



Confidential Response to CICRA 2018 Call for Information

On the Review of Mobile Termination Rates (MTRs)

in Jersey and Guernsey

CICRA Document No: 18/52

1st February 2019

We are pleased to provide a confidential response from JT (Jersey) Limited and JT (Guernsey) Limited jointly referred to as JT throughout this response on this important subject.

Question 1: Does the respondent agree that the SMP decision contained in the Final Notice – Mobile Call Termination 2017 - Market Definition and Dominance⁴ is still valid? If the respondent has alternative views or evidence the respondent is asked to explain those and provide all of its analysis and assessment relating to this matter to inform CICRA’s considerations and next steps.

JT agree with the finding that there are distinct markets for the termination of calls on each mobile network in Jersey and Guernsey and that each MNO held significant market power (SMP) for the termination of traffic on its own network (the “SMP Decision”).

Question 2: Does the respondent agree with CICRA’s provisional views that ex-post competition law would be insufficient to address the lack of effective competition in the markets defined and prevent the problems identified in this consultation? If the respondent does not agree with CICRA’s provisional view the respondent should provide all of its analysis and assessment.

JT agree that ex-post competition law would be insufficient as discussed by CICRA in the consultation.

Question 3: Does the respondent agree with CICRA’s provisional views on ex-ante remedies? If the respondent does not agree with CICRA’s provisional views the respondent should provide all of its analysis and assessment.

JT agree that a charge control is the most appropriate remedy as per CICRA’s analysis demonstrated in Table 1.

Table 1: Suitability of ex-ante remedies to address particular competition problems

			Relevant remedies (SMP conditions)			
			Network access obligation	Price transparency obligation	No undue discrimination obligation	Charge control
Competition problems (arising from SMP)	Price	Excessively high MTRs				YES
		Lack of price certainty		YES		YES
		Undue Discrimination (price)			YES	YES
	Non-Price	Undue Discrimination (non-price)			YES	
		Refusal to supply mobile call termination services	YES			

Question 4: Does the respondent agree with CICRA’s provisional findings that price caps for MTRs should broadly aim to cover the costs that an efficient MNO would incur in offering MCT, applying a long run incremental costs (LRIC) standard? If the respondent does not agree with CICRA’s provisional findings the respondent should provide all of its analysis and assessment.

Question 5: Does the respondent agree with CICRA’s provisional view that the Ofcom MTR model is a suitable proxy to be used as a LRIC MTR model to be applied to the Jersey market, subject to verifying whether adjustments may be needed to reflect local market circumstances?

JT agree with CICRA’s provisional view that the level of the MTR price cap applicable in the UK could be used as an appropriate proxy for the LRIC of an efficient MNO in Jersey. An approach could be to take the Ofcom model, on which the UK’s MTR price cap is based, and to consider its suitability for Jersey and Guernsey taking account of any relevant differences in local market circumstances

CICRA are proposing the use of the LRIC MTR model instead of benchmarking, which was the approach taken historically. CICRA appear to pick and choose at its convenience whether it wants to use benchmarking data to set pricing depending on which outcome it wishes to see.

Previously, MTRs have always been set by way of benchmarking whether by looking at the EU market MTRs or just benchmarking Jersey to rates that are already in place in Guernsey, as was the basis of the 4.11 ppm MTR that is currently in place.

CICRA must take into consideration that the Channel Island mobile operators have a higher cost base than the UK mobile operators as they do not benefit from the same economies of scale and scope. Added to this, as operators in islands, we have the additional costs of operating off island submarine cables.

Question 6: Is there any other relevant matter that the Respondent wishes to raise with CICRA, which is not covered by any of the above questions?

While JT are generally supportive of lower MTRs for Jersey and Guernsey, we remain unconvinced that any changes to Channel Island MTRs will have the desired effect of ensuring that calls to Channel Islands mobile numbers are included in the call bundles offered by UK mobile operators.

We haven't seen any evidence of a direct correlation of a reduced MTR with the inclusion of minutes in UK bundles. This is supported by the fact that although Channel Island fixed voice termination rates are on a par with the UK fixed termination rates [day 0.5106 ppm; Evening 0.2338 ppm; Weekend 0.1841 ppm] calls to Channel Island landlines from mobile operators are also excluded from mobile bundles.¹ Additionally, mobile calls to the Isle of Man mobile numbers are also excluded from inclusive bundles and the Isle of Man MTR is far lower than the Channel Islands MTR at 1.25 pence per minute².

The Channel Island mobile operators interconnect with BT and not directly with the UK mobile operators and therefore it is the rate charged by BT that is passed on in the price of mobile calls. (Details of JT analysis included in the confidential appendix). The mobile termination charges incurred by the UK mobile operators is one of the costs that are considered when setting retail rates, however, there are many other commercial considerations when setting retail price. It is also important to note that the volume of mobile calls terminating into Jersey and Guernsey is an exceptionally low volume of UK mobile operators' terminating traffic.

UK retail mobile rates and the bundles offered by the UK mobile operators are not regulated by Ofcom. Ofcom does not have any jurisdiction over retail mobile rates, however it does control the allocation and administration of number ranges. Many number ranges have set retail prices that are mandatory. If Ofcom were to use their powers to ensure that a reduction in the Channel Island MTR corresponded to Channel Island numbers (mobile and Channel Island national geographic – 01534 and 01481) being included in the UK operators call bundles JT could support a reduction in Channel Island MTRs. We suggest that this is the route that CICRA should explore with Ofcom to address the issue of including Channel Islands numbers in UK mobile operators bundles.

¹ <https://ee.co.uk/content/dam/ee-help/help-pdfs/ee-monthly-price-plan-guide-1218.pdf> (page 7)

² <https://www.iomcc.im/information-centre/news-updates/2017/apr/mobile-termination-rates-to-remain-at-125ppm-for-another-year/>