

# STATES OF JERSEY



## JT GROUP LIMITED: RESTRUCTURING OF ENTERPRISE

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Lodged au Greffe on 12th October 2017  
by Senator S.C. Ferguson

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STATES GREFFE

## **PROPOSITION**

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

- (a) to agree that the enterprise of JT Group Limited (JT), should be restructured into two separate entities, JT Retail Limited and JT Infrastructure Limited, both initially to be wholly owned by the States;
- (b) to request the Minister for Treasury and Resources, as shareholder representative, to bring forward the necessary legislation required to implement the division of JT into two separate entities for approval by the Assembly;
- (c) to follow the Telecommunications Strategy detailed in the attached schedule.

SENATOR S.C. FERGUSON

## **REPORT**

Given the present financial constraints of the Island, it is not surprising that the Council of Ministers are contemplating the sale of JT. There are a number of technical issues related to this which might not be considered by politicians with no technical background.

Fortunately there are independent entrepreneurial experts in the Island with experience in the industry, and we are fortunate that they are sufficiently interested in the future of the Island to take an interest in Island economic affairs.

One of these individuals has been involved in the preparation of the attached schedule which sets out a strategy for the future of JT.

What is clear from the strategy is that the best value for the Island is obtained from separating the wholesale and retail sides of the company. This compares with the approach being taken to BT by OFCOM.

Firstly, this would enable there to be a properly competitive retail sector for telecommunications. The retail side of the business could be sold or even floated on the CI Stock Exchange to raise funds.

Secondly, there are significant future growth prospects in the wholesale side of the business. Also, if we sell the wholesale business then we are effectively selling the family silver.

The Council of Ministers have asked Oxera to prepare a report which is due out shortly. It seems to me that it would be a better idea to encourage a general discussion which engages the whole Island. As an engineer, I am concerned that at the moment we are receiving opinions filtered through politicians and are not considering the broader technical issues and future prospects.

Acknowledgement of the fact that this is the optimal policy for the company, similar to the recommendation by Ofcom for BT, will also enable the changes to take place more swiftly and will therefore be less costly.

It is for these reasons that I am bringing this proposition.

### **Financial and manpower implications**

It will be necessary to produce separate accounts for the retail and infrastructure businesses. Since the accounts are audited this should present minimal problems, and the resources required should be catered for from the budget already allocated for telecoms policy.

## **SCHEDULE: THE PROPOSED TELECOMMUNICATIONS STRATEGY**

Jersey Telecom (JT) and CICRA (the Regulator) should be instructed to harmonise the current JT network into a harmonised single multi operator network (carrier neutral) using SDN (Software Defined Network) and NVF (Network Feature Virtualisation – Huawei & AT&T) which would be transferred by JT into a new company which would be named “**JT Infrastructure**”. **JT Infrastructure** would then provide service to every Jersey customer through the customer’s OLO (Other Licensed Operator) which then uses the **JT Infrastructure**. The present JT would become an OLO named “**JT Retail**” as well as the existing OLOs such as Sure, Airtel, etc.

All OLOs to include **JT Retail** would be charged by **JT Infrastructure** the same charges as the other OLOs. Initially the charges would be the same as presently charged by **JT** but would be raised or lowered with the agreement of CICRA taking into account the funding required by **JT Infrastructure** to maintain and improve the Jersey network. The Jersey government will ultimately approve or disapprove any increase or decrease by CICRA in the charges made by **JT Infrastructure**.

The “network” transferred to **JT Infrastructure** would include, but not be limited to, all the JT fibre and copper landlines, all towers, on/off JT owned or jointly owned or leased cabling and any other link to an outside Jersey operator and the frequencies (not physical) presently allocated to JT.

All unallocated wireless frequencies (Not Physical) would be transferred to **JT Infrastructure**.

**CICRA** would alter all OLO licences to require the other OLOs, other than **JT Retail**, to transfer their allocated frequencies to **JT Infrastructure**. **JT Infrastructure** would then operate all the best frequencies for each Jersey located tower. The system shall be a single network in a “rail track” fashion by the carrier independent company, **JT Infrastructure**, which will then become responsible for running the Jersey networks on behalf of all operators under a PSO which charges back the OLOs (service operators) for **JT Infrastructure** service usage, etc. The Jersey Government will transfer any future wireless telecommunications frequencies allocated to Jersey (i.e. 5G) to the new **JT Infrastructure** company for use by all OLOs.

The other OLOs should be ordered by CICRA to transfer their towers and tower equipment to **JT Infrastructure** to enable **JT Infrastructure** to maximise frequency spectrum use and thusly providing all customers with the best available frequencies. **JT infrastructure** should over time reduce unnecessary towers and cancel the related leases, reducing costs, on the best terms possible. **JT Infrastructure** shall keep any unnecessary towers when they are removed for future use or resale as appropriate.

**JT Infrastructure** will be required to connect all Jersey wireless towers to fibre to decrease latency and to allow for future traffic increases. The OLOs shall pay **JT Infrastructure** for the additional fibre infrastructure and CICRA shall set the rate to “cost plus a reasonable rate of return”. The reasonable rate of return shall initially be the higher of the UK base rate plus, base rate not to go lower than 0%, 3% or the market borrowing cost for Jersey government plus 3%. When fibre has been connected all non-fibre equipment shall be removed from the tower(s).

**JT Infrastructure** will be responsible for focus on emerging infrastructure technologies and ensure that the future technology is delivered to all the Jersey OLOs and their customers.

CICRA should ensure fairness and necessary funds for JT Infrastructure to fund, maintain and develop the existing and future network owned and operated by JT Infrastructure.

The OLO licences will be altered to require each OLO to offer both balanced (same speed up and down) and unbalanced (not the same speed up and down) offerings for wireline broadband services. CICRA will annually set the minimum speed for wireless broadband services offered by the OLOs through **JT Infrastructure** taking into account the **JT Infrastructure** network capabilities.

CICRA shall ensure in the OLO licences that only packages of “no less than speeds” are marketed by OLOs. CICRA shall ensure that “no up to” speed packages are offered. CICRA will order all OLOs to alter the terms of their customer contracts accordingly. CICRA shall provide the OLOs on independent speed test criteria which CICRA approves along with instructions on how to speed test. Complaints by customers will only be valid if the service falls below 90% of the more than speed sold.

The **JT Infrastructure** licence will require **JT Infrastructure** to have a contention ratio of no more than 50 and work up as fast as possible to a 1GB speed (OLOs only sell data).

**JT Infrastructure** will be responsible for upgrading the on/off Jersey connections up to Tier 1 if commercially possible. Existing non **JT Infrastructure** on/off Jersey connection owned by the existing OLOs – not JT – OLOs may continue to be used by the OLOs or transferred to **JT Infrastructure**.

**JT Retail** and **JT Infrastructure** would be prohibited from making any investment outside the Channel Islands without prior Jersey government approval.

The new OLO licences must place an obligation on each OLO to **never make** any advertising claims about its infrastructure service and the other OLOs other than the packages the OLOs offer. Any other proposed advertising claim must be prior approved by CICRA.

**JT Retail** would be an OLO on the same licence terms as the other present OLOs selling “packages” to its customers.

**JT Retail** will not, without the permission of the Jersey government, invest in assets outside Guernsey and Jersey and to attempt to sell assets outside Guernsey and Jersey presently held subject to not selling for less than the purchase price (this raises money for the Jersey Government).

Both **JT Infrastructure** and **JT Retail** may each borrow funds required to finance each company subject to receiving Jersey Government prior approval.