

21.06.29

**18 Deputy M. Tadier of the Minister for Treasury and Resources regarding partial sale of Jersey Telecom (OQ.143/2021):**

Will the Minister explain why States Members were not advised of the sale of J.T.'s majority stake in the "Internet of Things" division to a private equity investor prior to it happening, and state whether or not the States is able to challenge and rescind that decision?

**Deputy S.J. Pinel (The Minister for Treasury and Resources):**

There is an important distinction to be made between the sale of shares in a principal company owned by the States of Jersey as defined by Article 32(2)(a) of the Telecommunications (Jersey) Law 2002 and the sale of part or all of a subsidiary business owned by a principal company. The power to dispose of the shares in a principal company may only be exercised by the States. Under the Public Finances (Jersey) Law 2019, the States has assigned to me responsibility to "exercise the rights attached to shares in a company wherever incorporated that are owned by the States in the name of the States." In addition, the relationship with the States-owned entities is governed by memoranda of understanding and under the provisions of these M.O.U.s, which are not legally binding, the sale of material assets by S.O.E.s require my consent. The disposal of the majority stake in J.T. I.o.T. Limited is considered as the sale of a material asset and my approval was sought under the M.O.U. requirements. Confidentiality throughout this process was key. Competitive tension was maintained between the various bidders and the ultimate result is one which our independent consultants have described - and I quote again - "an exceptional position and a deal that far exceeds initial expectations." The relationship with the S.O.E.s is one that was created to allow the vital components of the Island's infrastructure to be managed commercially and by experts in the appropriate field with proper oversight from the shareholder. The sale of the majority stake in a deal that exceeded initial expectations has demonstrated the value of a successful relationship between the S.O.E.s and the Minister for Treasury and Resources as representative shareholder. My understanding is that the contracts between J.T. and the purchaser are legally binding and any attempt to unwind them will result in significant costs by J.T. and potentially the States as shareholder. It would create the risk of long-running litigation. That said, I hope all Members appreciate the long-term benefits of this transaction to Jersey and its digital sector in the future.

**Deputy M. Tadier:**

That has not answered the second part of my question. I do not know if I can challenge that under Standing Orders so as not to have to use a supplementary to get that information.

**The Bailiff:**

I think in terms of the time available I must ask you to use a supplementary question, Deputy. You have a supplementary question now if you wish to use it.

**5.18.1 Deputy M. Tadier:**

I use the supplementary but just noting my dissatisfaction. Does the Minister agree that it was a political decision that was ultimately required about whether to sell what seems to be a successful company and that a political argument could be made to retain shares in full ownership of a very successful subsidiary? My question is: did the company need the Minister's approval in order to sell this part of the company?

**The Bailiff:**

I think the Minister answered that question, Deputy, by saying that she was asked and she was required to be asked because it was a material asset.

**Deputy M. Tadier:**

I do not think she clarified, she said under the M.O.U. they consulted her and I am not clear on whether ...

**The Bailiff:**

Very well. Yes, Minister.

**Deputy S.J. Pinel:**

Yes, I can answer that. It was a business decision not a political one, but because it was a division of J.T., which as I keep saying is still 100 per cent owned by the shareholder, which is the States of Jersey, it had to go through Treasury and Exchequer and myself as current shareholder to be agreed. The decision was business based not political.

**5.18.2 Senator S.Y. Mézec:**

Could I ask the Minister when she was made aware of the news which has been announced this afternoon that the C.E.O. of J.T. would be standing down to take on a role heading up the now privatised Internet of Things? When was she made aware of that?

**Deputy S.J. Pinel:**

I was made aware of that about 10 days ago but it was not public because the staff were only informed yesterday, hence the media release being under embargo until today.

**Senator S.Y. Mézec:**

I will need time to think of supplementaries to that, it is quite a big deal.

**5.18.3 Senator T.A. Vallois:**

Can I ask the Minister the difference between the contracts for such shareholding properties that we have and the expectations of the public for telecoms? We are in quite a unique position compared to other jurisdictions with regards to telecoms. We have a M.O.U, and the States Assembly have given you the power to ensure that the expectations are derived within that M.O.U. in an appropriate manner. With regards to the answers you have given, how are the contracts and business arguments determined against the political aspiration and expectations of this Government?

**Deputy S.J. Pinel:**

That is quite a lot of questions. I hardly remember where the start came. The M.O.U., as I answered in a previous question, is not legally binding but as shareholder then the final decision rests with the Minister for Treasury and Resources. But, as I have said, this was a sale of a division of the infrastructure of J.T. not the infrastructure and it will be a huge input ... not only is it fantastic for Jersey business ... and as the Senator rightly pointed out, we have a massive reputation globally, second only to Singapore, for our connectivity ratings. This sale will allow for more injection of revenue or income into that side of the part of the structure of the business. It is a very good decision to have been made but made by the board and just approved by the shareholder. I am not sure that answers all the questions.

**Senator T.A. Vallois:**

I apologise for the number of questions. Maybe ...

**The Bailiff:**

Standing Orders do require that a question should only deal with thing, there should not be a lot of supplemental questions within it. I allowed it to go at this point but just for future guidance.

**5.18.4 Senator T.A. Vallois:**

I believe much of the question was of the same thing, which is why the supplementary that I am going to ask is the Minister referred to a division of J.T.; could the Minister explain how that works in the demography of Jersey Telecom in terms of the memorandum of understanding and the shareholder expectations that the public have with regards to the ownership of Jersey Telecom?

**Deputy S.J. Pinel:**

The shareholder expectations will not change, in fact they will be enhanced because there will be a dividend return from the sale of the subsidiary I.o.T. There will be a return to the taxpayer, so there will be an increase in the dividend. It will not change the dividend that comes in, however the investments now that can be made because of the sale into the infrastructure will increase in the future of the dividend that is returned to the public.

**The Bailiff:**

I have Deputy Morel, then the Connétable of St. John and then a final supplementary if there is time. I am afraid there will not be time for any others. There is only 2 minutes to run.

**Deputy M. Tadier:**

Should I not get the final supplementary if there is time?

**The Bailiff:**

Yes, you would get the final supplementary unless we run out of time, Deputy.

**5.18.5 Deputy K.F. Morel:**

Would the Minister clarify, because I could not quite understand the answer of the question, was she made aware of the intention of the chief executive of Jersey Telecom to resign and move to this I.o.T. company in advance or at the time of being consulted on about the sale of this asset?

**Deputy S.J. Pinel:**

I thought I had already answered that. I was made aware of it about 8 to 10 days ago and it is not necessarily resigning, it is transferring and, as I say, it had to be maintained under the radar, for want of a better word, until such time as the contract had been signed and that the staff at Jersey Telecom were told of the move from one part of J.T. to the I.o.T.

**5.18.6 Deputy K.F. Morel:**

If I may, the question was she aware before or at the time of consultation, 8 or 10 days does not explain to me whether it was before she was consulted or at the time of being consulted, that is the thing I am interested to understand?

**Deputy S.J. Pinel:**

Sorry, I do not understand. The time of consultation on what part of all of this?

**The Bailiff:**

I am sorry, I am afraid the time allocated for questions has now come to an end. Deputy Southern, it is not possible to raise a point of clarification during question time, that is clarification of speeches where Members can give way or otherwise, I am afraid. We have run out of time and therefore question period comes to an end. The Greffier will take over the chair for a short while.