

3. Oral Questions

The Bailiff:

We then come to Oral Questions

3.1 Connétable P.J. Rondel of St. John of the Minister for Treasury and Resources regarding the Chief Executive of J.T.s recent bonus payment:

I do not like jumping the queue, but if I must. Given the number of complaints received by Jersey Telecom in relation to the new billing system, is the Minister, as the shareholder representative, content that the Chief Executive of Jersey Telecom receives a bonus of £118,000 bringing his total wages to £308,000 and, if so, please explain why?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

I am grateful for taking the answer first. To provide some context to the Connétable's question, it is worth noting that the number of complaints received in relation to billing has gone from 0.16 per cent of bills in January to 0.08 per cent of bills in June 2014. The new billing system is just one aspect of a large programme that J.T. (Jersey Telecom) is delivering. J.T. had its best financial year for over 130 years in 2013, with turnover increasing 26 per cent to £151 million and profits increasing by 12.4 per cent to £33.7 million. So I am content that the framework for the C.E.O.'s (Chief Executive Officer) bonus, which was agreed in advance by the Remuneration Committee of the independent J.T. board directors, is calculated on appropriate performance basis. As appropriate for a C.E.O. the majority of his bonus was linked directly to the financial results.

3.1.1 The Connétable of St. John:

Can the Minister tell us in how short a period of time the average complaint or query about a telephone bill is dealt with? Whether it is over the telephone and what the waiting time is for a response?

Senator P.F.C. Ozouf:

I have a detailed briefing note, which I am happy to send to the Connétable about the number of complaints between January and June is, and how long they take to deal with. I have got lots of notes about this. I have answered lots of questions previously on this complaints issue.

3.1.2 Deputy M. Tadier of St. Brelade:

Does the Minister think that the £118,000 would have been better spent as a loyalty bonus to J.T. customers rather than giving it to one chief executive of the company?

Senator P.F.C. Ozouf:

I take the responsibility of agreeing remuneration of the directors of all the utilities that we have a vote at the A.G.M. (Annual General Meeting) on and all utilities, their total remuneration package, has to be voted at the A.G.M. It is something the Assistant Minister and I take very seriously, and I have to say that you have to reward executives in appropriate ways. Bonuses are an important part of driving an executive's performance and I have to say the chief executive of J.T. is reforming the business, modernising it, changing it, making some of the difficult decisions like introducing a new financial system, and running the fibre project. I think the performance of himself and his staff is praiseworthy. Not everything is perfect but dealing with a changed organisation is difficult and I congratulate the work he is doing.

3.1.3 Deputy J.H. Young of St. Brelade:

Could the Minister tell us whether the bonus arrangements in J.T. cascade down the management structure so that the levels below the chief executive, who do the work, as it were, get a share in the bonuses?

[14:45]

Senator P.F.C. Ozouf:

There is a bonus structure in place for all staff so that they are all part of the success of the growing business. I am happy to find an appropriate way of explaining exactly what that bonus system is, if the Deputy wants.

3.1.4 Deputy G.P. Southern of St. Helier:

Does the Minister support the wholesale introduction into companies owned by ourselves of what is a private practice, the use of what are enormous bonuses to motivate their top staff?

Senator P.F.C. Ozouf:

I believe in performance related pay so, yes, I do not only believe it should be introduced for States-owned entities as driving the executives and giving staff part of something to achieve and strive for, which is not only financial results. It is performance of customer service, *et cetera*. I do not think it should only be restricted to companies, and it is not fair to say it is only private companies. I think it should be introduced across the board and I think the Minister for Economic Development and Chief Minister have said very similar things in recent times.

3.1.5 Deputy R.G. Le Hérissier of St. Saviour:

Two points: could the Minister confirm, as made in a public statement recently, from whom he received advice; and secondly, would he accept that asking for £10 million for a new billing system, where the States had previously loaned £19 million for Gigabits, showed a total lack of proportion?

The Bailiff:

Those are 2 quite separate questions, so just answer one of them.

Senator P.F.C. Ozouf:

I did not get the second one.

The Bailiff:

Answer the first one then.

Senator P.F.C. Ozouf:

I was so confused by it I am not sure I understood the question. He is going to have to restate it. It was just ... sorry.

The Bailiff:

One question, Deputy.

Deputy R.G. Le Hérissier:

From whom did the Minister receive advice in terms of paying the bonus?

Senator P.F.C. Ozouf:

I have recently got advice on to a new bonus system from external advice, or rather the Treasury has got external advice in relation to a new bonus system. I do not know and have

not got, because the current bonus system, which this bonus triggered, was agreed some time ago, and I cannot recall but will return to the Deputy on exactly who the external advice was. There might not have been any for this one. Certainly we are looking at the current bonus scheme and looking forward of aligning the objectives and getting external advice, but no decisions have been made on that.

3.1.6 Deputy G.C.L. Baudains of St. Clement:

It appears that the Minister for Treasury and Resources is satisfied with the performance of the chief executive. Could the Minister tell me if that includes the unfortunate court case between Jersey Telecom and J.C.R.A. (Jersey Competition Regulatory Authority) and would he also concede when the Minister talks about a tiny number of complaints received that that was but a fraction of the problems suffered by customers?

Senator P.F.C. Ozouf:

The chief executive of Jersey Telecom is very well known to a number of Members, makes himself available to Members with their questions, responds promptly. He is a chief executive that has reformed J.T. almost beyond recognition to the organisation that he inherited, which was in a good state but needed to be further modernised and improved. So he should be thanked and I do have a high regard for the work that he is doing, and the executive team. It is challenging. I spent 6 hours with the executive and non-executives on Friday, went through their business plans, spoke about the larger issues and I am very pleased and satisfied that they are dealing with an incredibly challenging situation extremely well, and they should get the enthusiastic support of us, not criticism.

The Bailiff:

I think the question was about the number of complaints and whether that included the court case.

Senator P.F.C. Ozouf:

I apologise. I have made it clear before that I am not happy with the fact that public money, whether or not we regard it as so, because J.T. money was spent on the court case. But I would remind the Deputy, J.T. won that court case.

3.1.7 Senator L.J. Farnham:

In light of the increased profitability leading to the larger bonus to the chief executive, would the Minister for Treasury and Resources share his opinion with the States Assembly as to whether he feels as a result of the improved performance and increased profits the value of Jersey Telecom has increased significantly therefore delivering a benefit to the taxpayer?

Senator P.F.C. Ozouf:

I think the impressive thing about J.T. and the results that are happening there, is that the increased profitability is coming in no small measure from the business that they are carrying out outside the Island, so yes, Jersey Telecom, on the basis of the Manx Telecom valuation, it would be well in excess of £300 million and I would also note that their C.E.O., which is in the public domain, the basic salary of that C.E.O., which is a smaller entity, is £200,000 basic salary and a bonus of £400,000 following the completion of the recent sale. So J.T. is doing well and outside the Island, which is great.

3.1.8 The Connétable of St. John:

Does the Minister consider the billing system is 100 per cent okay, given that it cost us, I believe it was £10 million; is £10 million that was spent outside the Island, why was that system not put in place within the Island?

Senator P.F.C. Ozouf:

I have answered many questions about the billing system. The billing system is not just simply changing some invoicing, it is a fundamental restructuring of the financial management system of the J.T. company, which was absolutely required to give customers better information, usage data, text messages when they are over their limit, all this an old system could never do. J.T. were right to invest in it. It is wrong to criticise the £10 million investment in it. Yes, there have been problems and when you have transitional data from an old system to a new system there are going to be issues. That is why customers were rightly unhappy and that is why I have impressed upon J.T. that they need to fix it. Was everything right? No. Are they fixing it? Yes. Was the decision right to change it? Absolutely, yes. Should have probably done it earlier.

The Connétable of St. John:

I was right in putting the question, things were not altogether tickety-boo then.

Senator P.F.C. Ozouf:

The problem is often in politics when you do not make a decision you are not criticised. When you do make a decision you are still criticised and that is the problem. I want an organisation that rewards people for making the difficult decisions and not only when a problem happens, when the tough gets going the tough gets working. Yes, it was tough, but they are fixing it and they should be thanked.