



## **Invitation to Tender Business Connectivity Market Review**

**July 2013**

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## **PART I: INTRODUCTION & BACKGROUND**

1. CICRA (the Channel Islands Competition and Regulatory Authorities) comprises the Guernsey Competition & Regulatory Authority (GCRA) in Guernsey and the Jersey Competition Regulatory Authority (JCRA) in Jersey. It has responsibility for overseeing competition law in both jurisdictions and is the economic regulator for telecommunications and postal services in both jurisdictions. In addition, it is the economic regulator for electricity in Guernsey and provides advice and support on competition and utility regulation to the governments of both islands.
2. CICRA has commenced a review of business connectivity services for the fixed telecommunications markets in the Channel Islands.
3. Historically, CICRA has regulated the price of wholesale leased line services in Jersey and Guernsey. Wholesale leased line prices in Guernsey regulated by the GCRA have been frozen since 2008, while in Jersey the JCRA adopted a “retail-minus” approach and wholesale leased line prices are set at retail-20%.
4. CICRA recognises that technology and customer expectations in this area are changing. Business connectivity needs are met by a wider range of products and there are questions over whether there is a single economic market or a number of different product and geographical markets, defined by capacity, technology or geography. In addition to traditional interface leased line products there are a number of other areas of business connectivity, including direct internet access/IP feed, which will come into consideration as part of this review.
5. As the incumbent telecoms providers, Sure (Guernsey) Limited and JT (Jersey) Limited enjoy powerful market positions in the provision of fixed line services in Guernsey and Jersey respectively. Some customers may not feel they can challenge or re-negotiate the terms and conditions set by such businesses. Experience elsewhere has led to a general view that business connectivity services in the Channel Islands may be more expensive and less customer-focused than elsewhere in Europe.
6. Further information on the telecoms markets in Jersey and Guernsey can be found on the CICRA website, [www.cicra.gg](http://www.cicra.gg).

## **PART II: SCOPE AND OBJECTIVES OF THE PROJECT**

### **Objectives**

7. The primary purpose of this project is to review the cost of business connectivity in Guernsey and Jersey; to identify and compare the cost of specific services across the Channel Islands and with other jurisdictions and set out the steps which CICRA will need to take forward, where appropriate, in order to improve the range, competitiveness and quality of services available to business customers in the Channel Islands.
8. CICRA is seeking to understand how business customers make use of connectivity, what types of services they require and whether, and to what extent, different products and services are able to be substituted for one another.
9. The intention will be to use this understanding in order to set out a regulatory framework for the business connectivity market that is fit for purpose for the today's business customers given the significant advances in technology and particularly the growth in the use by businesses of data connectivity and bandwidth.
10. Part of this process for CICRA will be to benchmark prices in the Channel Islands against other jurisdictions, and to be able to indicate to business customers and service providers what constitutes a fair and reasonable level of pricing. We will be seeking support from consultants in order to carry out this benchmarking work and a market review, followed where appropriate or necessary by price determinations or other regulatory actions.
11. Conducting a market review of Business Connectivity Markets (ie deciding whether particular suppliers hold significant market power (SMP)) will be a key part of this work, and the technical understanding of the relevant services and markets will be essential to the project, as will experience of conducting regulatory market reviews.
12. The successful tenderer will be expected to support CICRA through this process, drawing upon their practical experience and technical knowledge of telecoms markets. They will need to be available to provide support in the event that decisions made by CICRA are appealed or challenged and to be able to demonstrate that their reports and findings are soundly based.

### **Scope of the Project**

13. CICRA has issued a consultation paper calling for evidence from business customers in the Channel Islands in relation to business connectivity services (attached). It is envisaged that successful tenderer would need to have a significant input into the scope and planning of the project in order to deliver CICRA's objectives. At this stage, in realising the project objectives CICRA believes that the successful tenderer will need, at a minimum, to:
  - Advise CICRA on the range and scope of services relevant to the business connectivity market, and the appropriate/likely range of costs;
  - Advise on benchmarking of costs and/or conduct the work as required;

- Advise on and, as required, carry out a market review of Business Connectivity Markets;
- Provide support in conducting further price determinations or other regulatory actions arising from the market review; and
- Support the work carried out in this project through any appeal against regulatory decisions made as part of the market review.

Respondents should be aware that CICRA has not yet determined whether the benchmarking study should be carried out under this contract or as a separate exercise. The objective of the benchmarking is to compare the prices of a relevant set of business connectivity products from CI providers against a range of other jurisdictions and prepare a report for publication. A separate cost estimate for this part of the work is required. Note that a recommendation to engage a separate consultant or sub-contractor for this work would not disqualify the tender. (But it would be helpful to indicate the cost of such provision). The decision on whether or not to include this discrete piece of work will depend on the overall cost submitted and the information to which the tenderer has access to relevant data in order to carry out the benchmarking.

14. CICRA will provide office accommodation and facilities for the purposes of carrying out the work while based in either Guernsey or Jersey, to the extent feasible given its own limitations in terms of office space.

### **PART III: Timetable and Deliverables**

15. In undertaking this process, the successful tenderer should make its recommendations explicit throughout all the work it provides, as well as providing justification for its views in a clear and transparent manner that CICRA considers satisfactory.
16. An electronic copy of all draft and finalised working papers and reports (in Microsoft Word), as well as two hard copies of all finalised working papers and reports, will need to be provided. The consultant should also provide in Microsoft Excel all numerical and graphical work associated with all draft and finalised working papers and reports.
17. The work will be conducted in English and all deliverables will be submitted in English.

### **Qualifications**

18. The consultants should be able to demonstrate:
  - a. a sufficient understanding of the variety and nature of the issues;
  - b. a track record of comparable research; and
  - c. team members who have specific relevant experience of this type of project.

### **Confidentiality**

19. The successful applicant must agree to a confidentiality agreement covering the firm and the individuals assigned to the project.

#### **PART IV: INFORMATION REQUIRED FROM THE TENDER SUBMISSION**

20. The following information is required from the applicant as part of the tender submission:

- a. Demonstration of a clear understanding of the work to be performed.
- b. An estimate of the cost of the following three parts of the review:
  - (i) General advice, assistance and planning of the project (including advice and planning input to the work on market review and benchmarking studies);
  - (ii) Benchmarking of CI prices against other jurisdictions; and
  - (iii) Conducting a market review in order to determine SMP in the markets for business connectivity.

For each element, the tender should indicate the time required from various team members and the cost, as well as the projected timeline.

- c. An estimate of the cost of the provision of support for price determinations or other regulatory actions arising from the market review, indicating the time required from various team members and the cost.
- d. The estimated total cost of the services tendered for, including a breakdown of the person days or effort required (note that VAT is not applicable within the Channel Islands).
- e. Information regarding the expertise and experience of the specific people who will carry out the work including full CVs of the staff proposed for the project. This will also identify the role undertaken by members of the proposed project team, together with daily rates of each team member (daily rates to be based on 8 hours per day).
- f. A description of previous relevant project experience of the organisation.
- g. Management arrangements for ensuring the successful completion of the project.
- h. A clear statement that the firm has no existing conflict of interest in relation to the proposed assignment and will not place itself in such a position while retained by CICRA. Tenderers are required to disclose any matter which may give rise to a potential conflict of interest.
- i. A commitment that in the event a member of the project team withdraws part way through the project, the successful tenderer shall ensure that the CICRA does not incur any additional costs in ensuring the new team member is brought up to speed. The CICRA would expect the consultant to have the necessary means to transfer knowledge amongst its staff.
- j. A statement of whether the firm would be prepared to quote a fixed price for some or all of the consultancy work, the quote, and any assumptions on which this quote is based.
- k. The terms and conditions on which the tender is offered, including the terms of payment.

21. The applicant is free to supplement the required information, and to provide illustrations or add background details where they are necessary to provide a clear understanding of the proposals or are likely to add materially to the CICRA's understanding of the applicant's intentions in providing the service. However, the submission from applicants should be no longer than 15 A4 pages, with supplementary information contained in relevant annexes. The applicant may be invited to clarify submitted information.
22. It is the practice of CICRA to link payment to deliverables associated with the project. However the tenderer is invited to define payment terms relating payments to the provision of deliverables by the consultant. For the avoidance of doubt, CICRA will not authorise payments to be made simply on the basis of the signing of the contract between CICRA and the successful applicant.
23. All quotes, estimates and invoices must be denominated in pounds sterling. Any exchange rate risk will be borne by the applicant.
24. CICRA is not bound to accept any tender submission received or the lowest tender. Selection will be based on compliance with this request for proposal documentation and, inter alia, the following matters:
  - a) Understanding of the issues;
  - b) Approach and methodology proposed and its appropriateness for the project;
  - c) The calibre and relevant previous experience of the team;
  - d) Price; and
  - e) Value for money.

#### **Submission of tenders**

25. Completed tender submissions should be addressed to Lisa White at CICRA's Guernsey office:

Lisa White  
CICRA  
Suites B1 & B2  
Hirzel Court  
St Peter Port  
GUERNSEY  
GY1 2NH

Or e-mail to [lisa.white@bicra.gg](mailto:lisa.white@bicra.gg).

26. Tender submissions must be received by 5.00pm on 28 August 2013. Electronic submission of tenders is encouraged, and should be made in accordance with the deadline. A breakdown of costs for the programme of work shall be provided at the end of the contract in sufficient detail that CICRA may determine where any additional invoiced costs have been incurred (note Value Added Tax is not applicable to work carried out on the Islands of Jersey or Guernsey). All costs shall be expressed in Pounds Sterling.