JT's Non-Confidential Response to GCRA Consultation – Business Connectivity Market Review – Proposed Decision – Wholesale On-Island Leased Line Pricing (T1621G)

12th May 2023

1. Introduction and Response

1.1 JT (Guernsey) Limited ("**JT**") welcomes the opportunity to respond the Business Connectivity Market Review ("BCMR") – Proposed decision – wholesale on-island leaved line pricing (the **"Consultation**"). This is a non-confidential response and can be published in full.

2. JT Comments

2.1 JT supports the approach taken by the GCRA when looking to set the price control for on-island leased lines and have a small number of comments on the proposal.

2.2 In section 3.22 of the Consultation the GCRA discuss the various approaches that could be taken to set regulated cost-orientated prices. In the conclusion, the GCRA propose using DCF modelling forecasts based on Sure's actual demand and cost data is the most appropriate approach. This approach has been proposed due to the fact that "Sure's FTTP network is currently in the process of being built". This statements does not make sense to JT. Sure have been providing wholesale leased lines in Guernsey for many years with assets that will have been discounted over time in line with their asset lives. The investment that Sure are now making in building at FTTP network is a separate network to the network used to provide leased lines. The FTTP network is to provide broadband and fixed voice services and is not for the provision of wholesale leased lines. JT have not been provided with any information from Sure or the GCRA that would lead it to believe that the Sure's FTTP investment was also being made to expand its network for the provision of wholesale on-island leased lines. We therefore question the choice of cost modelling and would suggest that a top down costing modelling would be more appropriate. It is our understanding that demand going forward for leased lines is expected to be static with the gradual removal of low bandwidth products, replaced with higher speed products (as described in 4.17 – Assumption 8). We do not see the higher speed products relying on the roll out of Sure's FTTP network. If the DCF modelling approach is being used as a proxy for current costs for providing equivalent leased line products, we would expect this to be expressly stated along with the methodology used.

2.3 The proposed price control allows for price increases in line with the estimated long-run inflation rate of 2.2% as described in section 5.3. Price increases in line with inflation would be expected in the broadband market but would not be usual in the leased line market, where prices have generally been reducing. We therefore question the inflationary price increases proposed in Table at section 5.8 of the Consultation.

2.4 The consultation deals with the removal of existing products during the price control period however it is silent on new wholesale products that may be introduced within the price control period. We would expect that new wholesale products would be cost justified and would fit within the "pricing curve" as laid out in Table A at section 5.8 on the Consultation. We would welcome the GCRA's confirmation of the pricing approach that should be applied to new wholesale products within the on-island leased line portfolio.