



Wholesale Access to Fixed Telecoms Networks

Wholesale Line Rental

Consultation Document

Channel Islands Competition and Regulatory Authorities

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*Guernsey Competition & Regulatory Authority
Suites B1 & B2, Hirzel Court,
St Peter Port, Guernsey, GY1 2NH
Tel: +44 (0)1481 711120
Web: www.cicra.gg*

*Jersey Competition Regulatory Authority
2nd Floor Salisbury House, 1-9 Union Street,
St Helier, Jersey, JE2 3RF
Tel: +44 (0)1534 514990
Web: www.cicra.je*

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Purpose of consultation

Wholesale line rental ('WLR') is an example of a wholesale access product that is widely available in other jurisdictions which enables telecommunication service providers to offer substantial benefits to customers through discounts and bundled services. WLR gives customers the choice to switch landline provider and as such delivers increased competitive pressure in the market that can lead to improved efficiency and quality of service and reduced costs, to the benefits of all customers, whether or not they choose to exercise the right to switch provider.

CICRA issued a Final Notice to JT in Jersey in 2013 to make available WLR and a similar decision was issued to Sure in Guernsey. JT appealed the decision which was overturned on the basis of procedure and timescale for making the product available to its competitors.

This consultation revisits the issue of WLR in Jersey and Guernsey in order to reassess the level of interest in its introduction. CICRA will be guided through responses to this consultation process and discussion with stakeholder in its assessment of whether there is still the view that WLR is a necessary product to deliver the benefits of competition and choice to customers as well as benefits to the economies of Jersey and Guernsey.

Introduction

The telecommunications industry in Jersey and Guernsey provides products and services in the mobile sector and the fixed line sector (i.e. landlines). Exclusive control of the fixed network infrastructure by JT in Jersey and by Sure in Guernsey means that any retail competitors must acquire wholesale access services from these two businesses in the jurisdictions in which they are the incumbent. At present neither of these two incumbents chooses to make available wholesale access products that support retail competition in the fixed line sector.

Experience in other jurisdictions is that the availability of wholesale products has the potential to place strong incentives on incumbents to improve the quality of service they provide and reduce the prices charged for a range of telecom services. It is the case that in the absence of wholesale access, consumers in Jersey and Guernsey are likely to be paying higher prices for their telecom services. Also the quality of service they receive in areas such as billing and customer service are likely to remain below the level they might otherwise be if retail competition were more intense. This is because the incentives to make improvements in these areas are unlikely to be given sufficient weight in a situation where consumers require the services but have little choice other than to take what is on offer from a provider that is protected from competition.

Wholesale line rental ('WLR') is widely available in other jurisdictions. It has been in place in the United Kingdom since 2002 and in at least 27 European countries as well as in New Zealand, South Africa and Australia. WLR is also in the process of being introduced in the Isle of Man where Sure is a service provider.

WLR allows retail competitors to strengthen their relationships with customers. This includes ensuring that customers receive a single bill for telephone services (e.g. calls, fixed line and broadband from one supplier and billed on a single bill). This increased relationship with customers provides a firm foundation for introducing further competition enhancing products and services in to the market.

CICRA issued a Final Notice to JT in Jersey in 2013 to make available a wholesale access product, namely WLR, and a similar decision was issued to Sure in Guernsey. JT appealed the decision which was overturned on the basis of procedure and timescale for making the product available to its competitors.

CICRA will move to introduce WLR if market participants continue to consider that WLR is a necessary product to deliver the benefits of competition and choice to customers. Factors that respondents should consider are whether WLR has been superseded by another product or technology or whether networks, products and services in Guernsey and Jersey have evolved in such a way that customers would benefit from alternative wholesale access products.

1. Structure of the Consultation

The consultation document is structured as follows:

Section 2	Outlines the background to the consultation.
Section 3	Describes the wholesale line rental product.
Section 4	Sets out the next steps.
Annex A	Describes the legal basis for CICRA's role (with the JCRA and the GCRA having their own separate legal basis in each jurisdiction).
Annex B	Provides the Cost Benefit Analysis included in section 5 of the Initial Notice of modification of licence of JT (Jersey) Limited, CICRA 12/52, November 2012.

Interested parties are invited to submit comments to CICRA in writing or by email on the matters set out in this paper to either of the addresses below.

All comments should be clearly marked "Pan Channel Island Consultation – Wholesale Line Rental" and should arrive by close of business on Friday 2nd May 2014.

Guernsey Competition and Regulatory Authority Suites B1 & B2, Hirzel Court St Peter Port Guernsey GY1 2NH Email: info@bicra.gg	Jersey Competition Regulatory Authority 2 nd Floor, Salisbury House 1-9 Union Street St Helier Jersey JE2 3RF Email: info@bicra.je
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In line with CICRA's consultation policy, it intends to make responses to the consultation available on the CICRA website. Any material that is confidential should be put in a separate annex and clearly marked as such so that it may be kept confidential. CICRA regrets that it is not in a position to respond individually to the responses to this consultation.

2. Background

WLR allows other licensed telecommunications operators (OLOs) access to the incumbent fixed network to offer exchange line rental products to their customers, allowing them to provide a single bill that includes exchange line rental. Currently the incumbent operator maintains a direct commercial relationship with the customer for line rental as the only provider of the service. This is the case even if the customer uses a competitor for calls or broadband services. This gives the incumbent several potential advantages, including the obligatory continuation of a commercial relationship with all customers who take fixed-line services, and the ability to bundle products in a way competitors cannot. It can be argued that needing more than one bill is less efficient, inconvenient for customers and deters them from switching services. This stifles some of the opportunities for competition, and the innovation and development of services for customers.

In the previous consultation process, operators appeared to agree that in the long term, naked digital subscriber line (DSL) with bitstream and the availability of fixed number portability offers the most opportunities to develop retail products for customers. However, WLR provided the most immediate opportunity for the introduction of access level competition and to allow competing service providers to have a relationship with the end customer.

JT (Jersey) appealed the JCRA's May 2013 decision to issue a Final Notice in Jersey to JT (Jersey) to make available a WLR product to retail operators. The Royal Court judgment overturned the decision on procedural grounds and considered the six month timescale for implementation as too short.

Prior to issuing a Final Notice, the JCRA issued an Initial Notice in which it set out the rationale for treating WLR as a stand-alone product. In particular, the increased competitive pressure in the market when customers have the choice to switch provider is beneficial to all customers, not only those that exercise the choice to switch. Incumbents have a strong incentive to respond to this competitive pressure in order to retain customers and maintain their position and reputation in the market, and OLOs and new entrants must continue to offer improved value and service in order to win customers and grow their business. This leads to improved efficiency and quality of service and reduced costs, to the benefits of all customers, whether or not they choose to exercise the right to switch provider.

CICRA also considers that WLR is likely to contribute to the potential benefit of introducing other wholesale products in the future. The introduction of WLR will enable OLOs to offer bundled services and offer customers a single bill for all their services which should in turn improve their ability to compete against the incumbent

and grow their market share. A higher market share enables an entrant more easily to market further services and to invest in order to enhance their own offering.

WLR is largely a change to the billing arrangements irrespective of the underlying technology (whether copper or fibre). It is important that the benefits of competition through enhanced wholesale access are available to all customers. As such, CICRA would not support the exclusion of customers from the process because of their location or the technology employed in delivering their fixed-line services.

Based on responses to the previous consultation process, the major elements and processes required for WLR are also relatively simple and well understood.

However, given the period of time elapsed since it carried out its consultation, it is appropriate for CICRA to reassess the nature and extent of demand for WLR as a wholesale access product.

3. Wholesale Line Rental

Respondents are asked to consider the following questions to inform CICRA's views, providing as comprehensive information as possible on the matters under consultation. If the evidence is sufficiently persuasive the GCRA and JCRA may wish to proceed to a form of draft decision. Responses should therefore provide a level of information that is adequate to support such a draft decision if they are of the view the case is sufficiently compelling. Respondents should, if appropriate, focus on changes since responding to the previous consultation process as reflected in the questions set out below.

Since the decision was overturned in Jersey, and this project was carried out on a pan-channel island basis, it is CICRA's view that it seems appropriate that the Final Decision to Sure (Guernsey) is withdrawn.

Basis for interest and level of interest in wholesale access products

It would benefit CICRA's considerations if respondents indicated if they were of the view there was a business case for WLR, as well as how regulatory intervention might be justified, or not, by the introduction of such a product. Respondents may wish to ensure certain aspects of their response in this area are confidential and should indicate where this is the case. Responses that can explain specifically how the interests of consumers and the economies would benefit would assist CICRA's consideration of the issues.

CICRA's previous consultation identified variations in the level of interest in wholesale access products, and in the type of products sought by different operators. The Channel Island working group ranked five potential wholesale access products (WLR, naked DSL with bitstream functionality, fixed number portability, hub and spoke, and bitstream). At the time six operators ranked these products against criteria of the product on the basis of being a) a necessary product, b) somewhat necessary product, c) no strong opinion, d) somewhat unnecessary product or e) unnecessary product. CICRA published this information in its consultation document CICRA 11/01.

CICRA seeks to understand the current level of interest in WLR and it would therefore assist if respondents rated the importance of WLR against the same criteria, in order to have a comparable indication from operators and other respondents of the need for such a regulatory intervention.

Question 1

CICRA seeks respondent's views on level of interest that it currently assigns to WLR. Respondents should state whether they see WLR as a necessary product, a somewhat necessary product, no strong opinion, a somewhat unnecessary product or an unnecessary product.

Respondents should provide supporting information to justify their choice of level of interest. If a respondent's response differs from its previous response then the respondent is requested to provide a rationale to support the change.

When considering the options for wholesale access products generally, CICRA is aware that different levels of importance are placed by operators depending on the time horizon involved. Some operators have previously attached greater importance to the introduction of simpler wholesale access products such as WLR that simply replicate what the incumbent provides to its own retail arm, in the short to medium term. Over a longer time horizon operators have previously indicated they may be interested in wholesale products that are more extensive in that they have more control to design and customise their own retail offering, which may be materially different to that provided by the retail arm of the incumbent. This ability to differentiate offerings from that of the incumbent can require greater investment and ownership of network assets by an alternative provider, which relies on the introduction of wholesale access products that enable further control of features of the incumbent network by that provider.

Definition of product

CICRA's previous consultation process and Initial Notice and Final Decision set out wholesale access product definitions based on various industry workshops and discussions with operators. As an example, the following description was produced by JT under the Channel Islands Wholesale Access Project (CIWAP) process in March 2011. Note that at that stage, the WLR proposal included multi-line customers but not fibre products.

WLR Product Description

- 1. Wholesale Line Rental (WLR) is a public switched telephone network (PSTN) voice Communications Provider (CP) product, which enables CPs to offer their own branded telephony service directly to their End Users using the incumbent network*
- 2. The incumbent provides, repairs and maintains WLR lines, and provides a consolidated bill to the CPs for all of their services*
- 3. The CP sets their own prices and bills their end-users (single bill)*
- 4. WLR contains wholesale calling and network features (some chargeable)*
- 5. WLR includes an option for a CP to purchase wholesale call minutes*
- 6. Pan CI Retail products supported:*
 - a. PSTN Residential single and multi-lines*
 - b. Integrated Services Digital Network (ISDN) 2, ISDN 30 (feature set change planned in Jersey in relation to Next Generation Network (NGN) implementation)*
 - c. Not supported on fibre access products as fibre technology is still in trial in Jersey and not available yet in Guernsey.*
- 7. Understanding service/products that need to be in place to support the product*
 - a. A PSTN line connecting the customer to the network of the incumbent operator*
- 8. Minimum term of 12 months applied to line rental*

Since this document represents the commencement of a new consultation process it is a priority to ensure there is sufficient clarity around the WLR product definition in the event of any regulatory decision. Respondents are therefore asked to set out in as much detail as possible what they consider are appropriate definition/s of the wholesale line rental product they propose.

Question 2

Respondents are asked to set out in as much detail as possible what they consider is the appropriate definition of the WLR product they propose.

This definition should include the respondent's requirement for 1) PSTN single line WLR, 2) PSTN multiple line WLR, 3) WLR on ISDN lines as well as the availability of a calls service.

If a respondent's response differs from its previous response then the respondent is asked to provide a rationale to support the change.

It would also assist CICRA if respondents were to indicate their views on the principles that should inform the extent of technical and operational detail CICRA should prescribe in the product definition, and which aspects it should leave to negotiations between operators and incumbents.

If as an outcome of this new consultation process CICRA did consider it appropriate to issue a decision requiring the incumbents to provide WLR, incumbents and retail operators would be expected to progress the introduction of the products through detailed discussions around technical and operational matters. It is CICRA's view that there is material risk of a regulator being overly prescriptive of technical or operational matters through a licence condition given the need to allow adequate adaptability in a sector such as telecoms that is fast changing in nature. It therefore appears appropriate that incumbents are given discretion on how best to implement any direction or comply with a licence condition in a manner that is most appropriate to the design of their own technical and operational systems which may not only differ between incumbents but also change over time.

This view is consistent with numerous licence conditions that relate to mobile number portability, compliance with International Commission on Non-Ionizing Radiation Protection (ICNIRP) standards and reference and interconnection offers, where detailed negotiations covering technical and operational aspects are left for licensees to resolve. CICRA wishes to invite views from operators on such matters and in particular, where respondents take a different view, to set out the rationale why the above principle should not inform WLR, given the approach to other licence conditions or directions.

Question 3

CICRA requests respondents to indicate the principles that should inform both the extent of technical and operational details the regulator should prescribe in WLR access product definition, as well as those aspects it should leave to negotiations between operators and incumbents.

Cost benefit analysis

CICRA has previously carried out a high level cost benefit analysis for WLR when it issued its initial decision¹ and final decisions². For completeness this analysis is repeated in Annex A of this consultation. Comment are sought on whether this existing high level cost benefit analysis should be reviewed to take into account any significant changes and whether a wider regulatory impact assessment is needed to support a regulatory decision.

Question 4

CICRA requests respondents to indicate their views on the approach taken by CICRA in the assessment of WLR as set out in its 2013 decision. If they consider that a revised cost benefit analysis should be carried out respondents are asked to identify the main elements of such a high level analysis that they regard as appropriate.

Where possible respondents should identify and provide evidence/rationale for any significant changes to the high level cost benefit analysis as set out in the 2013 decision.

Question 5

CICRA requests respondents to indicate whether a regulatory impact assessment is needed to support the regulatory decision and to provide evidence / a rationale to support their review.

¹ Initial Notice of modification of licence of JT (Jersey) Limited, CICRA 12/52, November 2012

² Final Notice of modification of licence of JT (Jersey) Limited, CICRA 13/20, May 2013

Implementation timescales

CICRA wishes to understand what timescale is reasonable for introducing WLR. The incumbents in particular are requested to set out work processes they consider comprise the process of introducing such a product to support their views, the timescales attached to such work processes to support the availability of wholesale line rental and the reason for this position to assist CICRA in coming to a view.

Question 6

CICRA wishes to understand the timescale that is reasonable for introducing WLR sought by respondents. The incumbents in particular are requested to set out work processes they consider comprise the process of introducing WLR.

Incumbent engagement with industry

Regulatory intervention is generally required in the area of wholesale provision of products in the telecoms sector where there is sufficient and clear demand, with benefits to consumers and the wider economy, but where the market is not meeting that demand. The regulator is also required to act to promote certain objectives such as the promotion of competition where it is anticipated this will benefit consumers. In the absence of an appropriate market response to demand or an inappropriate restriction of choice, the regulator must draw on its powers to mandate access to allow retail competitors to incumbents to compete on a fairer basis and to allow them the scope to innovate rather than rely on the incumbent to define products their competitors deliver to the market. Generally such obligations fall on the incumbents through licence conditions or directions through regulatory decisions.

The extent to which there is demand for wholesale access products and the costs versus the benefits are aspects the regulator must therefore consider prior to making such a decision.

The above sections seek to identify the extent and nature of demand which would further inform CICRA's considerations. However, CICRA also wishes to understand what evidence incumbents, namely JT (Jersey) and Sure (Guernsey), draw upon to inform their views on the extent and nature of demand in this area. Evidence from incumbents from consultation and / or discussion with retail operators should therefore be provided by the incumbents and an account of those discussions set out to support their views on the level of interest by industry players for WLR. How the incumbents have chosen to respond to that demand is also relevant to CICRA's considerations and incumbents are therefore requested to set out their plans to meet such demand or why they have to date not done so if there is demand.

Question 7

CICRA wishes to understand what evidence incumbents draw upon to inform their views on the extent and nature of demand in this area. Evidence from incumbents from consultation or discussion with retail operators in particular is therefore sought. Where incumbents have chosen to respond to such demand they are asked to set out their process and timescale for delivery to meet that demand.

Pricing principles

CICRA seeks views from respondents on the appropriate pricing principles that might be relevant to a consideration of the wholesale price for a WLR product were that to be supported as an outcome of this consultation.

Whether this should be on a cost plus or a retail minus basis would depend on a number of factors. The fact that the networks of the two islands are not identical and the ongoing fibre rollout in Jersey are possible factors that need to be taken into consideration. Prices that reflect efficient costs and the argument that there should be a single wholesale price in both jurisdictions, such as exist for other wholesale telecoms charges set by CICRA in the past also require consideration. Views are sought on the priority that should be given to such factors in order to inform CICRA how this key area might be addressed. It is suggested that CICRA would only issue a formal decision on the wholesale price for a line rental product following the development of the technical and operational detail to support its delivery to the market. When those component parts are negotiated through an implementation workshop forum it would appear that all parties would be in a better position to accurately establish costs of provision. In the first instance, it is CICRA's preference that participants in the implementation forum were to negotiate and agree a wholesale price, with regulatory intervention only used where absolutely necessary to set a price.

Question 8

CICRA seeks views on the pricing principles that should inform the setting of a WLR access price and the above approach proposed.

4. Next Steps

CICRA will consider responses received and the evidence provided to inform its position as to whether there is support and sufficient justification for requiring incumbents to make wholesale line rental available through its regulatory powers. If the evidence is persuasive, as a next step CICRA would then intend to issue an Initial Notice in Jersey and a Draft Decision in Guernsey.

Annex A -Legislative and Licensing Background

The legislative bases for this consultation in Jersey are provided by the Competition Regulatory Authority (Jersey) Law 2001 and the Telecommunications (Jersey) Law 2002. In Guernsey, the relevant legislation is The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001³ and The Telecommunications (Bailiwick of Guernsey) Law, 2001.

The duties of the JCRA in the telecommunications sector are defined in Part 3, Article 7 of the Telecommunications (Jersey) Law 2002.

“Duties of Minister and Authority

(1) The Minister and the Authority shall each have a primary duty to perform his, her or its functions under this Law in such manner as each considers is best calculated to ensure that (so far as in his, her or its view is reasonably practicable) such telecommunication services are provided, both within Jersey and between Jersey and the rest of the world, as satisfy all current and prospective demands for them, wherever arising.

(2) In so far as it is consistent with paragraph (1) to do so, the Minister and the Authority shall each –

(a) perform his, her or its functions under this Law in such manner as each considers is best calculated to protect and further the short-term and long-term interests of users within Jersey of telecommunication services and apparatus, and perform them, wherever each considers it appropriate, by promoting competition among persons engaged in commercial activities connected with telecommunications in Jersey; Article 8 Telecommunications (Jersey) Law 2002

(b) perform his, her or its functions under this Law in such manner as each considers is best calculated to promote efficiency, economy and effectiveness in commercial activities connected with telecommunications in Jersey;

(c) perform his, her or its functions under this Law in such manner as each considers is best calculated to further the economic interests of Jersey;

(d) perform his, her or its functions under this Law in such manner as each considers is best calculated to impose a minimum of restriction on persons engaged in commercial activities connected with telecommunications in Jersey;

³ Amended by The Guernsey Competition and Regulatory Authority Ordinance, 2012

(e) in performing his, her or its functions under this Law, have regard to the need to ensure that persons engaged in commercial activities connected with telecommunications in Jersey have sufficient financial and other resources to conduct those activities; and

(f) in performing his, her or its functions under this Law, have regard to any special needs of persons who are disabled or have limited financial resources or have particular needs.

(3) The Minister and the Authority shall, in considering whether the services referred to in paragraph (1) satisfy the demands referred to in paragraph (1), have regard to –

(a) whether the services are accessible to and affordable by the maximum number of business and domestic users;

(b) whether there is innovation in the services and their provision;

(c) whether the services are of high quality and are reliable;

(d) whether users are able to express their views about the provision of the services; and

(e) any objectives that the States prescribe by Regulations, including, but not limited to –

(i) the provision of a universal service, a social service or any form of cross-subsidized service, and

(ii) the provision of certain services at uniform tariffs or at tariffs that are cross-subsidized by other tariffs. .”

The duties of the GCRA in the telecommunications sector are defined in Section 2 of The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001.

“In exercising their respective functions and powers [under this Law and any Sector Law], the States and [the Guernsey Competition and Regulatory Authority (“the Authority”)] shall each have a duty to promote (and, where they conflict, to balance) the following objectives –

(a) to protect the interests of consumers and other users in the Bailiwick in respect of the prices charged for, and the quality, service levels, permanence and variety of, utility services,

(b) to secure, so far as practicable, the provision of utility services that satisfy all reasonable demands for such services within the Bailiwick, whether those services are supplied from, within or to the Bailiwick,

(c) to ensure that utility activities are carried out in such a way as best to serve and contribute to the economic and social development and well-being of the Bailiwick,

(d) to introduce, maintain and promote effective and sustainable competition in the provision of utility services in the Bailiwick, subject to any special or exclusive rights awarded to a licensee by [the Authority] pursuant to States' Directions,

(e) to improve the quality and coverage of utility services and to facilitate the availability of new utility services within the Bailiwick, and

(f) to lessen, where practicable, any adverse impact of utility activities on the environment,

and, in performing the duty imposed by this section, the States and [the Authority] shall have equal regard to the interests of the residents of all islands of the Bailiwick.”

In addition, there is scope for the States of Guernsey and Jersey to give directions to the GCRA and the JCRA respectively. Any decision resulting from this consultation will be based on relevant laws and duties of the GCRA and the JCRA respectively.

Annex B- 2012/13 Cost Benefit Analysis

This annex contains the Cost Benefit Analysis included in section 5 of the Initial Notice of modification of licence of JT (Jersey) Limited, CICRA 12/52, November 2012.

The JCRA has taken into account the fact that WLR is currently made available in many countries of various population sizes and levels of GDP per capita. The processes required for WLR are also relatively simple and well understood. Reliable cost estimates of around £30,000-£40,000 per annum (including set-up costs) have been supplied by CWG for the provision of a WLR product in Guernsey. Even for a small market such as Jersey, with a population of 97,000, the benefits per customer stemming from WLR would only need to be very modest to outweigh these estimated costs.

JT, in its response to questions submitted by the JCRA on the specific proposal by CWG and issues around the introduction of WLR in Jersey following the November 2011 consultation, has indicated it would require double the staffing resource proposed by CWG to provide a similar WLR solution, with an estimated annual cost of the order of £110,000, and potentially further costs from a change in specification required for the billing process.

The JCRA has considered the alternative costs suggested by JT and is not convinced that JT can justify requiring twice the resource estimated by CWG to introduce the same product. Not only are there greater economies of scale in Jersey given its higher population (as a result of which we would expect JT's costs per population to be lower than in Guernsey), but JT has offered no convincing evidence to support the argument that JT must develop and implement WLR processes that are materially more complex (and costly) than those proposed by CWG. The process design and implementation would seem to the JCRA to be very similar between CW and JT and the billing package used by JT, Comverse, is the same as that used by CW in Guernsey. Given an annual cost of between £30,000 and £40,000 for WLR to be introduced in each island, this amounts to between £0.67 and £0.87 per Jersey household and £1.00 to £1.40 per Guernsey household per annum. Even if JT's estimate of annual costs were accepted, this would still set the cost per household in Jersey for the provision of a WLR product at around £2.40 per annum.

In considering the potential benefits, WLR offers a means for all market operators to bundle their services. The absence of significant bundling activity in the islands in fixed telecom services, other than by JT, is evident from our initial research. Where this is in evidence, the JCRA notes that the reduction in total bill can be substantial.

For example, the current bundling offer from JT, 'JT Fibre Complete', indicates that the bundled price for mobile, broadband and fixed line calls is around £8 lower per month than the total price of the separate component products. While the JCRA has previously raised concerns around the composition of JT's bundles, it is nevertheless apparent that the price point for the bundle that JT believes is commercially feasible represents a significant reduction on the sum of the individual services sold separately. In addition, there are enhanced features offered as part of the JT Fibre Complete bundle that are not included for free in the standard individual products with which this price comparison is made, which would indicate the benefit to consumers is considerably greater than £8 per month.

It also appears to the JCRA that there are further benefits to competition in removing the compulsory relationship that the incumbent has with all customers regardless of which operator they take their calls or broadband services from. As explained already in this document and previous documents, this weakens the relationship of an entrant with its customers; WLR removes this limitation to competition.

The JCRA also takes the view that the introduction of WLR prior to consideration of any CBA of a naked DSL bitstream product will enable a sounder basis on which to carry out that analysis, given actual penetration figures following the introduction of WLR will be available at a later stage. The ability of other operators to compete in the market should also be improved as a result, and the extent to which the introduction of WLR will have improved the scale of their customer base will have implications for lowering their customer acquisition costs. WLR could also provide economies of scope and scale in marketing services, informing operators' options on how much to invest in naked DSL bitstream and fixed number portability in the future.

Given an annual cost of between £30,000 and £40,000 for each island, amounting to between £0.67 and £1.40 per household per annum in the Channel Islands, the JCRA concludes that the benefits from bundling alone, which WLR facilitates, exceed the costs of implementing the product on a high level CBA. Even if JT's higher cost estimates were taken and the cost threshold was £2.40, it is apparent that the benefits exceed the costs.

Objections to WLR have been raised by JT on the grounds that it would prefer that the naked DSL bitstream product is progressed instead of WLR, as it considers that WLR is an "old technology" and is specific to copper networks, and because it considers that there is no business case for JT Guernsey to offer WLR in Guernsey.

Given the success of bundled offers generally in telecoms and, in particular, JT's own record in Jersey of seeking to bundle fixed-line calls, mobile and broadband, the JCRA

does not consider JT's objections reflect its own practice in Jersey. The JCRA would also fully expect JT Guernsey to offer bundled services as a result of WLR, given this offers an improved ability to compete. Also, WLR is primarily a billing service and therefore not specific to copper networks, contrary to what JT has argued.

The JCRA does, however, agree with JT's view that the availability of naked DSL bitstream may offer a more significant step forward in terms of the flexibility available to other operators. However, the JCRA has reservations about whether naked DSL bitstream can be delivered in a comparable timescale to that of WLR. Naked DSL bitstream is a more complex product and the risk of delay is that much greater as a result. It is also the case that the resources required to provide the wholesale product are more significant and JT's repeated concerns around availability of resources would seem even more relevant to naked DSL bitstream than WLR.

An overarching reservation that the JCRA has with JT's response to the CIWAP consultation is that JT cites its current investment in fibre access networks as determinative of the resources it has available to develop wholesale access products. The business interests of JT and where it believes it should dedicate its resources are not the only factor to take into consideration in Jersey. The existence of a vibrant competitive environment is key to the health of the market for fixed-line telephony services. Indeed, competitors of JT have voiced concerns that it has failed to engage appropriately with them in the rollout of the fibre network and transparency has been poor. JT appears to be of the view that access by entrants will largely rely on the speed at which it chooses to roll out its new network, which is taking place over a five year timespan. Delays of this magnitude for competitors of JT are clearly not in the interests of furthering competition in the fixed-line telecoms market.

While JT has offered to 'fast-track' Jersey customers to fibre where they wish to switch to another operator, other operators have clear reservations about relying exclusively on such arrangements. The reality is that a large proportion of the network in Jersey will still rely on copper networks to deliver access services for at least another 18 months, and further delay to wholesale competition is not in the best interests of consumers. The JCRA has therefore given greater emphasis to the speed at which it seeks to facilitate competition, but will consider the introduction of additional wholesale access measures as provided by the remaining short-listed products at a later stage, ideally drawing on evidence of the success of WLR and more reliable assumptions as to the potential benefits of naked DSL bitstream.

JT has cited the additional burden of developing wholesale processes for WLR as detracting from resources needed to achieve fibre rollout. The JCRA does not accept these arguments given the relatively straightforward processes entailed, much of which already exist through the provision of wholesale broadband. However, in the

event these arguments had merit, it seems more likely that a naked DSL bitstream product, which is more complex and resource-intensive than WLR, would detract from JT's resources to a greater extent than WLR. Despite this, JT has indicated a preference for the launch of the naked DSL bitstream product.