

Guernsey Airtel Limited's (GAL) response to Guernsey Competition Regulatory Authority (GCRA) Case T1480GJ: Business Connectivity Market Review (BCMR) Proposed Decision: Market definition & Competitive assessment, published 12/04/2022

16th May 2022

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GAL welcomes GCRA's extensive review of Guernsey's 'Business Connectivity Market' and appreciates the detailed analysis including all the issues identified in the document 'T1480GJ: BCMR Proposed Decision: Market definition & Competitive assessment'.

Whilst GAL is looking forward to the final decision on the BCMR market definition and competitive assessment which will help GAL to continue to innovate the right product mix at competitive price benefitting all consumers in Guernsey, GAL requests GCRA to factor in data shared in following two tables as per GCRA's 'Telecommunications Statistics and Market Report 2020' before the final decision is made:

GAL's network despite being the challenger in local market, has the data volume similar to Sure's mobile network which has twice the market share of GAL.

Telecom Statistics 2020 for Guernsey	
Operator	Data Volume (Million Gbytes)
JT	1.01
Sure	2.50
Airtel	2.40

Therefore, GAL requests GCRA to consider following points to be addressed in the final BCMR decision. These points re-emphasise the challenges faced by GAL and resolution of these problems will help in addressing the 'cost of doing business' in Guernsey:

1. Whilst GAL appreciates GCRA drawing its approach to market analysis basis the EU's regulatory framework for electronic communications networks and services, however, GAL requests GCRA to consider the strategy adopted by EU Regulators for 2021-25 basis EECC's guidelines. GAL would like to draw GCRA's attention to following two important points mentioned on Page 5 & 9 respectively in the link below:

[BEREC \(Body of European Regulators for Electronic Communications\) strategy 2021 – 2025](#)

- a. *Page 5 - In a broader perspective, new connectivity technologies may emerge in this 2021 – 2025-time frame to serve new needs either for the general public or for tailor-made solutions dedicated to business users in their respective sectors. Common to all new wireless connectivity technologies, whether 5G, Wi-Fi or something else, is dependence on the availability of fibre backhaul.*
- b. *Page 9 - BEREC will also continue, within the scope of its competence, to follow the development of 5G actively and closely. Fixed network coverage and access options will influence 5G, as high-capacity*

quality fibre backhaul availability is necessary for the deployment of the new standard. Depending on the assessment of competitive conditions, wholesale access to fibre backhaul connectivity of cell sites needs to be ensured (and regulated, where necessary) to prevent potential problems in terms of lack of coverage and refusal of access to bottleneck facilities, in particular in less competitive geographic areas. Duct and pole access and dark fibre may also become increasingly relevant.

- GAL agrees with GCRA in 1.14, 6 & 7 in T1480GJ that leased line prices are materially higher in 'VHB >=1Gbps' and significantly higher in '<1Gbps' category than the comparable jurisdictions.
- GAL agrees with GCRA in 1.15 in T1480GJ that though Sure has voluntarily reduced the prices for VHB category but there is room for further price reduction towards cost-reflective prices. The price difference is still very high when compared to JT-Jersey and the UK, please refer to the table below:

Service	Sure new	JT- Jersey	difference	UK	difference
1Gbps	19,929	10,860	84%	2,316	760%

GCRA needs to factor in that price of VHB (>=1Gbps) will be reduced further in Jersey once JCRA's BCMR is concluded.

Price reference to JT's VHB (>=1Gbps) is from their notification with the subject "LC33 - JT Wholesale On-island Private Circuits" dated 03 Aug 2021.

Price reference to UK Market's (>=1Gbps) is from point no. 4.6 and 4.7 in GCRA's consultation paper 'T1602G' circulated on 14 Jan 2022 respectively.

- GAL agrees with GCRA in 7.7 in T1480GJ that the price of '<1Gbps' products in different exchanges are materially higher, however, GCRA has not taken any action to reduce these prices.

Please see below table of current leased line portfolio we buy from Sure for couple of our sites in Guernsey. If GCRA reduces price in '<1Gbps' segment, then GAL can opt for '<1Gbps' leased lines for maximum of its sites to minimise Microwave transmission outages throughout the year.

Service	Sure current	JT- Jersey	difference	UK	difference
100Mbps	14,571	7,440	96%	2316	529%
500Mbps	19,200	8,740	120%	2316	729%

Plus, it's worth noting that annual price difference between Sure's 1 Gbps and 500 Mbps is £729 only which confirms how the prices are disproportionate.

Above table also laments the point that there is more requirement for products in '<=1Gbps' than the '>1Gbps' category. The local traffic and usage haven't evolved yet where 10Gbps products are needed in near future.

GCRA needs to factor in that JCRA will be addressing price reduction across all the categories and not just the '> 1Gbps' category in their ongoing BCMR exercise.

5. GAL strongly disagrees with GCRA in 7.11 in T1480GJ regarding the approach adopted to retain current retail minus price control for low-speed lines (<1Gbps). GAL firmly believes that prices of all types of leased lines must be benchmarked irrespective of speeds. GAL will always have more requirement for leased lines in <1Gbps category.
6. Further, GAL agrees with GCRA in 9.24 in T1480GJ that gross margins for Guernsey leased lines are likely to be very high. Therefore, GAL suggests GCRA to reduce the prices across all the categories on immediate basis.
7. Regarding GCRA's point in 9.46 in T1480GJ, GAL recommends using bitstream fibre broadband product as an alternative to low speed leased lines because it will provide end to end connectivity without throttling and any contention ratio. GCRA needs to direct Sure to follow JT's rollout of bitstream services in Jersey. GAL would welcome that if market is broadened to include business connectivity services provided via business or residential 'bitstream broadband' in this BCMR.
8. GAL disagrees with GCRA's view in 9.61 in T1480GJ. GAL has been highlighting that leased line connectivity between the islands of Jersey and Guernsey shouldn't be in same category as off island leased lines terminating in UK or France. All the OLOs have a pan island infrastructure with a shared resilience requirement in between the two islands as per the CNI of both islands respectively. The cost of inter-island leased lines between Jersey & Guernsey, Guernsey & Sark and Guernsey & Alderney are highly prohibitive, therefore, GAL requests the GCRA to regulate the prices of 'inter channel island leased lines' only.

GAL understands that off-island leased lines are not an effective demand or supply side substitute for on-island leased lines, but prohibitive prices of off-island leased lines between Channel Islands impacts the GAL's cost of doing business

GAL also want to emphasize on UK Code of Practice and ECSM Regulations set out by DCMS on retaining national resilience. Regulations 3(3)(f)-(h) impose certain requirements to ensure that GAL would be able to operate the network without reliance on persons, equipment or stored data located outside the United Kingdom in emergency situations. Therefore, it's imperative for GAL to have resilience in Channel Islands i.e. Jersey, Guernsey, Sark, and Alderney.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057446/Draft_telecoms_security_code_of_practice_accessible.pdf

9. GAL agrees with GCRA's view in 10.12 in T1480GJ that the existence of significantly higher price differences between bandwidths is more likely to be due to the existence of market power and less likely to be because different leased line bandwidths are in different product markets. Therefore, GAL would like to understand the action plan to mitigate the risk of existence of market power on high price difference between the bandwidths.

As highlighted in Table 1 in point 3 and Table 2 in point 4 respectively, for 100Mbps product, GAL is paying 70% of the cost of 1Gbps product. Such a huge disproportionality in the prices prohibits GAL from competing effectively in the market.

10. GAL agrees with GCRA in 10.46, 10.50, 10.51 and 10.52 in T1480GJ that access to dark fibre would be an effective supply- and demand-side substitute for active leased lines. GAL appreciates that GCRA is

proposing to include access to dark fiber and duct sharing in the wholesale leased line market. Therefore, GAL would request the GCRA to share the next steps and roadmap in this regard.

11. GAL agrees with GCRA in 12.36 in T1480GJ that Sure is likely to be making higher profits on leased lines than operators in comparable markets considered in section 7, therefore, GAL suggests GCRA to reduce the prices to much lower level as compared to what it is today. Also, considering the ongoing BCMR activity in Jersey, leased line prices are expected to come down further across all the categories.
12. GAL firmly believes that demand of leased lines mentioned in 6.2 in T1480GJ would certainly increase if barrier of high prices is removed. GAL has a strong desire to shift 100% its connectivity on to Fibre leased lines but current price model of leased line does not make a viable business case for it.
13. GAL agrees with GCRA in 12.38 in T1480GJ that the impact of contract periods in the leased lines market means that change in competitive conditions can only come about relatively slowly. GAL suggests that there should not be any barrier in switching between different products in terms of cost as well as minimum lock in period. This will help to grow the competition and scale up/down the capacity as and when required rather than waiting for term to completed or paying additional price for such changes.
14. GAL would like to draw GCRA's attention to the objective 3.14 listed in the GCRA's document "5G Spectrum– Statement of Intent" released in November 2019 which states that GCRA will work to make 'exclusive and reasonably priced backhaul products available for mobile operators to support government's policy'. Therefore, GAL would welcome inclusion of exclusive wired backhaul product for mobile operators in the final decision.

For the reasons, analysis & assessment responses shared above, GAL considers that these inputs will assist the GCRA in understanding the problems and challenges GAL is facing to remain competitive and be able to survive in such a tough competitive market.

GAL hopes that GCRA will improve the proposed remedies which will help in addressing the current prohibitive price of wholesale leased lines to enable a pro-competitive environment which will encourage GAL to re-introduce popular 4G home broadband products and continue to innovate the right product mix at competitive price which would benefit all consumers in Guernsey.

GAL expects an empathetic response and engagement from the GCRA to the concerns raised in this letter.

Guernsey Airtel Limited
16th May 2022