

2.10 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the redundancies at Jersey Telecom:

How long, as the representative of the States as majority shareholder in Jersey Telecom, has the Minister known of the company's decision to make a number of employees redundant and will he outline the extent to which introducing competition into this market has played a part in the need for redundancies?

Deputy E.J. Noel (Assistant Minister for Treasury and Resources - rapporteur):

I can confirm that the Minister was alerted to the imminent announcement on the weekend of 7th and 8th November and was formally briefed on Wednesday, 11th November. The introduction and subsequent intensification of competition in Jersey has led Jersey Telecom to lose market share and has forced it to cut its prices. Both these developments mean that the cost economies are inevitable. This is a factor of the global telecoms marketplace that all operators have been forced to reduce their cost base in respect of ongoing competition, competitive pressures and the impact of technologies such as Skype.

2.10.1 Deputy G.P. Southern:

Does the Minister not consider that a potential total of 115 redundancies strikes him - it strikes me - as a large number in order to save a mere £4 million or £7 million in running costs. Does he not think Jersey Telecom is taking an extreme measure?

Deputy E.J. Noel:

No, I do not. I believe that the board of Jersey Telecom are taking appropriate measures to ensure that they have a sustainable business going forward.

The Deputy Bailiff:

If there are no other questions we come on to ...

2.10.2 Deputy G.P. Southern:

Sorry, Sir, if I may?

The Deputy Bailiff:

Just in time.

Deputy G.P. Southern:

That is the way we manufacture nowadays, just in time, whether it is questions or cars. Does the Minister not accept that the further introduction of the company me:mo which pits a States of Jersey owned company against another is a step too far in his delivery of competition policy and will he accept that competition in a small jurisdiction must indeed be limited and regulation is the best way forward?

Deputy E.J. Noel:

There seems to be a number of questions there. To deal with competition in a small jurisdiction, making companies more efficient is good for consumers. It provides them with greater choice and decreased costs. This is also good for the workforce, who remain in the provision of sustainable employment, and it is good for the Island as a shareholder in terms of the reinvestment in infrastructure and providing a suitable return on investment. I challenge the Deputy to say what the alternative is; inefficiency, taxpayers subsidising these inefficiencies?

2.10.3 Deputy T.M. Pitman:

The Assistant Minister has just referred to making firms efficient. If firms end up going bankrupt and collapsing, how does he see that as being compatible with making things more efficient?

Deputy E.J. Noel:

Firms that go bankrupt tend to, in the majority, be through poor management. In this instance I believe that the board is acting appropriately to make sure that Jersey Telecom is a sustainable business moving forward.

2.10.4 Deputy J.A. Martin:

Given the highly specialised work in the telecoms area nowadays, I think I am correct in saying Jersey Telecom is the only firm that trains the local workforce. Are the Assistant Minister and the rest of the Ministers absolutely sure that ongoing this highly sensitive area, which is absolutely so fundamental to our finance industry, will carry on and will not be ... and we will have the appropriate staff on Island to deal with all the eventualities, because I am not sure and I would really like this to be further investigated. I ask the Assistant Minister if he would help. Thank you.

Deputy E.J. Noel:

I have every confidence in the board of Jersey Telecom to produce a company that is sustainable for the long term.

2.10.5 Deputy D.J. De Sousa:

Does the Assistant Minister really consider that as an Island of 9 by 5, with less than 100,000 people on the Island we are told, really have the scope for so many different telecoms companies and what will happen when the competition gets too great and these decide to leave the Island or stop trading, what will Islanders be left with then?

Deputy E.J. Noel:

I would hope - and I am sure - that Islanders would be left with the fittest, most competitive telecom providers.

2.10.6 Deputy G.P. Southern:

Has the Minister learned nothing from the debacle over the ferries and the lessons to be learnt from the white goods market some years ago, whereby competition was introduced into a very small market, prices go unsustainably low for a while and then companies go bust? We now have 7 companies competing for business in the telecoms area. Is that not surely a recipe for disaster in the long run?

Deputy E.J. Noel:

I do not believe that it is a recipe for disaster. It would be a recipe for the fittest and most effective companies to survive and those who are not will not.

2.10.7 Deputy S. Pitman:

Does the Assistant Minister support the payout of nearly £400,000 for 7 of its J.T. (Jersey Telecom) management staff in loyalty bonuses whilst 80 workers are being made redundant?

Deputy E.J. Noel:

I believe that is irrelevant because that is a contractual responsibility dating back to 2006.

2.10.8 Senator P.F. Routier:

Does the Assistant Minister recall that before Jersey had competition within the telecoms market that Jersey Telecom themselves were considered to be overpriced, ineffective and they needed to provide cheaper telecommunications because the finance industry were experiencing lower prices in other jurisdictions?

Deputy E.J. Noel:

I agree entirely with the Senator, both as a consumer and as a business operator at the time. We have more choice now at less cost.

2.10.9 Deputy T.A. Vallois of St. Saviour:

I ask the Assistant Minister if he could sit down with the Economic Development Minister and look at an analysis of the producer and consumer surpluses within the market of telecoms and how that fits in with the current population and possible future population of Jersey going forward for competition in the industry.

Deputy E.J. Noel:

I am always delighted to sit down with the Minister for E.D. (Economic Development).

Deputy T.A. Vallois:

That is not really an answer.

The Bailiff:

That is for the Members to judge.

2.10.10 Connétable D.J. Murphy of Grouville:

Given that the States now has effective control over 3 telecom companies, i.e. Newtel, the Post Office and Telecoms, would he agree that it is very bad business practice indeed to have them all competing against each other? Would he also agree that the number of licences issued by the J.C.R.A. (Jersey Competition Regulatory Authority) is excessive?

Deputy E.J. Noel:

It is not my position to comment on the activities of the J.C.R.A. In terms of the States having an interest in 3 telecom companies, if the boards of those businesses believe that there is space in the marketplace for them then I see no reason why the board should not pursue those activities.

2.10.11 Deputy R.G. Le Hérissier:

Would the Assistant Minister not agree that Senator Routier's description of Jersey Telecom as ineffective and not able to meet competition is rather odd against the fact that he for many, many years was indeed President of Jersey Telecom's board?

Deputy E.J. Noel:

I think it is just a natural progression.

The Bailiff:

There will be a final question, Deputy Southern.

2.10.12 Deputy G.P. Southern:

Does the Assistant Minister consider that it is about time we restored the balance in our small jurisdiction markets and placed greater emphasis, where monopolies exist, in particular on regulation rather than competition? There is a limit given by size to competition.

Deputy E.J. Noel:

I do not believe that we need to meddle excessively and over-govern the telecoms industry. I believe that we have a robust industry and I believe that that will be sustainable in the future.