

2.8 Deputy T.M. Pitman of the Minister for Treasury and Resources regarding the payment of £340,000 as a ‘loyalty’ bonus to seven senior management figures at Jersey Telecom:

In the light of last week’s States decision not to support pay awards for States workers, and in the interests of ensuring a level playing field, what action, if any, will the Minister be taking as a representative of the shareholders to prevent £340,000 being paid out as loyalty bonuses to 7 senior management figures at Jersey Telecom? I should point out it is a mistake. It should be £399,000 I am advised.

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

I am advised that the loyalty bonus included in the Jersey Telecom 2008 accounts relates to a retention scheme which was a contractual commitment made in October 2006. This was to ensure that the company would be able to retain key members of the senior management team that had the skills and local knowledge essential to steer the company through a period of unprecedented change. The unprecedented change during 2006 related to the J.C.R.A. (Jersey Competition Regulatory Authority) awarding 2 additional mobile phone licences coupled in addition with the then Minister for Treasury and Resources’ declaration of his intention to sell Jersey Telecom. Last week the States decision not to support a pay award for States workers is, I think, very different to Jersey Telecom’s meeting of 2006 contractual obligations to its senior staff. As Members will know the issue of governance around States owned companies is very important to me, and I have commissioned a review of the relationship between the States and the utilities with a particular focus on how we can improve corporate governance and strengthen the way in which the States manages their shareholdings. I aim to ensure the States are following the best practice as shareholder enabling the companies to perform and deliver the key services on which we all rely.

2.8.1 Deputy T.M. Pitman:

I am advised that £59,000 has already been paid to the accountant, since retired, who originally left this off the accounts. Does that seem satisfactory to the Minister?

Senator P.F.C. Ozouf:

I would need to investigate that. I am not advised of that.

2.8.2 Deputy G.P. Southern:

Can the Minister state whether this product is the result of his famous competition policy? Competition policy in Telecom means that senior management get loyalty bonuses and that is the result of competition.

Senator P.F.C. Ozouf:

I am afraid Deputy Southern is not going to encourage me or goad me into making such simple pronouncements. The Deputy, is he really questioning the benefit of competition to our Island community and the putting in place of a Competition Law which would result in lower R.P.I. (retail price index) for the whole of the economy? I hope not.

2.8.3 Deputy G.P. Southern:

Nonetheless would the Minister not state whether this is a result of competition policy? You cannot have a loyalty bonus if there is only one company. Now there are 3 we need a loyalty bonus of £340,000.

Senator P.F.C. Ozouf:

If the Deputy would have heard my answer very carefully, there were 2 reasons why I explained that the Board at the time avoided this loyalty bonus, and half of that being in relation to the decision the Minister for Treasury and Resources made at the time in order to consider the sale of J.T. (Jersey Telecom). That is the period of uncertainty so he is not going to encourage me to claim that there is a payment of £399,000 because of competition because that would be nonsense.

2.8.4 Deputy S. Pitman of St. Helier:

What message does the Minister think this sends out to States employees who [Approbation] are not going to get a pay award this year?

Senator P.F.C. Ozouf:

I think the Deputy makes a good point but I would just rehearse with her the reasons why the loyalty payment was paid. This is in relation to a payment back in 2006 on an arrangement made in 2006 when the whole economy was in a very different situation to where we come to today. So all States workers are asked to accept a pay freeze because that is what is happening in the private sector in many companies and organisations and employers across the Island community and elsewhere.

Deputy S. Pitman:

Could the Minister answer the question: what message does he think we are sending out to States employees?

Senator P.F.C. Ozouf:

The message is clear. This was a contractual arrangement passed in 2006. The current situation is very different.

2.8.5 Deputy R.G. Le Hérissier:

Could the Minister confirm, given the reasoning he has put forward with great enthusiasm, that he believes in the concept as applied at that time of a loyalty bonus?

Senator P.F.C. Ozouf:

I am not the Minister for Treasury and Resources with command and control responsibilities of the boards. There is clearly a separation of duties between the board of J.T. (Jersey Telecom) who has designed and who has been put in place with non-executives to make executive decisions so I cannot really speak for the board. Obviously, they made decisions at the time with information which was the right situation at the time. I think now to try and speculate with the benefit of hindsight is probably unwise.

2.8.6 Deputy R.G. Le Hérissier:

As a general policy, could the Minister confirm that he agrees with the payment of loyalty bonuses?

Senator P.F.C. Ozouf:

I cannot agree generally because **[Laughter]** you need to take each case on its merits. Certainly on some occasions in certain circumstances loyalty bonuses should be paid.

2.8.7 Senator J.L. Perchard:

Will the Minister share his view with Members on the level of expectations of those people working in States owned utilities and quangos and limited companies like W.E.B. (Waterfront Enterprise Board) on the levels of expectations on pay increases in 2009, and does the Minister intend to give a directive to the boards of these utilities, companies such as W.E.B., as to what the States expects of them?

Senator P.F.C. Ozouf:

I am reviewing the whole of the arrangements between the Treasury and the States owned utilities and I have to make sure I am not treading over the line of effectively being a shadow director, which I have no intention of doing so. I am sure that the boards of all of these States owned utilities are well aware of the economic situation that exists and they are negotiating with their representative groups accordingly. Certainly I have made it very clear that my view is the general economy indicates that there is pay freezes, recruitment freezes, going on because of the economic downturn and I am sure the boards will be aware of that situation too.

2.8.8 Senator J.L. Perchard:

I understand the Minister for Treasury and Resources' position that he does not want to be seen as a shadow director but he has demonstrated recently that he behaved like a shadow director of W.E.B. when he gave the developers 3 months' notice in which to come up with the funds to provide **[Approbation]** for the development. Therefore, will he at least continue in his role as shadow director of W.E.B. and give an instruction to the directors that they are expected to award a zero pay increase to staff?

Senator P.F.C. Ozouf:

There is a big difference between my arrangements and review and research in relation to the Esplanade Square development. It is to this Assembly that I am reporting because of the commitment that the Senator asked of the previous Minister for Treasury and Resources to bring the W.E.B. deal to the States. That does not sound as though I am responsible for asking this Assembly to effectively involve itself in W.E.B.'s affairs. The Senator was the person that asked for that to be the case and I am carrying out those duties properly to ensure that this Assembly is properly informed in relation to that deal. That is an entirely different situation and I am sure that the Senator, with experience of being a director apparently, would understand that. I am reviewing the arrangements with utilities to put in place strengthened arrangements, but arrangements that are appropriate and proportionate and proper.

2.8.9 Senator S.C. Ferguson:

Returning to Jersey Telecom, will the Minister be advising the board that since the situation has now changed that it would be appropriate to renegotiate the contractual arrangement and remove **[Approbation]** the loyalty bonuses?

Senator P.F.C. Ozouf:

It does not seem to me ... I am surprised by Senator Ferguson's suggestion. Is she really suggesting that one reviews contractual arrangements and is suggesting that the

Minister for Treasury and Resources could instruct for a contractual obligation to be changed? I do not think so. That must be an issue for the board. This was a situation taken at the time and no doubt the board acted in the best interests of the company. I do not think I can really add anything further.

2.8.10 Senator S.C. Ferguson:

The Minister will note that I said “advise”. Surely it is possible for the Minister to advise the board that these loyalty bonuses in this particular economic state and with the pressure to sell J.T. removed, that it is inappropriate to continue with such loyalty bonuses when the rest of the staff have had no increase for the current period.
[Approbation]

Senator P.F.C. Ozouf:

First of all, I do not think it is quite correct to say that the staff of J.T. have had no increase. All I will say is that the board is very well aware of my views on the whole issue of wage freezes and recruitment arrangements in Jersey at the moment.

2.8.11 Deputy A.E. Jeune:

Would the Minister agree that the States should have sold Jersey Telecom when it had the opportunity and raise money for the States coffers which could be helping us today?

The Bailiff:

I think, Deputy, that is probably straying a little too far outside the original question.
[Laughter]

2.8.12 The Deputy of St. John:

Would the Minister agree that double standards are being carried out by himself and his department given that quangos get bonuses but our working staff within States departments are getting nothing?

Senator P.F.C. Ozouf:

I would just remind the Deputy that we are dealing here with a loyalty bonus that was put in place in 2006 when the economic situation was very different. I would remind the Deputy and all Members of the increases that States workers had during that period too. We are now dealing with a pay freeze for this economic situation and this year’s pay round. That is very different from trying to interpret the issues of a pay freeze today with going back in history, reinventing history and suggesting that everybody should have had a pay freeze previously. In relation to quangos, quangos do have uses for particular purposes but just like the U.K. Government I am going to review exactly the role of quangos and the appropriate arrangements for quangos in Jersey too to ensure that taxpayers’ money is best spent and best used.

2.8.13 The Deputy of St. John:

Given the Minister’s response, was some £7 million odd put aside last year in the budget for [Approbation] States employees to have a rise this year, hence the cost of living rise, hence he is operating double standards? He must agree to that.

Senator P.F.C. Ozouf:

The Deputy must, I think, get to the facts here. The States always puts in place arrangements and puts sufficient money in place for anticipated negotiations for pay

rises. If those pay rises are not deemed necessary or not deemed as appropriate in light of recruitment arrangements then fine. I realise the Deputy of St. John lost his side of the argument in relation to the pay freeze last week. I would express the hope that he would be supporting the 11(8) request today to ensure that the majority will, of the Assembly, in relation to the removal of those funds that he would see the light and agree with that.

2.8.14 Deputy T.M. Pitman:

Obviously I am not one to be pushy, but taking on from Deputy Le Hérissier's question, does the Minister believe in loyalty bonus fat cat culture in this instance?

Senator P.F.C. Ozouf:

I think that these loyalty payments should be absolutely justified and should be a rarity and certainly all I will say to the Deputy and other Members is that I have put in place a review and I intend to put in strengthened arrangements in relation to the relationship between the Treasury and States owned utilities. I will also be publishing any reports that I commission in relation to that.