

# **Jersey Competition Regulatory Authority ('JCRA')**

## **Direction**

### **Re:- Jersey Telecom Limited – Separated Accounts**

pursuant to Condition 29 of the Telecommunications Licence granted to Jersey Telecom Limited ('JT') on 1 July 2003 ('the Licence').

**WHEREAS:**

(a) Condition 29 of the Licence provides:

*29.1 “Within six (6) months of the Licence Commencement Date, the Licensee shall confirm to the JCRA that it maintains accounting records in a form that enables the activities specified in any Direction given by the JCRA to be separately identifiable, and which the JCRA considers to be sufficient to show and explain the transactions of each of those activities.*

*29.2 The JCRA may require reports on the accounting records and / or activities from time to time. The JCRA may direct the Licensee as to the basis and timing of such reports as the JCRA may require.”*

(b) The JCRA issued a Consultation Paper on 2 June 2004 (‘the Consultation Paper’) specifying its proposals inter alia as to the activities of JT to be separately identifiable pursuant to Condition 29.1 of the Licence, and the basis and timing of reports to be provided to the JCRA pursuant to Condition 29.2 of the Licence. The Consultation Paper also explained (at section 2.1) the reasons for the requirement for separation of accounts.

(c) The JCRA has fully considered the submissions of the 3 respondents to the Consultation Paper before issuing this Direction. In particular, while JT submitted inter alia that the level of disaggregation of accounts proposed in the Consultation Paper would represent a disproportionate requirement on JT, the JCRA believes that such level of detail is appropriate given that JT's position of Significant Market Power<sup>1</sup> extends across a wide range of telecommunications services, including fixed, mobile and internet access services, and the need for the JCRA to be able to monitor the financial relationships between the various parts of JT's business to ensure compliance with its licence conditions, particularly Condition 30 (cross-subsidisation), Condition 31 (undue preference / undue discrimination) and Condition 34 (fair competition).

## **NOW THEREFORE**

### **the JCRA hereby directs JT:**

1. Within 3 calendar months from the date of this Direction, to provide to the JCRA an activity-based cost methodology for review by the JCRA, and thereafter to incorporate such changes to the methodology as the JCRA may deem necessary for the production of the accounting records referred to in Condition 29.
2. By 31 December 2005, to provide to the JCRA separated accounts for each of the business activities listed in the Annex to this Direction, showing any transactions

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<sup>1</sup> JCRA Direction 2004-1

- between those activities, and between each of those activities and any other activity carried on by JT ('Separated Accounts'), for the period 1 January 2004 to 31 December 2004 using historical cost accounting ('HCA').
3. By 31 December 2005, to provide to the JCRA for review by the JCRA a methodology for preparing Separated Accounts using current cost accounting ('CCA').
  4. By 30 September 2006, to provide to the JCRA Separated Accounts for the year 1 January 2005 to 31 December 2005 using HCA.
  5. By 1 July 2007, to provide to the JCRA Separated Accounts for the year 1 January 2006 to 31 December 2006 using CCA.
  6. To ensure that Separated Accounts follow the principles and formats contained in Annexes 2 to 6 of the Consultation Paper, and are signed by two directors of JT.

**Date: 12 May 2005**

**By Order of  
The JCRA Board**

## **Annex**

### **JT's Business Activities subject to this Direction**

#### **a) Core Network**

#### **b) Local Access Network**

#### **c) Retail Fixed:**

- Retail – Exchange Line Rental and Connection
- Retail - Local Calls
- Retail - National Calls
- Retail – International Calls
- Retail – Calls to Jersey Mobiles
- Retail – Non-geographic Calls free to calling customer
- Retail – Non-geographic Calls charged at local rates
- Retail – Non-geographic Calls charged at national rates
- Retail – Non-geographic Calls charged at premium rates
- Retail – Internet Calls
- Retail – Directory Enquiry
- Retail – Public Payphones
- Retail – Leased Lines (private circuits)
- Retail – Remaining Activities

#### **d) Broadband**

- xDSL
- Other

#### **e) Mobile**

Access Network

Retail:

- Retail – Connection
- Retail – Rentals
- Retail – Prepaid Sales
- Retail - Jersey Calls
- Retail – Calls from Mobile
- Retail – Calls to Mobile
- Retail – SMS
- Retail – Roaming
- Retail – Directory Enquiries

Other (MMS, GPRS Services).

**f) Other Activities, for example:**

Retail Sales  
ISP Services  
Network Cabling

Annex 1 of the Consultation Paper provides full definitions for the disaggregated Retail activities specified above.