%, meaning Wholesale Broadband charges (i.e. the sum of WLR and Wholesale Bitstream charges) will rise to £27.00

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<sup>20</sup> The pro-rating is done based on the number of months in each calendar year that is included in a given charge control year. For example, the estimated price for the charge control year October 2026 to September 2027 is based on 9 months in 2026 and 3 months in 2027 i.e.  $(3/12)*2026 \text{ price} + (9/12)*2027 \text{ price}$ . The same is done for the number of subscribers.

<sup>21</sup> The relevant costs to be recovered take into account the expected number of voice-only customers who would only pay the WLR fee, and the costs that JT would recover via its one-off charges (see Section 5).

<sup>22</sup> Implementing these profiles involves allowing some under-recovery in earlier years and some over-recovery in later years of the price control, with JT forecast to fully recover its relevant costs over the whole five-year period.

per subscriber per month from October 2026, followed by a glidepath of RPI + 3.7% in subsequent years of the price control. The SCA and glidepath have been set using the price control model such that JT is expected to be able to recover its efficient costs over the period from October 2026 to September 2031. The Table below illustrates how prices would evolve over the price control if RPI were to turn out at 2.7% per year (in line with the forecast of inflation used in our modelling). More information on how the JCRA will update Wholesale Broadband prices over the course of the price control is provided in the JCRA’s Initial Notice.

**Table 5 Estimated cost-based Wholesale Broadband price for JT’s services: 2026/2026 – 2030/2031, per subscriber per month, assuming annual inflation of 2.7%**

	2026/27	2027/28	2028/29	2029/30	2030/31	Average
Price	£27.00	£28.72	£30.56	£32.51	£34.59	£30.72
<i>Increase relative to previous year, including forecast inflation</i>	10.2%	6.4%	6.4%	6.4%	6.4%	

Source: Frontier Economics

Note: Each year of the price control runs from 1<sup>st</sup> October to 30<sup>th</sup> September of the following calendar year. The average is calculated as a weighted average (weighted by subscriber numbers). Percentages include a forecast of 2.7% inflation (e.g. 6.4% equals forecast RPI inflation of 2.7%, plus 3.7%).

## 4.2 Drivers of broadband cost increases

64 The increases in the Wholesale Broadband prices above (which are set higher than inflation in each year of the price control period) are driven by several factors, notably those set out below.

65 First, a key driver of the price increase is that general outturn inflation has been significantly higher than the forecast of inflation used in the 2021 price control model to forecast how JT’s costs (notably its operating costs) would evolve over the price control period. The 2021 price control model assumed JT’s operating costs would evolve in-line with a forecast (at the time) of 2.4% annual inflation, less expected efficiency gains. This assumption reflected that JT’s operating costs will be driven to a material extent by the cost of inputs such as labour costs (i.e. the salaries of JT’s staff who maintain its network and provide other relevant support activities for Wholesale Broadband) and energy, which will be reflected in RPI. In the period from September 2021 to September 2025 average annual RPI inflation turned out to be 6.5%.<sup>23</sup> This high rate of recent general inflation reflects similar

<sup>23</sup> Compound annual growth rate of RPI (All items) from September 2021 to September 2025.

trends in general inflation seen across the UK/Europe<sup>24</sup> (in particular driven by rising energy costs, linked to the War in Ukraine). As the prices for the upcoming price control reflect up-to-date data on JT's costs – which include the impact of wider inflation in e.g. labour and energy costs<sup>25</sup> – the new recommended prices also reflect the full effects of inflation since 2021.

- 66 Second, the recommended prices above include additional JT costs that were not included in the prices set by the 2021 price control. JT did not have a comprehensive cost reporting system before 2021, which may have led to JT omitting some relevant costs in its submissions (pre- and post-consultation) in the 2021 price control-setting process. These costs are now clearly identifiable, as JT has since developed a new, comprehensive cost reporting system to facilitate its Regulatory Financial Reporting. The key omitted costs that are now included relate to JT's costs of operating its Data Centres and various other network operating costs, as well as its capital costs of Vehicles, IT equipment, Intangible assets, and In-building cabling (to the extent that these costs are relevant to its provision of Wholesale Broadband).
- 67 Third, JT now faces additional and increasing costs relating to the Telecoms Security Regulations recently introduced by Government, which set out requirements for Jersey's telecom providers to protect the networks and services that the Island depends on.<sup>26</sup> For example, this requires additional IT equipment and software costs that were not required in 2021. Therefore, the recommended prices above include a share of the cost to JT of meeting its TSR requirements, to the extent that these costs are relevant to its provision of Wholesale Broadband. In other words, part of the increase in prices reflects better security of JT's network.

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<sup>24</sup> <https://researchbriefings.files.parliament.uk/documents/SN02794/SN02794.pdf>

<sup>25</sup> For context, we note that Jersey's Index of Average Earnings (nominal) grew at a compound average growth rate of 6.2% from 2021 to 2025; and the compound annual growth rate of RPI for energy ('Fuel and Light') was 9.1% from September 2021 to September 2025.

<sup>26</sup> <https://www.gov.je/Government/Consultations/pages/telecomssecuritycodeofpractice.aspx>

## 5 Consideration of a wholesale ‘broadband-only’ product and other wholesale charges

68 In this Section we consider other policy matters relating to the price control. First, we consider a wholesale ‘broadband-only’ product. Second, we assess other wholesale charges that OLOs currently face in Jersey, on top of the Wholesale Broadband charges.

### 5.1 Consideration of a ‘broadband-only’ wholesale product

69 The Draft Decision of the JCRA’s Telecoms Market Review in 2025 set out a discussion on the possible introduction of a wholesale ‘broadband-only’ product.<sup>27</sup> It was noted that the technical configuration of Wholesale Broadband is based on JT’s network and related systems, these currently require WLR to be simultaneously provisioned and linked to the Wholesale Bitstream service. It is worth noting that acquiring the two services also allows the retailers to offer voice services in addition to broadband. In its Final Decision,<sup>28</sup> the JCRA highlighted two considerations for introducing a wholesale ‘broadband-only’ product:

- (a) technical challenges of implementation; and
- (b) the costs to JT of providing a wholesale ‘broadband-only’ service would be very similar as providing Wholesale Bitstream (including the WLR component).

70 We discuss these considerations in more detail below. In light of these considerations, the JCRA has decided not to introduce separate prices for a wholesale ‘broadband-only’ product as part of the 2026-31 price control.

#### 5.1.1 Technical challenges to implementation

71 In response to the JCRA’s Telecoms Market Review Draft Decision, respondents highlighted that there are several potential technical challenges to implementation of a wholesale ‘broadband-only’ service in the short term.<sup>29</sup>

72 An OLO argued that Fixed Number Portability (FNP) should be introduced in Jersey before a wholesale ‘broadband-only’ product could be made available. Without FNP, a subscriber wishing to switch from using a landline for voice services to using broadband for voice services would at present lose their existing phone

<sup>27</sup> Case T-083 Telecoms Market Review: Draft Decision  
<https://www.jcra.je/media/c5bjzona/2025-02-26-t-083-telecoms-market-review-draft-decision.pdf>

<sup>28</sup> Case T-083 Telecoms Market Review: Final Decision  
<https://www.jcra.je/media/2flc0yza/2025-07-16-t-083-telecoms-market-review-final-decision.pdf>

<sup>29</sup> Responses to the Telecoms Market Review Draft Decision can be found at: <https://www.jcra.je/cases-documents/cases/2023/t-083-telecoms-market-review/#>

number and receive a new one. This could weaken switching incentives and cause confusion for consumers. Once FNP is introduced, subscribers could switch to the broadband-only products without having to give up their fixed phone number or retain their landline to continue using voice services.

- 73 Operators have further identified several other technical challenges, specifically:
- (a) retail broadband providers should be enabled to control and appropriately prioritise voice service data (notably that of 999 traffic) that could in future be served over broadband rather than landline.<sup>30</sup>
  - (b) retailers may need to upgrade the routers they provide to their subscribers, e.g. to provide a back-up power supply to maintain the subscriber's ability to make phone calls during a blackout.
  - (c) JT would need to make changes to its internal systems – for example, it may in some cases need to change the identification numbers customers require to report faults – which could cause confusion for customers.<sup>31</sup>
- 74 In summary, while there are no insurmountable barriers to introducing a wholesale 'broadband-only' product in Jersey, there are various technical challenges that need to be resolved before introducing such a product.

### 5.1.2 Similarity of costs with Wholesale Broadband

- 75 Respondents to JCRA's Telecoms Market Review Draft Decision noted that there would be little difference in costs between a wholesale 'broadband-only' product and a combined WLR and Wholesale Bitstream product (i.e. Wholesale Broadband).<sup>32</sup> For example, an OLO pointed out data traffic from voice services is negligible compared to data traffic from broadband services. Similarly, two operators said the difference in the cost of network equipment needed to offer a combined WLR and Wholesale Bitstream service relative to a wholesale 'broadband-only' service would be minimal.
- 76 Indeed, this is consistent with findings in other jurisdictions. For example, in the UK, Ofcom advises consumers that "*there are some broadband-only packages out there, which don't include a landline service. But they generally don't cost less than a broadband and home phone bundle*".<sup>33</sup> This reflects that, while retailers in the UK

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<sup>30</sup> This is because JT, rather than OLOs, currently controls the 'Quality of Service' variables that dictate which data is prioritised on its network, even for OLOs' customers.

<sup>31</sup> We note that otherwise JT has said that deactivating the dedicated voice port on subscribers' Optical Network Terminals (ONTs) would prevent subscribers from making or receiving calls.

<sup>32</sup> Responses to the Telecoms Market Review Draft Decision can be found at: <https://www.jcra.je/cases-documents/cases/2023/t-083-telecoms-market-review/#>

<sup>33</sup> Ofcom, What is 'line rental'? Why do I have to pay it? Available at: <https://www.ofcom.org.uk/phones-and-broadband/telecoms-infrastructure/what-is-line-rental-why-do-i-have-to-pay-it>

offer both broadband-only and bundled broadband and voice products, there is no such differentiation at the wholesale level: all else the same, a retailer would pay the exact same FTTP wholesale fees irrespective of whether it was offering subscribers voice in addition to broadband.<sup>34</sup>

77 As discussed above, JT has noted that introducing a wholesale 'broadband-only' product would require configuration or coding changes to its internal systems. The additional costs to JT of such changes would need to be considered. If the decision was taken to recover these costs via the wholesale 'broadband-only' price, then this may offset any cost savings of providing Wholesale Bitstream separately to WLR.<sup>35</sup>

78 In summary, as signalled by operators, the difference in the cost to JT of providing a wholesale 'broadband-only' service relative to a combined WLR and Wholesale Bitstream service would be minimal. In turn, the impact on retail prices of introducing a wholesale 'broadband-only' product would be limited. It is not therefore proportionate to separately model the appropriate wholesale price for a 'broadband-only' product.

## 5.2 Assessment of other charges

79 In addition to the monthly overall rental price for the Wholesale Broadband product, OLOs also face a range of other charges, which can be split into (i) one-off charges, such as connection charges and customer migration charges, and (ii) CP Broadband Interconnection charges. These are discussed below.

### 5.2.1 One-off charges

80 In addition to the monthly charges, OLOs may incur certain one-off charges, e.g. connection charge of £15.72; and take-over charge of £15.72. We note that some of JT's costs from providing wholesale broadband services is recovered through the one-off charges, and this has been reflected in the cost model used to inform the wholesale broadband price (more details on this can be found in Annex A of this report).

81 The JCRA has decided not to change the level or approach to setting JT's one-off charges in this price control. The JCRA has reviewed some of these charges as

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<sup>34</sup> See for example: Openreach (2026) Full Fibre broadband (FTTP) pricing for service providers From 1st February 2026. <https://www.openreach.com/content/dam/openreach/openreach-dam-files/documents/Equinox-Pricing-01-FEB-26-V03-online.pdf>

<sup>35</sup> We note that there may be other routes through which these costs could be recovered, such as through an increase to WLR.

part of its casework in the past and these have not been identified as an area of concern for this control.<sup>36</sup>

### 5.2.2 CP Interconnect charges

- 82 In addition to the WLR and Wholesale Bitstream services, OLOs also acquire from JT CP Broadband Interconnect services. This is a form of leased lines, which connect JT's layer 2 aggregation network to OLOs' Point of Presence (PoP).<sup>37</sup> In 2022, the JCRA gave the Final Notice of directions to JT following its Business Connectivity Market Review (BCMR), which covered CP Interconnect charges.<sup>38</sup> The JCRA found that JT had SMP in the wholesale market for leased lines in Jersey and directed JT to price each wholesale leased line product at no more than the retail charge minus 31%. A safeguard cap applied to CP Interconnect Services was accordingly removed.
- 83 We understand that the JCRA will review CP Interconnect charges in the context of the next leased lines price control, which is a separate process to this wholesale broadband price control, and this work will be included in a future JCRA business plan.

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<sup>36</sup> For example, customer migration charges were considered in: [T589/10 - JT ADSL Margin Squeeze 2010 | JCRA](#)

<sup>37</sup> Based on JT's response to our data request, we understand that initially OLOs had to purchase a separate CP Broadband Interconnect Service for the wholesale broadband access products they used and for the Wholesale Bitstream product. However, this requirement has been subsequently removed from the wholesale broadband agreement.

<sup>38</sup> JCRA (2022) Case T-012: Business connectivity market review: remedies - Final Notice of directions to JT (Jersey) Limited. See: <http://jcra.je/media/598578/business-connectivity-market-review-final-notice-remedies.pdf>

## Annex A – Further detail on the cost modelling approach

84 In Section 3.1, we set out that we have broadly maintained same cost modelling approach as the 2021 price control, in deriving our recommended prices for the upcoming price control. The following details on our approach can be found in Annex A of our 2021 price control final report:

- (a) model type;
- (b) cost standard;
- (c) model price base; and
- (d) network scope covered by the model.<sup>39</sup>

85 We also provided a summary of how we have specified the model, and the model's output: the maximum prices for Wholesale Broadband for the period October 2026 to September 2031.

86 This annex provides more detail on the inputs and functioning of the model to set prices for the upcoming price control. Specifically, we set out:

- (a) The cost categories included in our model;
- (b) Adjustments to JT's data inputted into the model;
- (c) Further detail on methodology and assumptions:
  - (i) Estimation of JT's subscriber base;
  - (ii) Calculation of annual operating costs;
  - (iii) Calculation of annual capital costs; and
- (d) An assessment of the model's sensitivity to key parameters.

87 We note that the focus of this annex is to outline the approach and assumptions used in the final cost model, rather than explaining all of the changes made following the JCRA's Consultation. These changes are discussed in detail in the JCRA's Final Decision. A high-level overview of the changes is also provided in Annex C of this report.

### A.1 Cost categories included in the model

88 The categories of costs included in the cost model represent all activities and assets that support the provision of services on JT's FTTP network. This includes costs that are specific to the provision of individual services, included fixed voice services, as well as more "indirect costs" such as general management costs (e.g. HR, Finance).

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<sup>39</sup> Available at: <https://www.jcra.je/media/598354/final-decision-frontier-economics-report.pdf>

- 89 The starting point for the cost model is the JT's Regulatory Financial Reporting submissions for the latest published (i.e. post-JCRA review) financial years i.e. 2023 and 2024. These submissions include details on JT's capital and operating costs for specific assets and activities across the following market and product groupings: wholesale voice access, wholesale broadband access, wholesale on-island leased lines, wholesale voice interconnect, retail voice, wholesale residual, mobile, and other.<sup>40</sup> The costs in each market or product grouping reflect the cost of assets and activities that purely support the provision of the services in those markets and product groupings, plus an allocation of "shared costs" is costs for assets and activities that support services across multiple markets and product groupings.
- 90 In particular, the model draws on the Operating Costs ("opex"), Gross Book Values (GBV) and Net Book Values (NBV) of JT's assets allocated to wholesale voice access and wholesale broadband access services. We consider the costs for these two markets because the Wholesale Broadband product is required for OLOs to offer broadband and/or voice services. The Wholesale Broadband charge (i.e. Wholesale Bitstream plus WLR) needs to cover JT's efficient costs and a reasonable rate of return across its wholesale broadband and voice services.
- 91 We take JT's post-JCRA review Regulatory Financial Reporting as a starting point for the top-down cost modelling for two reasons. First, it provides an exhaustive view of JT's actual costs, i.e. it includes the costs of all of JT's assets and activities. Second, costs for the relevant wholesale broadband and voice services (i.e. the costs associated with Wholesale Broadband) reflect a detailed allocation methodology that aims to allocate costs to the relevant markets/product groupings based on the drivers of those costs.
- 92 In the following sub-sections, we set out the different cost categories in more detail. As set out in Section A.2, we have adjusted (or required JT to adjust) JT's cost data in some instances, relative to its 2023 and 2024 reviewed Regulatory Financial Reporting submissions.

### Operating cost categories

- 93 In the JCRA-reviewed Regulatory Financial Reporting for 2023 and 2024, JT categorises its various operating costs as follows.

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<sup>40</sup> For more information, see: <https://www.jcra.je/regulated-sectors/telecommunications/regulatory-financial-reporting/#>

**Table 6** Operating cost categories considered in the cost model

<b>Opex category</b>	<b>Description</b>
General management	JT's support costs, such as Finance, HR and Legal.
IT	Maintenance and operation of corporate IT systems and applications, including IT business support systems (BSS), software delivery, and other IT costs.
Property	Property management and repair across the JT property portfolio, including rent, leasehold expenses, rates, and service charges.
Electricity	Electricity costs incurred by JT across its property portfolio (e.g. Offices, Exchange buildings, Data Centres).
Network operations	Operational work such as repairs, installations and maintenance carried out on JT's networks (including its fibre infrastructure) and at customer premises.
Commercial	Cost of selling and retaining customers including sales, marketing, and product management.
Bad debt	The cost of customer non-payment – expected credit losses/provisions and write-offs of uncollectible receivables.
Cost of sales	Direct costs incurred to make and fulfil sales, e.g. commissions, payment fees, fulfilment and logistics.

Source: Frontier Economics assessment based on JT's Explanatory note to its Regulatory Financial Reports 2023 & 2024 and information provided during the information collection process in October 2025.

94 We note that some opex categories are less relevant for the provision of wholesale broadband and voice services. This is accounted for by only allocating a portion of the costs to each of the different services that JT offers. For example, only a small share of JT's Bad debt costs are allocated to wholesale broadband and voice markets.

### Capital cost categories

95 The Table below sets out the different capital cost categories (i.e. the types of operational assets held by JT) in JT's Regulatory Financial Reporting for 2023 and 2024. JT's capital costs of providing wholesale broadband and voice services are broadly split across: assets in its FTTP access network, assets in its core and backhaul network, and other assets such as office buildings.

96 When modelling the appropriate profile of capital cost recovery, we treat Buildings, Network Site Infrastructure, Customer Premise Equipment (which refers to In-

building Cabling, in the context of wholesale broadband and voice services), and Outside Plant as ‘legacy’ assets. We treat the rest of JT’s assets as ‘newly-built’ assets.

**Table 7 Capital cost categories considered in the cost model**

Part of network	Asset categories considered
FTTP access network	<ul style="list-style-type: none"> <li>■ Optical Line Terminal (OLT)</li> <li>■ Optical Network Terminal (ONT)</li> <li>■ Fibre cabling</li> <li>■ Customer Premise Equipment (CPE)</li> </ul>
Core and backhaul network	<ul style="list-style-type: none"> <li>■ Subsea cabling</li> <li>■ Transport Network</li> </ul>
Other	<ul style="list-style-type: none"> <li>■ Buildings</li> <li>■ Network Site Infrastructure</li> <li>■ IT Equipment (incl. OSS and BSS)</li> <li>■ Outside Plant</li> <li>■ Vehicles</li> <li>■ Intangible assets</li> <li>■ Mobile Core, Switching, Signalling, and Control Platform</li> </ul>

Source: Frontier Economics assessment based on JT’s Regulatory Financial Reporting 2023 and 2024

Note: JT’s Regulatory Financial Reporting also includes an ‘Other’ category for GBV/NBV, which we have excluded as JT does not report any assets in this category in practice.

## A.2 Adjustments to JT’s data inputted into the model

97 As set out in the main body of this report, the objective of our model is to forecast the efficient level of costs that JT is expected to incur over the upcoming price control period (October 2026 to September 2031) in providing Wholesale Broadband, and set a profile of prices to enable JT to recover these costs. While JT’s post-JCRA review Regulatory Financial Reporting submissions provide a comprehensive view of JT’s actually incurred costs in recent years, it is not always appropriate to rely on these data to set future prices. In particular, adjustments are needed where costs in the Regulatory Financial Reporting:

- (a) are not representative of the costs that JT will incur over the upcoming price control period – for example, where the scope of JT’s costs are expected to change relative to the past;
- (b) reflect inefficiencies – for example, where JT has not provided justification for cost increases over and above relevant measures of inflation; and/or

(c) risk over-allocating costs to wholesale broadband and voice services.<sup>41</sup>

98 On these bases, we have made, or requested for JT to make, some adjustments to the data provided in the Regulatory Financial Submissions, before deriving the prices set out in Section 4.1.2. Specifically, we made adjustments to the following costs: the allocation of general management and network site infrastructure costs across markets; the level of network operations and IT opex, and ONT capex; and the inclusion of expected increases in JT’s TSR-related costs that are relevant to providing wholesale voice and broadband services. We explain these adjustments in more detail below.

## Cost allocation adjustments

99 **General management re-allocation:** We requested that JT re-submit its General Management opex for 2023 and 2024, based on an amended allocation approach. In its Regulatory Financial Reporting, JT allocates general management costs across markets based on the share of JT’s other opex (excluding cost of sales) and capex in the relevant year that it allocated to each market. So if JT allocated 10% of the rest of its opex, excluding cost of sales, and capex to Service A, then 10% of its general management costs would be allocated to Service A. We requested that JT make two amendments to this approach:

- (a) First, we requested that the opex and capex cost driver used to allocate these costs include Cost of Sales in the allocation base, rather than exclude these costs from the allocation base.<sup>42</sup>
- (b) Second, we requested that JT amend its opex and capex cost driver to reflect annualised capital costs instead of actual capex.<sup>43</sup> This results in a more stable and predictable allocation of costs over time: Since actual capex can vary significantly from year to year, using an actual capex-based cost driver would risk ‘baking in’ to future prices above/below-average General Management costs from years with above/below-average capex.

100 **Network Site Infrastructure re-allocation:** We also requested that JT re-calculate the share of its power equipment costs allocated to wholesale broadband

<sup>41</sup> We note that the cost allocation approach underlying JT’s Regulatory Financial Reporting is reviewed and approved each year by the Authority. However, in the context of setting future prices, additional scrutiny of the allocation approach is necessary to ensure wholesale broadband and voice customers do not bear costs that are unrelated to the services they receive. This is particularly important in light of current cost of living pressures in Jersey: see for example: BBC (2025): “How are islanders coping with the cost of living?”, available at: <https://www.bbc.co.uk/news/articles/cd0v1y0nv11o>

<sup>42</sup> In JT’s response to the JCRA’s Consultation, JT proposed that Interconnection payments within Cost of Sales be excluded when calculating the allocation key. The JCRA decided on balance that it is appropriate to retain the current approach, given the current set of evidence that is available. This is explained in more detail in the JCRA’s Final Decision.

<sup>43</sup> This means that, for a given cost line in a given year, the capex measure used in the cost driver is represented by an annual capital charge (depreciation + NBV × WACC).

and voice services. In its Regulatory Financial Reporting, JT's allocation of these costs was broadly based on how much electricity it used across its buildings, and the purpose of those buildings,<sup>44</sup> *excluding* data centres and buildings in Jersey. However, power equipment relates to equipment across all buildings, including data centres and buildings in Guernsey, where the percentage allocation of electricity costs to wholesale broadband and voice services is lower. Therefore, we requested JT update the allocation of power equipment costs to reflect electricity costs across its whole property portfolio (including data centres and Guernsey buildings). In turn, we have adjusted the GBV and NBV of JT's Network Site Infrastructure to reflect the reduced allocation of power equipment costs to wholesale broadband and voice services.<sup>45</sup>

## Cost level adjustments

101 **Network operations opex adjustment:** We do not rely on the network operations data from JT's reviewed 2023 and 2024 Regulatory Financial Reporting submissions, as [§] JT has not provided sufficient justification for the above-inflation cost increases. Given this, we exclude the cost increases since 2020 that were over and above inflation. In practice, we take the following approach:

- (a) we start from JT's total network operations costs for 2020 as used in the 2021 price control model;
- (b) noting that JT's cost submissions for the 2021 price control omitted certain costs (see paragraph 66), we then add the omitted 2020 costs that JT has identified as relating to network operations;
- (c) we allocate a share of the resulting estimate of JT's total network operations costs in 2020 to wholesale broadband and voice services, based on the same rate of allocation as in JT's 2024 Regulatory Financial Reporting submission;<sup>46</sup> and
- (d) finally, we apply an uplift to this based on RPI inflation from 2020 to 2024 (29%).<sup>47</sup>

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<sup>44</sup> Specifically, JT's allocation of power costs was based on an analysis of electricity costs incurred per building type in JT's property portfolio (e.g. if a given building is used for wholesale broadband services, the share of electricity costs accounted for by that building is allocated to wholesale broadband); where a building has multiple uses, such as Offices and Exchanges, the share is based on building area.

<sup>45</sup> We made this adjustment for both 2023 and 2024 GBV data, and 2024 NBV data. As JT did not provide the 2023 NBV of power equipment, we assumed that the 2023 NBV equals the adjusted NBV multiplied by the ratio of JT's reported Network Site Infrastructure NBV between 2023 and 2024.

<sup>46</sup> We note that the allocation approach (and underlying data) used in JT's 2024 Regulatory Financial Reporting is more details and superior to (i.e. more accurate than) the allocation approach used in the 2021 price control model.

<sup>47</sup> As discussed in Section A.3, we ultimately forecast JT's opex beyond 2024 based on expected inflation less an efficiency gains assumption.

- 102 **IT opex adjustment:** We have adjusted JT’s IT opex data for 2024, relative to its Regulatory Financial Reporting submission. JT reported [§] (i.e. IT opex rose much faster than inflation). While JT was able to justify some of the increase, it did not sufficiently justify increases in opex for [§]. Therefore, for these elements we instead use 2023 costs, uplifted to reflect overall RPI inflation from 2023 to 2024.
- 103 **ONT capital cost adjustment:** We do not rely on the ONT GBV/NBV data from JT’s 2023 and 2024 Regulatory Financial Reporting submissions, as this data is not relevant to the upcoming price control period. [§] we instead model ONT costs using JT’s forecasted costs of replacing ONTs [§].<sup>48</sup>

### Inclusion of additional costs

- 104 **TSR adjustment:** As set out in Section 4.2, JT now faces additional costs relating to the Telecoms Security Regulations recently introduced by Government. In particular, JT expects to increase IT opex and capex in coming years to comply with TSR, with some of these costs being driven by JT’s provision of wholesale broadband and voice services.<sup>49</sup> As these costs will not yet be fully reflected in JT’s 2023 and 2024 reviewed Regulatory Financial Reporting submissions, we have adjusted JT’s IT opex and capex to reflect the expected incremental costs over the relevant period.<sup>50</sup> We have made this adjustment using forecasts of total incremental TSR costs provided by JT, generally using the same rate of allocation to wholesale broadband and voice services as JT used for IT opex and capex in its 2023 and 2024 Regulatory Financial Reporting submissions.<sup>51</sup>

## A.3 Further detail on methodology and assumptions

- 105 Below, we describe our approach to forecasting JT’s subscriber base over the next five years, as well as to the calculation of annual operating and capital costs that should ultimately be recovered from the Wholesale Broadband charge.

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<sup>48</sup> This includes the associated labour, router/equipment and management costs.

<sup>49</sup> Compliance with TSR may also increase other types of opex and capex, such as General Management costs. However, for simplicity, we have reflected JT’s incremental TSR cost forecasts within IT opex and capex in our modelling.

<sup>50</sup> We note that, in practice, JT’s TSR-related costs may not all fall under the IT cost category.

<sup>51</sup> One exception is [§], which we allocated at the same rate as General Management opex in our model. We also do not allocate any TSR costs relating to CPE to wholesale broadband and voice services, as TSR will not affect in-building wiring, which is the only relevant part of CPE for these services.

## Estimation of JT's subscriber base

- 106 The Wholesale Broadband charge is set to allow JT to recover its expected efficient costs over the next five years. The rate at which costs can be recovered depends on the estimated number of subscribers using JT's FTTP network over that period.
- 107 To reflect the estimated number of subscribers using JT's network over the next five years, we use forecast demand data provided by JT. To ensure JT's forecasts are appropriate, we have cross-checked this data against data from Statistics Jersey and data provided by OLOs.
- 108 We separate out the estimated number of broadband subscribers from fixed voice-only subscribers. This is because fixed voice-only subscribers pay a fixed £11.10 WLR charge that is not cost reflective. As such, to ensure Wholesale Broadband charges enable JT to recover the full cost of providing wholesale broadband and voice services, it is necessary to separately estimate the costs recovered from voice-only customers via WLR before setting the additional Wholesale Bitstream charge so that all the relevant remaining costs are recovered from Wholesale Broadband users.

## Calculation of annual operating costs

- 109 To forecast JT's operating costs over the next five years, we take JT's post-JCRA review Regulatory Financial Reporting data on its recent annual operating costs as a starting point, and then forecast these costs for future years based on the expected trend in operating costs over time, taking into account expected efficiency gains and inflation.
- 110 We set JT's costs for the "base year" as the average of opex over the calendar years 2023 and 2024. This smooths out any 'lumpiness' in JT's spending across years. As discussed above, opex for these years reflects JT's post-JCRA review Regulatory Financial Reporting, with some adjustments.
- 111 Regarding the expected trends in operating costs over time, we assume an annual RPI inflation rate of 2.7%. This assumption was proposed by JT, based on the inflation forecasts set out in Jersey's Fiscal Policy Panel's 2025 Annual Report.<sup>52</sup> We consider this is a reasonable estimate, based on a credible source. As the upcoming price control will be a 'real' price control, deviations of actual inflation from the forecast will be reflected in Wholesale Broadband prices, following the first year of the price control.

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<sup>52</sup> Jersey's Fiscal Policy Panel Annual Report 2025.  
<https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/Fiscal%20Policy%20Panel%20Annual%20Report%202025.pdf>

112 While costs are expected to rise with inflation, JT is also expected to be able to improve its operational efficiency over time. Regarding the annual opex efficiency gains, we assume JT will achieve yearly efficiency gains of 2.5%. This is based on recent precedent in the UK and JCRA's view of the appropriate rate of opex efficiency for JT. In particular, we take into account the FTTP cost model underlying Ofcom's 2026 Telecoms Access Review (TAR). Ofcom set an expected annual efficiency gain of:

- (a) 3.0% for opex cost elements such as SLG, system and processing costs incurred by Openreach in providing Wholesale Local Access services; and
- (b) 1.0% for other opex elements.<sup>53</sup>

113 Broadly aligning our efficiency gains assumption with Ofcom's TAR FTTP cost model is appropriate given that the Ofcom precedent is recent and JT's network is an FTTP network. We use an efficiency gains assumption at the upper end of the range used by Ofcom, noting that JCRA is of the view that there is scope for efficiency improvements within JT's network.<sup>54</sup>

## Calculation of annual capital costs

114 The approach to the calculation of annual capital costs can be divided into two parts. We first identify the GBV and NBV data in a 'base year' and then convert the numbers to annual costs using an appropriate annualisation approach. The two steps are explained below:

- (a) To calculate 'base year' (2024) capital costs, we take the average of the year-end 2023 and 2024 GBV and NBV of JT's assets,<sup>55</sup> which gives the average GBV and NBV in 2024. We use average 2024 asset values instead of year-end values because we model calendar year costs.<sup>56</sup>
- (b) We then annualise JT's capital costs. The objectives of the annualisation approach are to (i) ensure JT's costs are recovered appropriately – i.e. reduce risk of over/under-recovery; and (ii) facilitate pricing stability, and in turn promote price certainty for JT, OLOs and end users. As explained in paragraph 46, we use a RAB-type annualisation approach for legacy assets, and a standard annuity approach for newly-built assets. The Figure below sets out the formulae for deriving the annual capital charge (i.e. annualising) for a given

<sup>53</sup> Ofcom (2026): Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31: Annexes 1-21; paragraph A11.53. and A 11.54.

<sup>54</sup> As set out in JCRA's Final Decision.

<sup>55</sup> As set out earlier in this Annex, the GBV and NBV values for 2023 and 2024 are reflect JT's Regulatory Financial Reporting, with some adjustments (see Section A.2).

<sup>56</sup> If we used year-end asset values, prices would reflect capital costs that JT would not otherwise expect to recover in the period 2027-2031. For example, JT would usually expect to recover most of the GBV of an asset purchased in late 2031 in 2032 onwards, not in 2031 itself.

asset category under each approach, along with the rationale for each approach.

**Figure 1 Annual capital charge formula**

	RAB-type approach	Standard annuity approach
<b>Formula</b>	$\begin{aligned} \text{Annual charge} &= \text{Annual depreciation} \\ &+ \text{Capital charge} \\ &= \left( \frac{GBV}{\text{Asset lifetime}} \right) + (NBV \times WACC) \end{aligned}$	$\begin{aligned} \text{Annual charge} &= GBV \times \frac{WACC}{1 - \left( \frac{1}{1 + WACC} \right)^{\text{Asset lifetime}}} \end{aligned}$
<b>Intuition</b>	The annual charge in the RAB-type approach equals the annual depreciation plus WACC*NBV. This implies that annual charges are higher in earlier years when the asset is less depreciated (i.e. the NBV is higher).	The standard annuity approach creates constant annual charges. By definition, the approach looks at the full value of the asset and identifies the constant annual charge that will cover the value of the asset and a reasonable return if it is in place over the full lifetime of the asset.
<b>Types of assets</b>	“Legacy assets”	“Newly-built assets”
<b>Relevance</b>	The RAB-type approach is appropriate for assets that are largely already sunk, close to fully depreciated and where there is only little risk for early obsolescence.	The annual charges are appropriate for new assets as they reflect how investors see the recovery of assets over their lifetime (i.e. they aim for a constant payback over the lifetime). This results in stable prices.

Source: Frontier Economics

- 115 Both annualisation approaches rely on assumptions about the lifetimes of JT’s assets, and JT’s cost of capital (see Annex B ).
- 116 The asset lifetime (useful economic life) assumptions used in the model are set out in the Table below. These assumptions were developed based on proposed assumptions provided by JT on the expected economic life of its assets, the asset lifetimes implied by depreciation rates in JT’s Regulatory Financial Reporting submissions,<sup>57</sup> and relevant regulatory precedent – in particular, cost models developed in other jurisdictions.

<sup>57</sup> We calculated the implied economic life by dividing the GBV for Markets 1 and 2 by the stated depreciation for Markets 1 and 2.

**Table 8**      **Asset lifetimes**

<b>Asset category</b>	<b>Asset lifetimes</b>	<b>Rationale</b>
Buildings	28	[✂]
Optical Line Terminal	15	[✂]
Optical Network Terminal	10	[✂]
Fibre cabling	25	[✂]
Subsea cabling	20	[✂]
Network Site Infrastructure	15	[✂]
Mobile Core, Switching, Signalling, and Control Platforms	4	[✂]
Transport Network	15	[✂]
Customer Premise Equipment	40	[✂]
IT Equipment (incl. OSS and BSS)	7	[✂]
Outside Plant	40	[✂]
Vehicles	15	[✂]
Intangible Assets	10	[✂]

Source: Frontier Economics based on sources in the Rationale column.

Note: Figures rounded to nearest integer.

- 117 Table 9 below sets out the forward-looking capex inflation assumptions we use to forecast the appropriate capital charge for future years. This reflects an expectation that JT will continue to invest in its assets over the next five years – such as when it connects new premises to its network, or when it replaces assets at the end of their lifetime – and the cost of these new investments will differ to the cost of equivalent investments in the past.
- 118 Our forward-looking capex assumptions are partly informed by input from JT. JT proposed a uniform assumption of 2.7% annual inflation across the different capital cost categories, aligned with external forecasts of overall RPI inflation in Jersey.

However, we have deviated from JT’s proposal where we considered it was not consistent with regulatory precedent or other relevant factors. The values as well as the rationale for deviating from JT’s proposal in certain instances are outlined in the table below. As the upcoming price control will be a ‘real’ price control, deviations of actual inflation from the forecast will be reflected in Wholesale Broadband prices, following the first year of the price control.

**Table 9 Forward-looking capex inflation assumptions**

<b>Asset category</b>	<b>Future annual capex inflation</b>	<b>Rationale</b>
Buildings	4.2%	House price trends in Jersey over the last 10 years <sup>58</sup>
Optical Line Terminal	-3.7%	
Optical Network Terminal	-3.7%	Ofcom’s TAR FTTH cost model <sup>59</sup>
Fibre cabling	-1.4%	
Subsea cabling	-1.4%	Aligned with Fibre cabling assumption above
Network Site Infrastructure	0.2%	Ofcom’s TAR FTTH cost model
Mobile Core, Switching, Signalling, and Control Platforms	2.7%	In-line with overall forecast (RPI) inflation in Jersey
Transport Network	-3.7%	Aligned with active equipment (OLT and ONT) assumptions above
Customer Premise Equipment	0.5%	Arcep’s 2024 FTTH cost model <sup>60</sup>
IT Equipment (incl. OSS and BSS)	2.7%	In-line with overall forecast (RPI) inflation in Jersey

<sup>58</sup> See table A1 – Jersey House Price Indices (including share transfer properties) from Statistics Jersey. Available at: <https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20House%20Price%20Index%20Q1%202025%20SJ20250501.pdf>

<sup>59</sup> See Ofcom’s Telecom Access Review 2026, Fibre cost model, Excel named “network cost module”, tab “Input\_CostTrends” Available at <https://www.ofcom.org.uk/phones-and-broadband/telecoms-infrastructure/statement-promoting-competition-and-investment-in-fibre-networks-telecoms-access-review-2026-31>

<sup>60</sup> See Arcep’s technical cost model workbook. Available at: [https://www.arcep.fr/uploads/tx\\_gspublication/modele-BLOM-tarifs-degroupepage\\_fev2025.zip](https://www.arcep.fr/uploads/tx_gspublication/modele-BLOM-tarifs-degroupepage_fev2025.zip), Excel named “Module de coûts v1.6 T0-D100 Borne basse”, tab “Paramètres eco-fin” (average cells D36:D37).

## WHOLESALE BROADBAND SERVICES IN JERSEY: PRICE CONTROL

Asset category	Future annual capex inflation	Rationale
Outside Plant	2.5%	Consistent with 2021 price control, informed by precedent from NGA cost models built in European jurisdictions, including the UK, Belgium, Ireland and Sweden
Vehicles	2.7%	In-line with overall forecast (RPI) inflation in Jersey
Intangible Assets	2.7%	In-line with overall forecast (RPI) inflation in Jersey
Others	2.7%	In-line with overall forecast (RPI) inflation in Jersey

Source: *Frontier Economics based on sources in Rationale column*

Note: *Figures rounded to the nearest decimal place*

## Annex B – High level assessment of JT’s cost of capital

119 As noted above, our modelling uses an estimate of JT’s cost of capital to set a reasonable rate of return for JT. In this Annex, we provide our assessment of JT’s cost of capital.

- (a) First, we set out our approach to estimating JT’s cost of capital;
- (b) Second, we develop an estimate JT’s cost of equity;
- (c) Third, we develop an estimate of JT’s cost of debt;
- (d) Fourth, we discuss the relevant level of Gearing and Tax; and
- (e) Fifth, we conclude by setting out the estimate of JT’s weighted average cost of capital (WACC) that we use in our price control calculations.

### B.1 Approach to estimating JT’s cost of capital

120 For the upcoming price control, we use a Weighted Average Cost of Capital (WACC) framework, with the cost of equity estimated using the Capital Asset Pricing Model (CAPM). CAPM is the standard regulatory approach,<sup>61</sup> and is consistent with the methodology applied in the 2021 price control.<sup>62</sup>

121 The WACC combines the cost of funding from debt ( $K_d$ ) and equity ( $K_e$ ), each weighted by their relative share of enterprise value (i.e. the sum of the value of debt and equity). The value of outstanding debt relative to enterprise value (gearing) is denoted by  $g$  in the WACC formula below and the rate of corporation tax is denoted by  $t$ .

$$WACC = \frac{K_e * (1 - g)}{1 - t} + K_d * g$$

122 In the rest of this Annex, we assess each component and make our assessment of the appropriate WACC. Our assessments draw on a mix of evidence: notably, we refer to recent market data and regulatory precedent. In interpreting the evidence, we have considered the extent to which the evidence is relevant to the specific context of determining JT’s cost of capital for the upcoming price control period.

<sup>61</sup> UK Regulators Network (2023) [UKRN guidance for regulators](#), page 4.

<sup>62</sup> Further detail on the approach adopted in the 2021 price control can be found in our report for the JCRA for the 2021 price control, which referred also to a report submitted by JT (prepared by the consultants, PwC) on WACC. See: <https://www.jcra.je/media/598354/final-decision-frontier-economics-report.pdf>

## B.2 Cost of Equity

123 We estimate the cost of equity using the CAPM. Under CAPM, the return on equity equals the risk-free rate plus the company's equity beta times the equity market risk premium (EMRP). It can be expressed as:

$$K_e = R_f + \beta_e * EMRP$$

Where:  $K_e$  is the cost of equity,  $R_f$  is the risk-free rate (RFR),  $\beta_e$  is the equity beta and  $EMRP$  is the equity market premium. The  $EMRP$  equals the Total Market Return (TMR) minus the RFR. We discuss each of these components of the cost of equity in more detail below.

### Risk-free Rate (RFR)

124 The RFR is the theoretical rate of return on an investment with zero risk. As no asset is completely free of risk, the RFR cannot be observed directly.

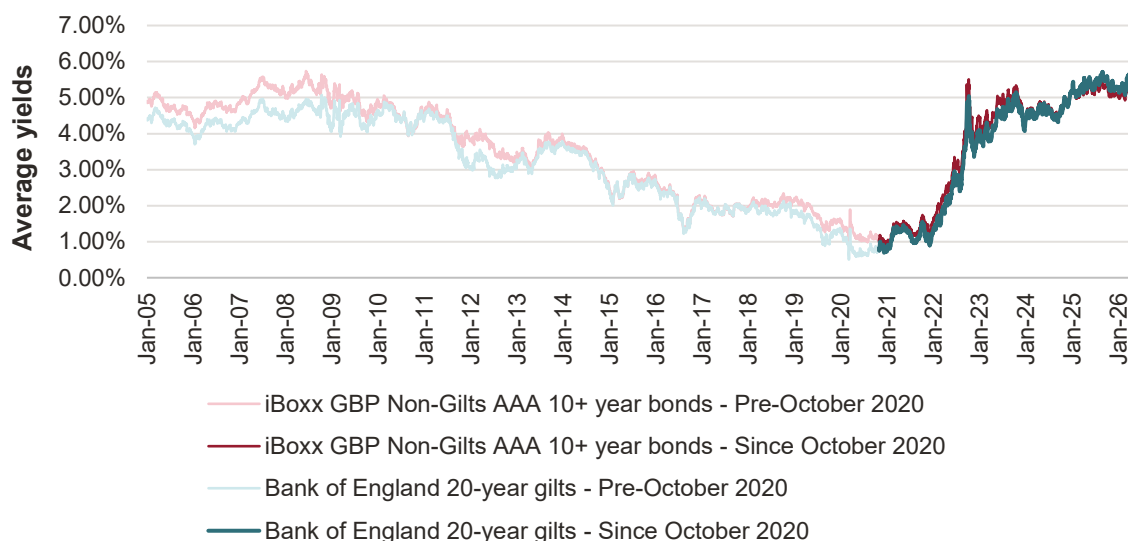
125 Therefore, the RFR is estimated based on observable market data and regulatory precedent. Regulators have historically proxied the RFR using yields on government bonds.<sup>63</sup> However, during its review of Ofwat's PR19, the CMA noted that gilt yields can become distorted, reducing their suitability as a standalone proxy for the RFR.<sup>64</sup> The CMA therefore used AAA-rated corporate debt yields as well as the UK government bonds to proxy the RFR. This approach was followed in JT's 2021 wholesale fixed broadband price control: the RFR was set using 20-year UK gilt yields and the iBoxx index of AAA-rated corporate bonds (10+ year maturity). For the 2021 price control, RFR was estimated to fall in the range of 0.80%-1.15%, in nominal terms.

126 Figure 2 below plots the yields of these two potential proxies for the RFR over the past 20 years. After a long period of decline since the global financial crisis, yields have risen sharply in the last five years. The latest market data suggests the RFR is now significantly higher than it was when the 2021 price control for JT was previously set.

<sup>63</sup> See for example: UKRN (2024) 10<sup>th</sup> Cost of Capital – Annual Update Report; Table 6.

<sup>64</sup> CMA (2021) [PR19 Final Report](#); pages 745-796.

Figure 2 Yields on UK government debt and relevant corporate bonds



Source: Frontier Economics analysis of iBoxx and Bank of England data

127 The analysis above suggests that the RFR is currently at a historically high level. As such, there is a risk that estimating the RFR based on too narrow a horizon when interest rates are particularly high could result in a WACC that is not representative of market conditions on a forward-looking basis. We note that there is precedent of using a longer horizon: in the PR19 Final Determination, the CMA estimated the RFR using a six-month average,<sup>65</sup> and more recently Ofcom used a six-month average for RFR in its Telecoms Access Review (TAR).<sup>66</sup> We therefore adopt a six-month averaging period.

128 On this basis, we preliminarily conclude that the RFR should sit in the range from:

- (a) A 'low' estimate of 5.14% based on the one-month average yield of the AAA-rated iBoxx index to the end of December 2025; and
- (b) A 'high' estimate of 5.31% based on the one-month average yield of the UK government bond to the end of December 2025.

129 In Table 10 below, we set out the 2021 price control RFR range and RFR ranges/estimates used by UK regulators in recent precedent, for comparison. Our preliminary proposal implies a higher RFR than estimates proposed by UK regulators in recent precedent, which range between 3.12% and 4.95%. This

<sup>65</sup> CMA (2021) [PR19 Final Report](#) ; paragraph 9.241.

<sup>66</sup> Ofcom (2026): Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31: Annexes 1-21; paragraph A15.38

reflects that yields have been increasing for a sustained period, and differences in the benchmark indices used across regulators.

**Table 10 Recent regulatory precedent on the RFR**

Precedent	Real RFR	Long-term inflation assumption	Nominal RFR
JCRA: 2021 price control (2021)			0.80% - 1.15%
Ofcom: TAR Statement (March 2026)*	1.50% - 2.20%	2.50%	4.04 % - 4.76%
CMA: PR24 Final Determinations (March 2026)	2.40%	2.40%	4.86%
Ofgem: RIIO-3 Final Determinations (December 2025)	2.30%	2.10%	4.55%

Source: Frontier Economics based on Ofgem, Ofcom, Ofwat, and CMA

Note: The RFR is converted from real to nominal terms using the relevant long-term inflation assumptions from regulators' decisions, where appropriate. (\*) Ofcom's RFR calculations use RPI-based.

### Total Market Return (TMR)

130 The TMR is used to estimate the EMRP in the CAPM model. Like the RFR, the EMRP and TMR are not directly observable. However, regulators have placed more weight on estimates of the TMR than EMRP, consistent with a view that the long-run market return is likely to be more stable than the EMRP.<sup>67</sup> Therefore, regulators commonly infer the EMRP by subtracting their estimates of the RFR from the TMR.

131 Consistent with the 2021 price control approach, we draw on recent regulatory precedent from comparable price controls to inform our TMR range.<sup>68</sup> The Table below presents the relevant recent precedent on TMR.

<sup>67</sup> See for example: Ofcom (2026): Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31: Annexes 1-21; paragraph A15.50 and 15.65

<sup>68</sup> We note also that guidance from the UK Regulators Network (UKRN) is that the TMR should be primarily based on historical ex-post and historical ex-ante evidence. See: UKRN (2023) [Guidance for regulators on the methodology for setting the cost of capital](#); page 21.

**Table 11 Recent regulatory precedent on the TMR**

Precedent	Real TMR	Long-term inflation assumption	Nominal TMR
JCRA: 2021 price control (2021)			8.20% - 9.40%
Ofcom: TAR Statement (March 2026)	6.60% - 6.80%	2.00%	8.73% - 8.94%
CMA: PR24 Final Determinations (March 2026)	6.70% - 7.20%	2.40%	9.26% - 9.77%
Ofgem: RII0-3 Final Determinations (December 2025)	6.80% - 6.90%	2.10%	9.04% - 9.14%
<b>Regulatory range</b>			<b>8.73% - 9.77%</b>

Source: Frontier Economics based on Ofgem, Ofcom, Ofwat, and CMA

Note: Regulatory range excludes JCRA 2021 price control, which is included for comparison only.

132 Given the sharp recent increases in RFR, we consider the most relevant precedent is the CMA’s PR24 Final Determinations position, which will reflect the most recent analysis. Therefore we use the following TMR values:

- (a) A ‘low’ estimate of 9.26% based on CMA’s PR24 3 Final Determinations; and
- (b) A ‘high’ estimate of 9.77% based on CMA’s PR24 Final Determinations.

133 To calculate the EMRP, the RFR is subtracted from the TMR. Therefore, we provisionally conclude that the relevant EMRP should sit in the range between:

- (a) A ‘low’ estimate of 4.12; and
- (b) A ‘high’ estimate of 4.46%.

## Beta

134 A core feature of CAPM is that only non-diversifiable (systematic) risk earns compensation. This risk is captured by ‘beta’, which measures the extent to which an asset’s returns move together with the market portfolio. The required return on a given equity therefore rises with the investor’s exposure to systematic risk. Three different betas are used in our cost of equity calculation:

- (a) The asset (unlevered) beta ( $\beta_a$ ) reflects the firm’s business risk without considering its debt (i.e. leveraging). A higher asset beta implies a higher required return for bearing additional systematic risk.

- (b) Equity (levered) betas ( $\beta_e$ ) are betas estimated from market data that capture the risk for investors whilst including the level of gearing for the comparator companies. Because highly geared companies are a great risk to investors given that debt holders have a priority over cash flows, higher leverage typically raises the equity beta above the asset beta.
- (c) The debt beta ( $\beta_d$ ) captures the systematic risk borne by debt investors. It is required to remove or add financing effects when de-levering and re-levering betas.

135 To strip out financing effects, we obtain the equity (levered) beta by re-levering the asset beta using the market-value gearing and the assumed debt beta:

$$\beta_e = \frac{\beta_a - \beta_d * Gearing}{(1 - Gearing)}$$

136 JT's beta cannot be readily estimated using market data, as JT is not a listed company. Therefore, in line with the approach taken to set JT's beta at the 2021 price control, we seek to infer JT's asset beta from public estimates of the asset betas of other telecommunications network operators. We note in particular that:

- (a) Ofcom used a point estimate of 0.43 for BT's asset beta in its TAR Statement in 2026; and
- (b) BEREC's latest report on WACC parameter calculations according to the European Commission's WACC Notice analysed the asset betas of 14 listed telecommunications network operators,<sup>69</sup> deriving a weighted average (by market capitalisation) of 0.36.<sup>70</sup> Eight of BEREC's chosen operators were also referred to in PwC's beta comparators for JT in 2021.

137 This evidence supports a lower asset beta range than was used in the 2021 price control (where a range of 0.55-0.70 was used). This reflects that asset beta estimates for BT Group and the wider telecommunication industry have declined over the past decade. This downward trend has been acknowledged by Ofcom's consultants, CEPA, who note that "*BT Group's asset betas have declined over the last decade*".<sup>71</sup> BEREC also remarks that there is a clear downward trend in the betas among the operators covered in its analysis.<sup>72</sup>

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<sup>69</sup> The peer group used in BEREC's analysis is all operators that: are listed on a stock exchange and have liquidly traded shares; own and invest in electronic communications infrastructure; have their main operations located in the Union; have an investment grade (credit rating BBB/Baa3 or above); and are not, or have not been recently, involved in any substantial mergers and acquisitions.

<sup>70</sup> BEREC (2025) [Report on WACC parameter calculations according to the European Commission's WACC Notice](#); Table 8.

<sup>71</sup> CEPA (2025) [Cost of Capital: Beta and Gearing for TAR 2026](#), page 11, section 4.1.

<sup>72</sup> BEREC (2025) [Report on WACC parameter calculations according to the European Commission's WACC Notice](#); pages 41-44.

138 We derive the equity beta with reference to recent precedent on debt beta. The regulatory precedent on debt beta is set out in the following Table. Noting that a larger debt beta will decrease the equity beta (and in turn cost of equity and WACC), we present ranges below from high to low.

**Table 12 Regulatory recent precedent on the debt beta**

	<b>Debt beta estimate</b>
JCRA: 2021 price control (2021)	0.15 - 0.04
Ofcom: TAR Statement (March 2026)	0.075
CMA: PR24 Final Determinations (2026)	0.15 - 0.05
Ofgem: RIIO-3 Final Determinations (December 2025)	0.075
<b>Regulatory range</b>	<b>0.15 - 0.05</b>

Source: Frontier Economics based on Ofgem, Ofcom, Ofwat, and CMA

Note: Ranges presented from high to low, reflecting that a lower debt beta implies a higher cost of equity, all else equal. Regulatory range excludes JCRA 2021 price control, which is included for comparison only.

139 Based on the asset beta and debt beta evidence presented above, we calculate the equity beta. The gearing needed for the calculation of the equity beta is 40% - 55%. More details on gearing can be found in Section B.4. Applying the formula shown in paragraph 135 we calculate the following range:

- (a) The 'low' estimate of the equity beta is 0.53 (compared to 0.82 in 2021); and
- (b) The 'high' estimate of the equity beta is 0.89 (compared to 1.51 in 2021)

### Small company risk premium

140 The small-company risk premium was proposed by JT and its advisors during the 2021 price control. The small-company risk premium was an adjustment to the cost of equity to reflect exposure of investors to risks such as illiquidity or lack of product and geographic diversification. JT's advisors argued that hypothetical private investors in JT would expect higher returns ( premia) to compensate for such risks.

141 In its 2021 price control submission, JT suggested a range of 0.90% to 2.25%. Frontier Economics did not agree that a higher equity premium should apply to JT, noting that JT is a publicly owned firm, does not face network competition, and is therefore exposed to lower risk than privately owned firms operating in competitive markets. In light of these considerations, we set the upper bound for any small-company risk premium at 0.90%, drawing on the the PwC report supporting JT's

submission and precedent presented by PwC for the period 2002–2014 (primarily from the UK water sector). The lower bound was set at 0.00%, reflecting the fact that more recent water price controls (PR14 and PR19) had not applied a small-operator equity uplift.

142 More recent precedent supports the exclusion of any small company premium for JT: no small company premium was proposed by Ofwat or CMA for PR24; and in Jersey, specific risk premia proposed by Ports of Jersey Limited in the context of the JCRA’s Regulatory Review of Air and Sea Port Operations were rejected by the JCRA and its advisors in that price control, EY.<sup>73</sup>

143 Based on the above, we do not apply a small company risk premium.

### Cost of Equity estimate

144 In light of the evidence above, our conclusion is that JT’s Cost of Equity sits in the range 7.33% (low) – 9.30% (high). Our derivation of this figure is set out in Table 13 below.

**Table 13 Conclusion on JT’s Cost of Equity**

Component		Low	High
RFR	A	5.14%	5.31%
EMRP	B	4.12%	4.46%
Equity beta	C	0.53	0.89
Small company risk premium	D	0.00%	0.00%
<b>Cost of Equity</b>	<b>A+B*C+D</b>	<b>7.33%</b>	<b>9.30%</b>

Source: Frontier Economics

### B.3 Cost of Debt

145 The cost of debt is the effective annual rate of interest a company pays on borrowings. The cost of debt includes a provision for incurred issuance and liquidity costs.

<sup>73</sup> EY (2024) [Regulatory review of air and sea operations](#), page 14, paragraph 4.5.2.

## The interest JT pays on its borrowings

146 At the time of writing, JT is in the process of re-negotiating its borrowing arrangements with lenders. [REDACTED]:

147 [REDACTED]<sup>74</sup>

148 [REDACTED].

149 While regulators may sometimes draw a distinction between the interest rate a company receives on its ‘embedded debt’ (i.e. existing borrowings) and ‘new debt’ (i.e. additional borrowings it might make in future), this is not relevant for JT given [the borrowing arrangements it is negotiating are current] (meaning [they] will reflect the current market environment, rather than historical borrowing conditions) and will be in place for [REDACTED] years (i.e. JT’s future borrowing in the upcoming price control period is likely to draw from [the renegotiated borrowing arrangements]). Our approach reflects established practice in corporate finance.<sup>75</sup>

## Issuance and liquidity costs

150 Beyond interest, companies incur costs when issuing debt (e.g. payments to financial intermediaries and legal advisors). Certain loan agreements further require firms to maintain liquidity, achieved through cash reserves or committed short-term credit lines.

151 We have reviewed recent precedent of the issuance and liquidity fees allowed for by regulators in WACC. The sources we have considered are relevant as they reflect recent regulatory assessments of efficient financing costs for similarly capital-intensive, regulated entities.

152 Table 14 summarises the observed ranges across these precedents. The results are consistent with the 2021 price control, which allowed a range of 10 to 20 bps to cover issuance and liquidity costs.

153 Based on recent regulatory precedent, we view that a range of 10 to 20 bps is appropriate to cover the costs associated with issuance and liquidity fees.

<sup>74</sup> JT response to JCRA information request, received via email on 14<sup>th</sup> April 2026.

<sup>75</sup> See for example: (The Association of Corporate Treasurers) “Counting the Costs of Capital”, page 2. <https://www.treasurers.org/ACTmedia/Feb03TTSingh18-20.pdf>

**Table 14 Issuance and liquidity costs**

Precedent	Range/Point estimate
JCRA: 2021 price control (2021)	0.10% - 0.20%
Ofcom TAR Statement (March 2026)	0.10%
CMA: PR24 Final Determinations (March 2026)	0.20%
Ofgem RIIO-3 Final Determinations (December 2025)	0.25% - 0.29%
<b>Range</b>	<b>0.10% - 0.29%</b>

Source: Frontier Economics based on Ofcom and CMA

Note: Regulatory range excludes JCRA 2021 price control, which is included for comparison only. We exclude CPIH basis mitigation from Ofgem’s estimates, as we are not considering the cost of index-linked debt.

### Cost of Debt estimate

154 Table 15 sets out our calculations of the cost of debt for JT’s WACC for the upcoming price control. In light of the evidence above, our conclusion is that JT’s Cost of Debt sits in the range [x].

**Table 15 Cost of Debt estimate**

Component		Low	High
Interest on JT’s borrowings	A	[x]	[x]
Issuance and liquidity costs	B	0.10%	0.29%
<b>Cost of debt</b>	<b>A+B</b>	<b>[x]</b>	<b>[x]</b>

Source: Frontier Economics

Note: Values may not add up due to rounding differences.

## B.4 Gearing and Tax

### Gearing

155 Gearing (leverage) is the amount of debt a company uses relative to equity in its capital structure, i.e. how much of the business is financed by borrowings versus shareholders’ funds.

156 In the 2021 assessment, we adopted the efficient gearing level proposed by JT’s advisors (PwC). PwC had proposed a gearing range of 40%-55%, based on:

- (a) book values from JT's financial statements, which PwC analysis suggested implied an average gearing ratio of 55% between 2015 and 2019;
- (b) market-based comparators from integrated and wireless telecom operators, whose gearing ranged from 35% to 46% in PwC's the comparator set; and
- (c) Regulatory precedent on efficient gearing levels for a telecommunications company, specifically the 40% gearing level used by Ofcom for BT Group's WACC at WFTMR 21.

157 We note that Ofcom's lower gearing estimate for BT's WACC in its TAR decision was 45%. On the other hand, there is not a rationale to suggest that JT's historical gearing level of 55% would no longer be efficient. Therefore, we consider a gearing range of 45-55% for calculating JT's WACC.

158 We note that JT's financial structure may change over the course of the price control period, following the completion of its merger with Manx Telecom. Corporate Finance theory suggests that the cost of capital is independent of gearing.<sup>76</sup> However, we take into account the uncertainty regarding JT's financial structure (as well as other sources of uncertainty in our WACC assessment) in our conclusion below.

### Tax rate

159 We use the standard income tax rate in Jersey. The rate is set at 20%.

## B.5 Conclusion

160 In this sub-section we bring together all the elements of the WACC calculation. These are summarised in the Table below, which sets out that an appropriate assessment of JT's WACC could range from 7.78% to 8.69%, reflecting the latest market data and precedent.

161 The approach to determining the appropriate specific return to be applied to JT must take into account the particular circumstances of Jersey:

- (a) JT is wholly owned by the Jersey Government which may affect the cost of funding JT, both external funding such as debt issues by JT and the cost of funds provided by the Jersey Government as a shareholder;
- (b) The Jersey Government as shareholder, can take account of broader policy objectives when making decisions on investments, whereas private investors will focus on maximising their returns;

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<sup>76</sup> See for example: (The Association of Corporate Treasurers) "Counting the Costs of Capital", page 3. <https://www.treasurers.org/ACTmedia/Feb03TTSingh18-20.pdf>

- (c) JT has fully rolled out a fibre network in advance of other jurisdictions (presumably in part due to Government ownership); and
- (d) There is no expectation that other operators owned by private investors will roll out competing infrastructure-based networks at the island level.

162 This means that some of the considerations taken into account by regulators in other jurisdictions do not apply in interpreting the evidence discussed in this Annex:

- (a) There is less need to ‘aim up’ than when setting the return to ensure private investors are suitably incentivised to make socially optimal investments; and
- (b) There is less need to proxy private investors cost of capital to send appropriate build or buy decision to potential investors in alternative infrastructure, given the Jersey Government’s focus on maximising service-based competition rather than network-based competition.

163 Our assessment of the appropriate point estimate of JT’s WACC must also take into account uncertainties referred to above. In particular, there is significant market volatility, as shown in the analysis of RFR above, and there is also uncertainty about JT’s financial structure following its merger with Manx Telecom (and its likely evolution over the price control period). Both of these uncertainties are unique to the time at which we are assessing the appropriate WACC for JT.

164 On this basis, we conclude that an appropriate WACC for JT for the upcoming price control could sit at the 75<sup>th</sup> percentile of our range, at 8.47%.

**Table 16 Summary of WACC for JT Limited in nominal terms**

Component	Calculation	Low	High	Comments
Gearing	A	45%	55%	Low end based on Ofcom TAR; high end based on historical analysis of JT capital structure
Risk free rate (RFR)	B	5.14%	5.31%	Low end based on AAA-rated corporate debt and high end based on UK government debt
Total market return (TMR)	C	9.26%	9.77%	Based on CMA PR24
Equity market return premium	D = C - B	3.96%	4.62%	

## WHOLESALE BROADBAND SERVICES IN JERSEY: PRICE CONTROL

Component	Calculation	Low	High	Comments
Asset beta	E	0.36	0.43	Based on BEREK and Ofcom TAR
Debt beta	F	0.15	0.05	Based on CMA PR24
Equity beta	$G = (E - (A * F)) / (1 - A)$	0.53	0.89	
Small company risk premium	H	0.0%	0.0%	Consistent with recent precedent on and off Jersey
<b>Cost of equity</b>	<b><math>I = B + G * D + H</math></b>	<b>7.33%</b>	<b>9.30%</b>	
Interest on JT's borrowings	J	[X]	[X]	JT response to JCRA information request
Issuance and liquidity fees	K	0.10%	0.29%	Low end based on Ofcom TAR; high end based CMA PR24
<b>Cost of debt</b>	<b><math>L = J + K</math></b>	<b>[X]</b>	<b>[X]</b>	Assuming 100% new debt
Tax rate	M	20%	20%	Based on Jersey corporate tax rate
<b>Nominal pre-tax WACC</b>		<b>7.78%</b>	<b>8.69%</b>	
<b>Point estimate (75<sup>th</sup> percentile)</b>			<b>8.47%</b>	

Source: Frontier Economics

Note: Some figures may not sum up or average as presented above, due to rounding.

## Annex C – Cost modelling changes following the JCRA’s consultation

165 As a result of responses to the JCRA’s Consultation, some changes were made to the modelling approach, input data, and model assumptions within the cost model used to develop the proposed overall bitstream charges. The changes are set out in the table below, and are reflected in the main body and Annex A of this report. Further detail on the responses to the Consultation and the JCRA’s position on these is provided in the JCRA’s Final Decision.

**Table 17 Cost modelling changes following the JCRA’s Consultation**

<b>Model element</b>	<b>Change</b>	<b>Driver of change</b>
Network opex	Update to estimate of JT’s 2020 costs	Improved understanding of information provided by JT following its response to the JCRA’s consultation
Asset lives	Changed assumption for Buildings asset lives from 40 years to 28 years	[Reflects further information on the mix of assets within the Building asset category]
Opex efficiency	Changed assumption from 3.0% to 2.5% per year	Reflecting latest Ofcom precedent and input from the JCRA
Capital charge calculations	Removal of holding gains when calculating annualised capital costs for legacy assets	More consistent with the RAB-based approach for these assets.
Capex price trends	Changes to assumed trends for certain capital cost categories (OLTs, ONTs, Fibre cabling, Subsea cabling, Network Site Infrastructure, and Transport Network)	Reflecting latest Ofcom precedent
WACC	Reduced WACC estimate from 8.65% to 8.47%	Reflecting latest market data, precedent and information provided by JT

Source: *Frontier Economics*

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