

STATES OF JERSEY



JERSEY TELECOM LIMITED: SPECIAL TARIFFS FOR SENIOR CITIZENS

**Lodged au Greffe on 28th September 2004
by the Deputy of Grouville**

STATES GREFFE

PROPOSITION

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

- (a) to charge the Economic Development Committee to consult with the Jersey Competition Regulatory Authority on the subject of reduced tariffs for senior citizens and, if necessary, to give the Authority written directions to bring into effect any changes to the licence of public telecommunication operators that may be necessary to facilitate, for the time being, the provision of the reduced tariffs;
- (b) to charge the Economic Development Committee to consult with the Jersey Competition Regulatory Authority on the general subject of cross-subsidisation for vulnerable groups and the role of such cross-subsidisation within competition policy, and to report back to the States within 6 months;
- (c) to charge the Finance and Economics Committee, in its capacity as representative of the States' shareholding in Jersey Telecom Limited, to request the Board of Directors of the Company to review its decision to withdraw the present reduced tariff for senior citizens; and
- (d) to agree that, in the event that the Board of Directors refuses to reconsider its decision in accordance with the wishes of the Assembly, the Finance and Economics Committee should take the necessary steps to convene an Extraordinary General Meeting of the Company for the purpose of ensuring that the wishes of the shareholder are implemented.

DEPUTY OF GROUVILLE

REPORT

Whilst companies need to make commercial decisions to maintain profitability, some services to the community have to be regarded in a different light than that of a purely commercial operation. The special low tariff for senior citizens is one such service. Many senior citizens struggle already to manage on a fixed income in the very high-cost environment of Jersey. To add to this a further burden of what will for some be a very significant increase in Line Rental will rightly be viewed as an unfair and unreasonable imposition upon one of the most vulnerable groups in our community.

Telecoms have attempted to defend and justify the proposed changes to tariffs for senior citizens, but their argument has an obvious and unavoidable flaw. The Telecom position is based upon an assumption – and it is only an assumption – that those senior citizens who generate a certain value of bill must be wealthy. This is by no means necessarily the case. Some senior citizens who make a large number of calls may do so because they are housebound and have no other way of communicating with friends and family. To some senior citizens in these circumstances their telephone may be their lifeline to loved ones outside of the Island. It is of course possible that some senior citizens able to avail themselves of the present low charge may be sufficiently wealthy to afford to pay more. However, do we wish to adopt a blanket approach to tariff structure to capture those who may be able to pay more whilst we know that many senior citizens struggle to make ends meet already? At present we simply have no robust data on the *actual* means of the affected cohort. To accept the presumption of Telecoms would be to risk placing at random an increased financial burden on those who could not afford it, and possibly forcing a reduction of telephone usage, just as the present approach is criticised for randomly making available a subsidy to those who could afford to pay more. Two wrongs do not make a right. *Before* such possibly harmful changes in pricing structure are introduced, the States has a duty to ensure targeted support is available *first*.

The proposal to raise these charges will be seen as even more unacceptable given that Jersey Telecom is owned by the States of Jersey. The States are the shareholder and can, and in this case should, exercise its right to ask the Company not to impose this increase upon senior citizens. It may be argued by some that a company should be left to its own devices and make what commercial decisions it thinks fit. But unusual circumstances apply in this case. The States are going to implement taxation reforms which will be broadly regressive and add to the financial burden of the less well-off. I do not feel it is going to be credible for the States to see additional charges of the type proposed by Jersey Telecom hitting the same sector of our society again.

In the event of the present licence issued to Telecom by the Jersey Competition Regulatory Authority (JCRA) causing any difficulty in respect of cross-subsidisation, the proposition asks that the Economic Development Committee consult with the JCRA, as they are required to do by law prior to issuing any instructions to the Authority. Such instruction may be necessary in the event of any amendment to the license being required.

I also ask that the Economic Development Committee, in consultation with the JCRA, prepare a report for the Assembly upon the whole question of the cross-subsidisation of vulnerable groups within the context of competition policy. As competition policy seems to be a factor in this case it may be so in others. It would therefore be useful for the States to have the subject examined.

The States are the sole shareholder and the Finance and Economics Committee represent the States in this matter. The proposition asks that the Finance and Economics Committee asks the Directors of Jersey Telecom Limited to reconsider the controversial decision in respect of senior citizen charges, and, in the event of the Directors declining to do so, to call an Extraordinary General Meeting for the purpose of ensuring that the wishes of the shareholder are implemented.

Financial and manpower statement

No additional manpower will be required by this proposition. If adopted, Jersey Telecom Limited would continue to face the same income from senior citizens gained under the present arrangements.