

2017.03.14

4.8 Deputy J.A. Martin of the Minister for Treasury and Resources regarding operating losses of JT on its subsidy for senior citizens: [1(139)]

Further to the answers he provided at the last meeting, will the Minister, as the shareholder representative, explain how J.T. (Jersey Telecom) faces an operating loss of approximately £1.2 million each year on its subsidies for senior citizens?

The Connétable of St. Peter (Assistant Minister for Treasury and Resources - rapporteur):

J.T. advised that just over 9,000 of their standard exchange lines in Jersey benefit from an age-related discount, known as the Prime Talk tariff. This is charged at £2.25 per month, instead of the standard £13.50 per month, which is a discount of £11.25 per month, or just over 83 per cent. The calculation of the subsidies, therefore: 9,305 lines multiplied by £11.25 discount, multiplied by 12, which adds up to £1,256,175. Thank you.

4.8.1 Deputy J.A. Martin:

Does the Assistant Minister not agree that it is quite a stretch for Jersey Telecom to say this is an operating loss when it - at least twice in my lifetime in the States - has been a decision by the States to keep the subsidy and it is a discount? I am confused with the discount, but they now call it an operational loss. This is where the confusion is. Is it not a bit of a double-talk?

The Connétable of St. Peter:

The Deputy raises a very good point. No, it is not double-talk, but it is a complex argument. The issue for J.T. is that they are compelled to maintain this discount, which is totally ignored when C.I.C.R.A. (Channel Islands Competition and Regulatory Authorities) look at the cost of their fixed-line network. Of course their fixed-line network currently loses about £3.5 million per year overall, including the Prime Talk, but C.I.C.R.A. will not take into account the fact that they have given this large subsidy to 9,000 people. As I say, it is a complex figure, but this is why it is a loss which is against their bottom line, and they have to create other forms of income to provide this cheap service to Prime Talk customers.

4.8.2 Deputy G.P. Southern:

Does the Minister not agree that it is up to this House - and the Minister for Treasury and Resources in particular - to set social policy in terms of subsidies for whatever service, and the company's responsibility not to find charges here, there and everywhere in order to compensate for social policy?

The Connétable of St. Peter:

Yes, the Deputy is absolutely right; it is up to this House to set social policy. However, this House also agreed in 2003 to divest itself of Jersey Telecom, as a States-run entity, and make it a corporate body to act commercially in a commercial world and that it could fund its own costs. That is what it is trying to do, but there are some elements now which are giving them problems, in particular the recent and well-publicised C.I.C.R.A. decision on the cost of their fixed-line network.

4.8.3 Deputy G.P. Southern:

Is the Assistant Minister saying that it is time to change the policy on social support of this particular service, or not?

The Connétable of St. Peter:

No, I am not saying that at all. I understand there are many people on Prime Talk who do need to have that attractive discount; equally, there are many others that enjoy it that do not need it. The issue is one which has been imposed upon us as the shareholder function and J.T. via the C.I.C.R.A. decision, and it is up to us, working with J.T., to try and improve the position with C.I.C.R.A. so this does not become an issue for J.T. in the future.

[12:00]

4.8.4 Senator S.C. Ferguson:

Yes, most of the people who get this subsidy – alleged - are in fact senior citizens, who are living on pensions and so on. We are saying that the loss is the cost of the landline, less the actual charge of £3, and this is a subsidy. But, hang on, what is the true cost? Is not this £1.2 million an accounting loss, as opposed to a true, monetary, loss?

The Connétable of St. Peter:

Well, certainly I would hope the accounts would show losses and profits and a loss of 83 per cent of income would be reflected as a loss, and it is one that we have imposed upon that company. I think the Deputy of Grouville brought a proposition in 2004 asking that this be maintained as well at that particular time to benefit the older people; and also it is only eligible to people of retirement age. I am of retirement age and I also survive on a pension and I certainly do not need the discount and neither would I apply it, but the scheme is now being closed, but it does show in the accounts as a loss, as it should do.

4.8.5 Senator S.C. Ferguson:

What is the true cost? I am talking of the people who are surviving not on States of Jersey pensions, but are surviving on their social security pension, which is quite a different kettle of fish. So, what is the true cost? When the Deputy of Grouville brought her proposition, I seem to remember that the Prime cost was something like £1 something and it has gone up. So what is the true cost of this to genuine pensioners, who are on the basic social security pension?

The Connétable of St. Peter:

I find it difficult to understand where the Senator is coming from. The fact is that pensioners are getting a very significantly reduced cost for their landlines, and this is a cost burden which is being carried by J.T. on a fixed-line network, which currently does not pay its way. Just to put it into context, the other fixed-line network closest to us that we can compare against is British Telecom and their fixed-line charge is currently £18.99 a month, compared to our normal one of £13.50 a month. So, the Jersey consumer is getting a good deal compared to the British Telecom, and the Jersey Prime Talk customers are getting an even better deal, because of the discount they are receiving.

The Bailiff:

Senator, if I may suggest, it probably would be more helpful if you put in a written question, which sets out your parameters. The expression “true cost” is quite a difficult one and if you put in a written question, which sets out your parameters I have no doubt it would get a proper answer.

Senator S.C. Ferguson:

Thank you, yes. There is creative accounting, I think.

The Bailiff:

Well, there may, or may not be.

4.8.6 Deputy A.D. Lewis:

I just wonder if the Assistant Minister might describe this more as an agreed subsidy, rather than an operational loss. That might mean more to Members and the public, because that is really what it is. However, we have been waiting for some time now for a telecommunications policy. We still have not seen it. P.A.C. (Public Accounts Committee) and the Comptroller and Auditor General asked for this some time ago, it has still not been produced. Of course, within that it may well determine things like social policy with regards to that company and give us the opportunity, as an Assembly, to decide as to whether this should remain in public ownership or not. Where is this policy? When will it be presented to us, as it has been many years now since it was asked for?

The Bailiff:

That is the very outside of a supplementary question.

The Connétable of St. Peter:

I am happy to answer that if you are happy too, Sir. Thank you for your clarity, Deputy Lewis, on the actual costing. The work on the policy is in hand and the Treasury and Resources Department made the money available last year to see that policy being developed - hopefully this year - through the Assistant Chief Minister's Department, and they are currently working on it now.

4.8.7 Senator P.F.C. Ozouf:

Would the Assistant Minister agree that the world of age-related triggered benefits, universally applied, is simply unaffordable in the longer term, no matter whether they are TV licences, free telephones, or whatever, and that there is a widespread worldwide move to move against what are simply unaffordable promises of politicians today for costs that will rise because of the ageing society, and universal trigger related benefits are simply not affordable and we should say so?

The Connétable of St. Peter:

Yes, I do agree with the last speaker. I would rather focus on the people that really do need the discounts and make those discounts even bigger for them than give it to everybody, including many that do not need them.

4.8.8 Deputy J.A. Martin:

I look forward to the Connétable bringing that proposition forward. It is very good to just *ad lib* here. Before I ask the final supplementary, did the Assistant Minister say in the previous answer before last that he could not apply, or would not apply? It is not a personal thing, but I thought he then said: "Because the scheme is now closed." Did I hear him wrong?

The Connétable of St. Peter:

Yes, I can confirm the scheme is closed to new entrants and that was a decision of this House, I think in 2007, 2008.

The Bailiff:

Deputy Martin, I think you were clarifying, perhaps. Did you have a final supplementary?

4.8.9 Deputy J.A. Martin:

Yes, I was asking it. No, that was a surprise, so the final supplementary then is about what J.T. has said on why it is introducing these charges and it said C.I.C.R.A. said it is unfair to keep cross-subsidies. But, is that not exactly what the Minister, or J.T., are proposing? If they charge

people for their bills and then put that against the subsidy that the States are giving it is an unfair cross-subsidy. Does he not agree?

The Connétable of St. Peter:

No, I do not agree, unfortunately. It is not a cross-subsidy, it is funding the actual cost of that service. I did mislead the Assembly a moment ago: it was not a decision of this Assembly to close the scheme - it was a decision of the company - but this Assembly was advised and did not raise an issue at that time. Thank you.