



BUSINESS CONNECTIVITY MARKET REVIEW

March 2021



What we are here to do

-  To promote value and choice for Guernsey consumers to the benefit of the Guernsey economy,
-  To protect the interests of consumers who have no direct way of making their voices heard,
-  To support development and delivery of Government policy, in particular, in the sectors subject to economic regulation, to achieve the best outcome for Guernsey consumers; and,
-  To keep the operation of markets and regulated companies under review to identify and address new forms of detriment and issues for potential action, and thereby to promote trust in markets.



What is business connectivity?

- High speed symmetric telecoms connections using dedicated lines.
(called Private circuits or Leased lines)

Who uses these services?

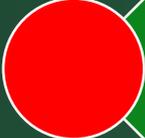
- Businesses, Government, Telecom retailers & Mobile operators.

Why are we conducting this review?

- Ensuring the needs of these customers are adequately provided for is essential to support productivity in a modern island economy and the island's competitiveness.



Our process

-  Call for Information
-  Draft Decision
-  Consider responses to Draft Decision
-  Final Decision
-  Consideration of possible remedies



The 'Draft Decision' considers the following:

Customers

- Their location, current demand, and future requirements;

Connectivity

- Technical specifications of the services provided and how they are used;

Markets

- Competing network reach and whether the competitive conditions differ by geography and service type.



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JT Fibre Network



Google Earth

Data SIO, NOAA, U.S. Navy, NGA, GEBCO
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SURE FIBRE NETWORK



Some key features of demand

- Distribution of customer types largely unchanged from last review;
- Current products mainly providing connectivity to 10Mbps and 100Mbps;
- High density of businesses on the east side of the island with most significant demand from finance and public sector in those areas
- Significant increase expected in future demand for very high bandwidth services as next generation technologies develop (e.g. 5G)
- Greater need for resilience



Some key features of geographic and product market

- Not homogenous between the east and the rest of the island in terms of distribution of customers and nature of their demand;
- Nature of demand at high bandwidths different from lower bandwidth - connectivity to very high bandwidth currently limited mainly to self-provision and backhaul.
- Alternative supply conditions different between east of island and rest of the island with network reach by JT extensive in GY1, GY2 & GY4



Our market definition findings

Two geographic markets

- GY1, GY2, GY4 (east side of island) is one geographic market
- Rest of Guernsey (ROG) is a separate market

Two product markets

- Under 1 Gbps
- 1 Gbps and above

Separate retail and wholesale markets



Significant market power findings

Wholesale Market

- Sure - Significant Market Power in the wholesale provision in the whole of Guernsey, for both low and high bandwidth products

Retail Market

- For connectivity less than 1 Gbps, in GY1, GY2 and GY4 - Sure and JT are jointly dominant, Sure has SMP in Rest Of Guernsey
- For connectivity to Very High Bandwidth, in GY1, GY2 and GY4 - JT has SMP, Sure is dominant in Rest Of Guernsey (as the only connectivity provider in this area)



Competition and choice

- The presence of two fixed network operators in GY1, GY2 and GY4 only;
- Operators unable to connect to each other networks and infrastructure, refusal to provide;
- The dependence on a single network provider for ubiquity.



Next steps

Final decision

- Further evidence can be submitted in response to this draft decision which will inform a final decision.

What areas might GCRA explore further given its findings?

- If there are potentially high margins should there be a regulated cost-based approach to prices?
- Why are requests for greater variety and options at very high bandwidths not being met?
- What risks are there to customer choice and competitiveness where joint dominance is found?



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