

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY S.M. AHIER OF ST. HELIER
QUESTION SUBMITTED ON TUESDAY 28th SEPTEMBER 2021
ANSWER TO BE TABLED ON TUESDAY 5th OCTOBER 2021**

Question

Will the Minister advise –

- (a) how, if at all, the use of the £40 million arising from the sale of JT's Internet of Things division will shape decisions around the use of profits obtained by Treasury and Exchequer from the sale of any similar divisions in future;
- (b) whether an estimate of the expected profits arising from the sale of this division was undertaken in advance, and if so, what this sum was, and how much was estimated as profit that would be paid to the States of Jersey;
- (c) why the States will receive a £40 million dividend when the division was sold for £200 million to a private equity firm; and
- (d) whether or not other Arm's Length Organisations that exceed a certain size will be subject to a similar approach in future?

Answer

- a) The Minister expects a similar approach will be taken, namely that the allocation of the monies received would be set out in a Government Plan in accordance with the Public Finances (Jersey) Law 2019. This is the most appropriate and transparent method for allocation of such 'windfall' gains from States-owned entities.
- b) JT engaged professional advisors to facilitate and advise the Board through the sales process of the JT (IOT) Limited, which ultimately resulted in a successful sale of a majority stake of the Company at the upper end of the expected range. As is standard with a transaction of this nature the advisers provided a valuation range rather than an estimate of profits. It would also have been premature to have any discussion with the JT Board about the payment of the dividends until after the successful completion of the transaction and the net proceeds were determined.
- c) In the answer to Written Question 343/2021, the Minister advised that she would be discussing with the JT Board an appropriate return along with ensuring there were sufficient proceeds to reinvest in the business. JT has allocated some of the proceeds back into the IOT business to ensure it can continue to participate in the expected future growth of the business. As the Assistant Minister indicated in his response to Oral Question 183/2021, the £40m is an initial dividend and represents some 28% of the net proceeds, after professional fees and this reinvestment.

Members have had opportunity to attend briefings from JT over the last few months and so should be aware that JT needs to reinvest in local services and to invest in international pipeline products (i.e. the next business growth opportunity). Further, JT needs to invest significant sums into the removal of High-Risk Vendor equipment and 5G services as and when licences are issued. The Minister has, however, not ruled out the possibility of further dividends in the future.

- d) So far as the States-owned entities are concerned, the approach the Minister continues to take is to work with each of them with the objective of growing long-term shareholder value. In practice, this means reviewing, approving and monitoring performance against their Strategic Business Plans which may include plans for the future investment and divestment of businesses over the long-term.