

STATES OF JERSEY



CHANNEL ISLANDS COMPETITION REGULATORY AUTHORITY: TELECOMMUNICATIONS STRATEGY

Lodged au Greffe on 17th June 2019
by Senator S.C. Ferguson

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

to request the Chief Minister to –

- (a) request the Channel Islands Competition Regulatory Authority to withdraw its consultancy document entitled ‘5G Spectrum: Draft Statement of Intent’; and
- (b) bring forward an overall telecommunications strategy for debate by the States before any allocation of 5G frequencies is commenced.

SENATOR S.C. FERGUSON

REPORT

It is important that there is a full, frank and informed discussion about the telecommunications strategy to be followed by the Island before the piecemeal allocation of the 5G frequencies. Once these have left the States' possession, we will have crossed the Rubicon and there will be no going back.

There is a contradiction in this situation, in that what is best for the States and the Island as a whole, is not the same as would be perceived by the directors of JT. For example, from the information circulating in the technical press, it is doubtful whether the decision to take fibre to every house rather than just setting up a ring main structure and then using the wireless hotspots was an optimal decision for the Island.

The Oxera report of September 2017¹ explained the alternatives available to the States with regard to the telecoms industry in the Island. For genuine and fair retail competition, all operators should have non-discriminatory access to the Jersey network, which is clearly not the case at present, as access to the network is effectively controlled by JT. It is also recommended that it is better and less expensive to be following a policy of being a fast adopter rather than a pioneer of new technologies.

The optimal policy is that the States should set up a wholly-owned infrastructure company, a "structural separation". The States therefore needs to approve the strategy whereby the 5G frequencies are placed in a new company with the States as owner and shareholder, and the frequencies made available to all operators. In addition, future growth and profitability will come from ownership of the frequencies, whilst making all frequencies, including those that are not allocated, available to all operators, enabling the consumer to benefit from a genuinely competitive market.

The present division of frequencies leaves "dead" spots in various parts of the Island. Making all the frequencies available to all operators would eliminate this.

If the 5G frequencies are placed in a new 100% States-owned company, all telecommunications operators must be required to place all the frequencies that they presently hold into the new company if these operators want to use the 5G frequencies. In addition, all present and future towers and other such equipment should likewise be transferred. JT should also transfer the fibre to the new company. The new company will pay for and, in future, install this equipment. The charge for using the new infrastructure network will be the same for all operators. Pricing will be supervised by the Channel Islands Competition Regulatory Authority ("CICRA"), after consulting the Government.

The change to the structure will have 2 effects. Firstly, it will ensure that there is a genuinely competitive telecommunications market in the Island. A secondary result will be more transparency in the financial arrangements regarding fees paid by the operators to the new Infrastructure Company and then to the States.

Building fewer towers in the future will save all operators money, as new licences should require all operators to use the single Island infrastructure. The customers will have the best frequencies in every area on a 'first-come, first-served' basis. The 25% frequencies not presently allocated can be used to make the tower infrastructure more robust, and can be expanded at very little cost. When and if 5G is installed, there will

¹ A telecom strategy for Jersey, Oxera, September 2017.

be 66% less impact on a numerical 5G basis. To continue on the same basis as now will result in a proliferation of mobile aeriels.

A delay in implementing 5G will allow the Island to review the results of the other 5G test programmes and avoid any pitfalls. There are significant advantages to being a fast adopter as opposed to being a pioneer. There are also concerns about the impact of the WiFi on the population, such as the proliferation of towers and radiation. These fears can be allayed if there are fewer base stations.

Financial and manpower implications

The States will not lose income, as the net effect will be that JT and the new infrastructure company will together have the same revenue and profit. Cost savings could increase the States' revenue, or alternatively lower costs to the users.

The long-term benefits for Jersey will be an enhanced and invaluable reputation for security of information, which will form part of a sound marketing strategy and an enhancement of the Island's international telecommunications infrastructure and standing.

The States has effectively paid for the infrastructure costs up front, and then received relatively little revenue from the operators. The problem here is that the other operators are, for the most part, bypassing the JT owned infrastructure, so are not contributing to the JT (States) owned infrastructure costs. This is accomplished by using radio-waves instead of fibre. There is no significant delay using radio-waves. The reason for the other operators not using the JT fibre infrastructure is that there is little profit for the other operators.

Other countries, such as the U.S.A., have been repurchasing the 2G, 3G and 4G frequencies which they allocated/sold at much in excess of 10 times what was paid. This is why the Government should maintain ownership of all frequencies, as they are an appreciating asset.