



Guernsey Airtel Limited's (GAL) response to Guernsey Competition Regulatory Authority (GCRA) Case T1652G – Proposed Decision – Wholesale Broadband Access Pricing, published 23/05/2023.

- 1) GAL requests GCRA to reconsider the reasons set out below in this response before the final decision on 'Wholesale Broadband Access Price' is made. These points re-emphasise the extreme challenges being faced by GAL, and addressing of these issues will help GAL to compete effectively.

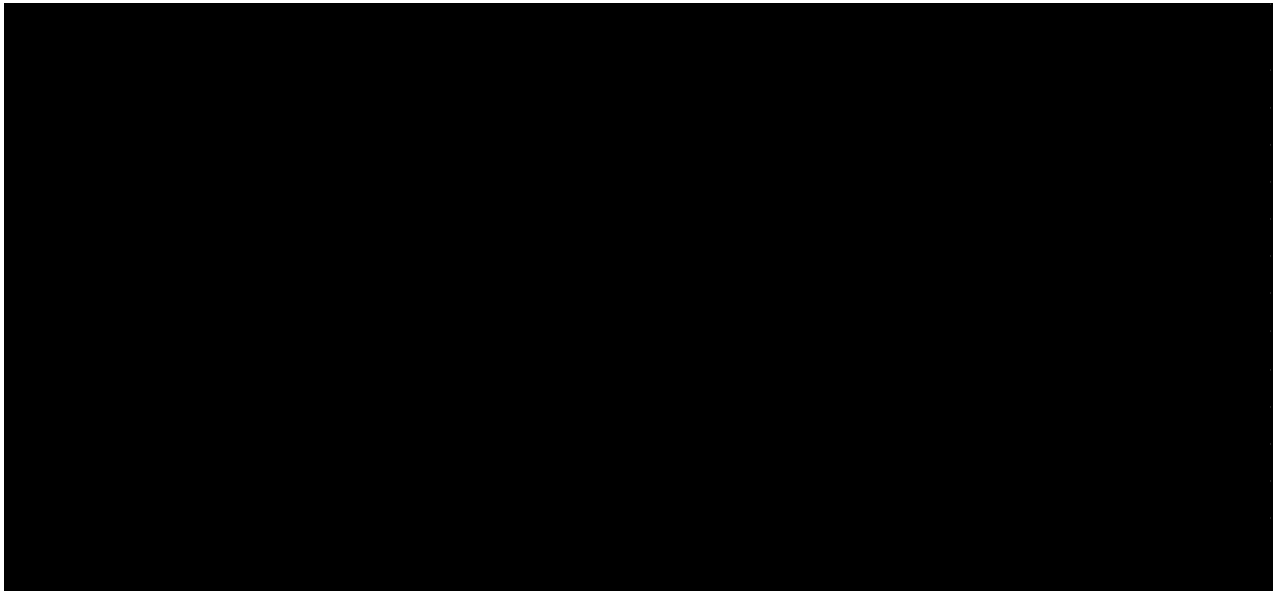
GCRA's proposed decision for 'Wholesale Broadband Access Pricing' published on 23/05/2023 after a gap of 17 years will not benefit GAL to 'compete effectively'.

- 2) GCRA states aims of ensuring '*there is effective and fair competition between businesses*' and that '*market power is not abused*' in document GCRA '*Priorities for 2023, Page 6*'.
- 3) GCRA's proposed decision T1652G published on 23 May 2023 for 'Wholesale Broadband Access Pricing' acknowledges entry of Starlink in broadband market in 2022, section 2.9, however, there is no mention of GAL's entry into the fixed broadband market in 2021 in a such a critical review.
- 4) Historically GAL always advised the Channel Island Competition Regulatory Authority (CICRA) until 2017–18 that 'bundling of all the telecom products such as mobile, broadband and landline together' is highly anti-competitive for a challenger like GAL who owns only the mobile infrastructure, and do not own other essential telecom infrastructure elements such as fibre, landline, leased lines, ISP, etc required to offer fixed broadband services to customers.
- 5) Even a challenger like JT in Guernsey owns their ISP feed, and they own many of the mentioned telecom elements as they are the incumbent in Jersey. GAL is forced to buy various wholesale products including broadband access, backhaul connectivity, etc., to compete and provide essential services to its customers in Jersey and Guernsey respectively.
- 6) Pushback from CICRA to GAL was that since wholesale access is available for the telecom infrastructure elements not owned by GAL, therefore, GAL can have wholesale access and compete too.
- 7) Further, basis the emerging strong trend of customers looking for combined deals for 'mobile and fibre' post the Covid, combined with the compulsion to remain relevant to its own customer base and market competitive, GAL had no choice but to invest in 2021 to roll out copper / fibre broadband and landline services using various wholesale products access little knowing it will result in losses for GAL.
- 8) The latest 2022 Telecom stats released by GCRA confirms how the preference for 'bundled telecom products' is ever growing year on year. The below table 1 will provide GCRA with enough insight regarding the extreme challenge GAL is facing to remain 'relevant and competitive' in local market.

█ The 'Table 1' below shows █
█
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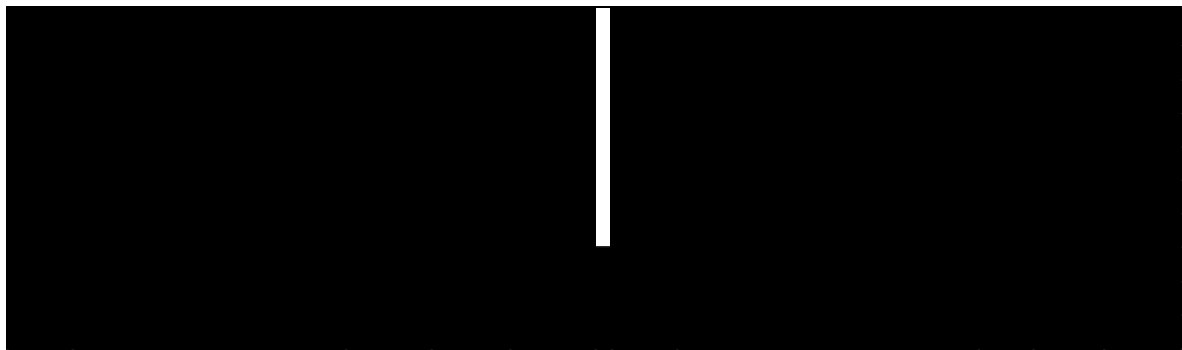
- 10) █ will lead to widening losses for GAL further.

Table 1 – [REDACTED]



[REDACTED] The 'Table 2' below illustrates current retail prices in Guernsey of Fibre and Copper broadband. [REDACTED]
[REDACTED]
[REDACTED]

Table 2 – Guernsey Retail Price comparison for Fibre and Copper Broadband:



12) GCRA's proposed 'Wholesale Broadband Access Price' will not benefit GAL [REDACTED]
[REDACTED].

[REDACTED] Since a challenger like JT in Guernsey owns their ISP feed, and they own many of the mentioned telecom elements as they are the incumbent in Jersey, [REDACTED]
[REDACTED]

14) No wonder, JT possess 22.3% fixed market share against 1% of GAL as [REDACTED]
[REDACTED]
[REDACTED].

- 15) [REDACTED] doesn't factor in impact of other following costs:
- i. Sales & Distribution expenses,
 - ii. Marketing expenses,
 - iii. Network operational expenses,
 - iv. IT operational expenses
 - v. Customer Services,
 - vi. Bad Debt,
 - vii. Billing,
 - viii. Human Resources,
 - ix. Regulatory costs, etc.

[REDACTED] Even with factoring GCRA's proposed 'Weighted Average Wholesale Broadband Access Price' [REDACTED]

- 17) Points 2 – 12 proves that GCRA's proposed 'Weighted Average Wholesale Broadband Access Price' will not help with 'effective competition' and worsen [REDACTED]. And both the competitor i.e., incumbent Sure with market share of 76.2% and JT with market share of 22.3% will [REDACTED].

18) Therefore, GAL believes that GCRA should further reduce the prices of 'wholesale broadband access' factoring in GAL's challenges as explained above with the evidence, so that GAL can 'compete effectively' in a three-telecom operator market.

GCRA's proposed 'Wholesale Broadband Access' pricing will increase by 17% over next 4 years.

- 19) Whilst GAL has long advocated the periodic review of prices of all the 'wholesale services' including the 'wholesale broadband service', and although GCRA acknowledges in its price review after a gap of 17 years that "Guernsey is the fifth most expensive jurisdiction on the average prices of retail broadband service plans among 29 countries in Western Europe", yet GAL is disappointed to note that GCRA is proposing 'wholesale broadband access prices' will increase over next 4 years.
- 20) GAL has not come across any example either in Jersey or any other jurisdiction where price of all wholesale broadband products will increase each year. Therefore, instead of increasing the price by 17% over next 4 years, GCRA should reduce the price in range of 25-50% over the next 4 years.
- 21) GCRA's proposal that 'wholesale broadband access prices' to be lowered by 11% on average, which will increase by 17% over next 4 years will worsen the [REDACTED].
- 22) Whilst preparing this response, GAL requested GCRA to supply actual impact on current wholesale broadband access monthly price, however, GCRA refused advising we can submit the response without same which GCRA will consider later. Unlike GCRA, JCRA's draft 'wholesale broadband access price review' in 2021 clearly showed the impact on monthly price, hence, [REDACTED]. GCRA should clarify on this point ASAP before the final decision is made.



23) Therefore, instead of proposing price increase year on year until 2028, GCRA should rework their proposal to bring down current wholesale broadband access price year on year which enables [REDACTED] GAL to ‘compete effectively’.

GCRA’s proposed ‘Wholesale Broadband Access’ price comparison with Jersey.

24) The table below illustrates the stark differences that exist when comparing Wholesale fibre prices in Guernsey with wholesale fibre price in Jersey.

Table 3 – Guernsey Wholesale Fibre Pricing versus Jersey Wholesale Fibre Pricing:

Guernsey product	Guernsey price	Jersey product	Jersey price	Differential versus Jersey
Fibre 30/3	£18.33	Bitstream, up to 1Gbps Download	£14.96	123%
Fibre 50/5	£23.51			157%
Fibre 100/10	£29.73			199%
Fibre 300/30	£38.01			254%
Fibre 1000/50	£79.00			528%

25) While comparing current wholesale broadband access pricing in Jersey with the proposed prices of wholesale broadband access in Guernsey for 2024, it is observed that current Sure price is **528% higher** for 1 Gbps product than the Jersey price as highlighted in the table above for a superior wholesale broadband product i.e., bitstream rental that allows us to deliver a 1Gbps download service.

26) And, this differential of **528%** will only widen further given GCRA’s proposed whole broadband access price for year 2028. Also please note that the wholesale broadband access pricing in Jersey for 1 Gbps Bitstream will drop from £14.96 to £13.41 by year 2026, therefore, comparing like for like in 1 Gbps category, the price gap between Jersey and Guernsey will widen to **538%**.

27) This evident gap in the broadband access pricing is so high that Sure in Guernsey is selling their Fiber 30/3 product at **123%** higher price than JT’s 1 Gbps bitstream product in Jersey expected to climb to **133%** by 2026, which is totally unacceptable.

28) GCRA must address such a huge gap in broadband access pricing in their final decision across all the products / services if they are keen for GAL to ‘compete effectively’ in Guernsey against incumbent Sure with market share of 76.2% and JT with market share of 22.3%. Both the substantial fixed market share holders i.e., Sure and JT own their ISP and all other essential telecom infrastructure elements for which GAL is forced to buy from Sure or JT at prohibitive prices.

GCRA’s proposed ‘Wholesale Broadband Access’ price comparison with UK, and possible learnings for GCRA basis introduction ‘equinox’ approach in UK.

29) The table below illustrates the price difference is even more stark when comparing Wholesale fibre prices in Guernsey with wholesale fibre price in UK. The below comparison clearly illustrates that a

superior product is available to fibre service providers in the UK at far reduced pricing when compared with the current Sure portfolio of products.

- 30) In April 2023 Openreach introduced their Equinox 2 price model (also included in the table below) with further discounted prices to retail service providers over and above the standard list prices detailed, which shows pricing differentials of up to 371% when compared to Sure wholesale price.

Table 4 – Guernsey Wholesale Fibre Pricing versus UK Wholesale Fibre Pricing:

Guernsey product	Guernsey price	UK - Openreach equivalent	UK List Price*	Differential versus UK list price	Equinox 2 pricing**	Differential versus Equinox 2
Fibre 30/3	£18.33	Fibre 40/10	£16.09	114%	£16.09	114%
Fibre 50/5	£23.51	Fibre 55/10	£19.62	120%	£15.50	152%
Fibre 100/10	£29.73	Fibre 115/20	£20.19	147%	£15.80	188%
Fibre 300/30	£38.01	Fibre 330/50	£28.37	134%	£18.30	208%
Fibre 1000/50	£79.00	Fibre 1000/115	£36.55	216%	£21.30	371%
* https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=M80QNeH46o4g6JKGD604vTypQOKfNn%2Beo6vmoVhAOBZZ6rNZujnCs99NbIKJZPD9hXYmiiH6wrCQm97GZMyQ%3D%3D						
** https://www.ofcom.org.uk/__data/assets/pdf_file/0022/261931/annexes-statement-equinox-2-offer.pdf						

- 31) The aim of the Equinox 2 pricing offer was to incentivise retail providers to place new orders using Openreach's full fibre over legacy copper products. Given the similarity of the situation in Guernsey where the wholesale provider is looking to retire the legacy product, GAL believes that such a discounting approach should be applied for the following reasons:

- i. Of the 10,383 properties ready for Fibre as released by Sure Wholesale as at 31/5/2023, 6106 are yet to have a fibre line connected, equating to 59% of households. In March 2023 Guernsey Fibre shared some market research with Retail service providers regarding user experience of the Fibre changeover process. Suggest GCRA review this research if not already done so. GAL believes that adopting an incentivised pricing model with discounting on levels detailed above would swiftly accelerate user adoption.
- ii. Openreach FTTP Equinox pricing is up to 42% discounted from standard list price. Sure Wholesale offer limited discounts for a 6 months period only for customers migrating to higher speed Fibre product from Copper. In addition, the differential between Sure Wholesale legacy copper products and fibre is minimal.

GCRA has ignored GAL's request to the Committee of Economic Development (CED) at States of Guernsey (SoG) as per letter dated 20th July 2021 ahead of publication of policy letter regarding Broadband Working Group in Guernsey.

- 32) GAL is disappointed to note that GCRA has not reviewed pricing of WLR for last 17 years, and even in this current review there is no work done to review the price of WLR access which is enforced upon the customers without any need or ask.



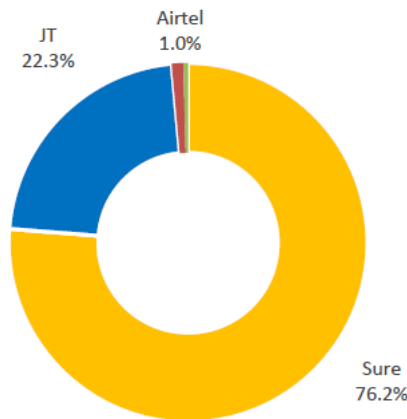
33) GCRA has ignored GAL's request to CED at SoG as per letter dated 20 July 2021 which clearly stated "Today the WLR and WBB are offered as a combined product, which is not in line with the increasing customer demand for WBB without WLR. A customer who does not need the WLR or cannot afford the additional cost of the WLR should be free to choose the product they want and not be forced to buy the combined product. Lately there have been several demands for such products and a number of such discussion can be seen on social media where public demand such flexibility".

34) Therefore, GCRA needs to clarify their stand on WLR price review.

Concluding Remarks

35) Despite the pricing detailed above in Table 1 & 2 and considering GAL's [REDACTED]

36) The Telecommunication Statistics 2022 market report published on 20/6/2023 by GCRA shows that [REDACTED] of fixed broadband market share despite GAL trying every effort at the retail level to stimulate market growth.



37) With clear examples of what UK / Jersey regulators have done at wholesale level to stimulate growth, it is time for GCRA to implement these examples with significant price review. With the current wholesale pricing, the market is stagnant, and even the proposed pricing from GCRA will not help with the competition. Therefore, GAL believes that GCRA needs to address it's proposed 'wholesale broadband access price' [REDACTED] GAL to compete effectively.

Therefore, GAL requests GCRA to reconsider the reasons set out above in this response before the final 'wholesale broadband access price' decision is made. GAL is looking forward to a response from GCRA to each of the above points prior to the final decision is made at your earliest convenience.

Guernsey Airtel Limited
14 July 2023