

T-138 – Wholesale Broadband Price Control Draft Decision – Home Net Limited Response (PUBLIC)

Question 1

Do you agree with the methodology used to develop the price control proposals?
If you do not agree, please provide your analysis and assessment.

We do not agree with the methodology used to develop the price control proposals. While the approach appears structured, it does not sufficiently reflect current market realities, particularly the transition towards broadband-only services. The continued inclusion of legacy cost components, such as the landline element, introduces distortions in the cost base and results in inefficient pricing signals.

The methodology also appears to prioritise revenue stability for the incumbent operator rather than focusing on cost orientation and the promotion of effective competition. This risks embedding inefficiencies into the wholesale pricing framework.

In our view, a more appropriate methodology would:

- Remove outdated service components that are no longer aligned with consumer demand;
- Ensure that pricing is based on efficient forward-looking costs;
- Explicitly promote broadband-only products as the primary service model.

Without these adjustments, the methodology risks inflating wholesale costs and ultimately harming consumers through higher retail prices.

Question 2

What are your views on the proposed pricing profiles? What impact do you consider these will have on the retail market, and do you have a preference between a starting charge adjustment and a glidepath adjustment? Please provide your analysis and assessment.

We have significant concerns regarding the proposed pricing profiles.

Any increase in wholesale input costs will inevitably be passed through to retail customers. As an operator currently offering services at £29.99, we do not have the ability to absorb additional wholesale costs without increasing end-user prices. This directly undermines affordability and consumer welfare.

Furthermore, the structure of the pricing suggests a reallocation of costs rather than a genuine reduction. The inclusion of an £11 landline component, which does not reflect actual usage, artificially lowers the apparent broadband price. If removed, the broadband element would increase significantly (e.g. from £14 + £11 to £25), indicating that the model is designed to preserve the incumbent's overall revenue.

This approach distorts competition and disadvantages alternative operators.

In terms of implementation:

- We do not support a starting charge adjustment if it results in immediate retail price shocks;
- However, a glidepath adjustment is only acceptable if it leads to genuinely cost-reflective pricing and not simply a phased preservation of incumbent revenues.

Overall, any pricing profile must ensure:

- Removal of artificial cost components;
- Transparency in broadband pricing;
- Tangible benefits for consumers rather than protection of incumbent margins.

Question 3

Do you agree that the JCRA should continue to determine maximum allowable prices for each year of the price control (using forecast RPI to establish a nominal price profile)? If not, what alternative approach would you prefer? Please provide your analysis and assessment.

We do not fully support the continued use of forecast RPI as the primary mechanism for determining annual maximum allowable prices.

While indexation provides predictability, it does not ensure that prices remain aligned with underlying costs or market developments. In particular, it risks perpetuating inefficiencies where the initial cost base is itself flawed.

Given the structural issues identified in the current pricing model, applying RPI adjustments on top of an already distorted baseline will compound the problem over time.

We would instead recommend:

- A stronger emphasis on cost-based reviews at defined intervals;
- Adjustments linked to demonstrable efficiency gains rather than inflation alone;
- A mechanism to ensure that cost reductions are passed through to wholesale customers and ultimately to consumers.

The objective should be to promote efficiency and competition, rather than simply maintaining price levels in line with inflation.

Question 4
 What are your views on the introduction of a broadband line only product and the proposed timing of its introduction? How can the JCRA best support this?

We strongly support the introduction of a broadband line-only product and believe it should be implemented as soon as possible.

The current structure, which embeds a landline component, is outdated and does not reflect consumer behaviour. The majority of customers now require broadband-only services, and regulatory frameworks should facilitate, not hinder, this transition.

However, the effectiveness of this product will depend entirely on its pricing. If the broadband-only product is priced in a way that preserves the incumbent’s total revenue (for example, by reallocating landline costs into the broadband charge), it will fail to deliver any real benefit.

To ensure success, the JCRA should:

- Remove the artificial landline cost component entirely;
- Ensure that broadband-only pricing reflects the true cost of broadband provision;
- Introduce the product without delay;
- Monitor retail outcomes to ensure that cost reductions are passed through to consumers.

Encouraging broadband-only services is essential for promoting competition and aligning the market with modern usage patterns.

Question 5
 Do you agree with the JCRA’s proposed approach to other policy matters (other charges and approach to deferral)? If you do not agree, please provide your analysis and assessment.

We have concerns regarding the proposed approach to other policy matters, particularly where these may allow for continued inclusion of non-cost-reflective charges.

Any additional charges or pricing mechanisms must be:

- Transparent;
- Cost-oriented;
- Non-discriminatory.

There is a risk that retaining legacy charging structures or introducing complexity in pricing could further obscure the true cost of broadband services and create barriers to competition.

We therefore recommend that the JCRA:

- Conduct a thorough review of all ancillary charges;
- Remove or simplify any elements that are not clearly justified on a cost basis;
- Ensure that all pricing components support, rather than hinder, effective competition.

The overarching objective should be to create a simple, transparent, and future-proof wholesale pricing framework that benefits consumers and enables fair competition.

Other comments

Homenet view

We consider that the proposed pricing structure raises serious concerns in relation to Licence Condition 34 – Fair Competition.

Licence Condition 34 requires that JT must not engage in any conduct which has the object or effect of preventing, restricting, or distorting competition in the telecommunications market in Jersey. This includes, but is not limited to:

- Avoiding behaviour that distorts or restricts competition;
- Not abusing a dominant position;
- Ensuring that pricing structures support fair and effective competition.

In this context, the proposed wholesale pricing framework gives rise to the following concerns:

1. Distortion of Competition through Artificial Cost Structures

The continued inclusion of a legacy landline cost component, which does not reflect actual consumer demand, artificially inflates wholesale input costs. This distorts the competitive landscape by forcing alternative operators to recover costs that are not aligned with modern service usage.

2. Margin Protection and Potential Abuse of Dominance

The pricing structure appears designed to preserve JT's overall revenue by reallocating costs (e.g. shifting from a £14 broadband + £11 landline structure to an effective £25 broadband price). This suggests a prioritisation of incumbent margin protection over cost-reflective pricing, which may constitute behaviour inconsistent with fair competition obligations.

We had a discussion with Frontier and we understood that the proposed approach involves reallocating the combined landline and broadband charges into a single broadband price, which does not reduce costs but simply preserves the incumbent's overall revenue

3. Barrier to Entry and Expansion

Inflated wholesale costs directly impact the ability of alternative operators to compete effectively at the retail level. As retail prices increase (e.g. above current levels such as £29.99), this reduces price differentiation and weakens competitive pressure in the market.

4. Failure to Promote Effective Competition

Rather than facilitating the transition to broadband-only services, the current structure risks disincentivising such offerings. This is contrary to market evolution and undermines the development of a competitive, consumer-focused broadband market.

In light of the above, we submit that the current proposals risk being inconsistent with Licence Condition 34. The JCRA should ensure that the final pricing framework:

- Removes non-cost-reflective components (such as the landline element);
- Prevents the preservation of incumbent revenues through pricing reallocation;
- Actively promotes effective and sustainable competition.

Failure to address these concerns may result in a wholesale pricing framework that distorts the market and limits consumer benefit.