

3.9 Deputy R.G. Le Hérissier of the Minister for Treasury and Resources regarding the subsidisation of monopoly infrastructure services provided by JT:

To what extent are the monopoly infrastructure services provided by Jersey Telecom cross-subsidised by other cost centres within the Jersey Telecom Group?

Senator B.I. Le Marquand (Deputy Chief Minister - rapporteur):

I am acting Minister for Treasury and Resources for this purpose. Deputy Le Hérissier's question refers to monopoly infrastructure services and I have interpreted this as meaning the provision of a fixed line basic voice service to all premises on the Island as required by the Universal Service Obligation under the current C.I.C.R.A. (Channel Islands Competition and Regulatory Authorities) licence. As at the end of December 2011 this business generated a turnover of £9 million and a loss of £1.6 million based on the recently published separate accounts available on J.T.'s (Jersey Telecom) website. The loss arises principally out of the 3 historical subsidies: the first subsidy being that given to those of a pensionable age in Jersey which costs about £1.3 million per annum, the second being the cost of running the 999 emergency service line and the third the cost of operating the phone kiosks across the Island.

[11:00]

The loss is paid for by the profits that J.T. generates in other parts of its business such as calls, mobile data and its international business. No target profit level has been set by the Minister for J.T. and so the effect of this loss of £1.6 million is merely to reduce the profits of J.T.

3.9.1 Deputy R.G. Le Hérissier:

Would the Deputy Chief Minister not acknowledge that the issue is not necessarily with the O.A.P. (Old Age Pensioners) subsidy, for example, the issue is with other operators who wish to attach themselves to the J.T. infrastructure and are finding when they do so that the prices charged by J.T. are undermining the kind of packages they can offer? That is the real issue. Would he not also acknowledge that to put the shop, for example, as a loss-making operation in the separated accounts is stretching the bounds of incredulity?

Senator B.I. Le Marquand:

I may have misheard the Deputy's second question but did he say "to put the shop"? I am afraid I am not familiar with that level of detail of the accounts to be able to answer in relation to that. I think the issue in relation to what charges that J.T. would seek to make to other potential users of the hard line, the normal traditional telephone line thing, if there is a dispute on that it seems to me that must be a matter to be determined by C.I.C.R.A. because of the monopoly position.

3.9.2 Deputy M. Tadier:

The Assistant Deputy Chief Treasury Chief Minister a moment ago spoke about the ... he talks about the burden of services such as the emergency calls service and telephone boxes being borne by Jersey Telecom exclusively and, therefore, part of the consideration to do with the monopoly status and also the use of their infrastructure. Does the Minister, answering questions on behalf of the Minister for Treasury and Resources, believe that in the 21st century in a competitive market it is appropriate for one sole agency, one company to be shouldering the burden of these services and should they not be paid for out of general taxation and the budget, for example, of the emergency services themselves?

Senator B.I. Le Marquand:

The historical position is the historical position but the Deputy is quite right, there are other ways in which arrangements could be made. It could be we organise in such a way that, effectively, these were treated as an expense of the States of Jersey as part of our social obligations, if that were deemed to be the appropriate thing. The effect of that, of course, would mean that the profits of J.T. would go up, presumably then they would be able to pay a higher dividend to the

States of Jersey that could then pay for it. But the Deputy is quite right, it could be reorganised in that way.

3.9.3 Senator S.C. Ferguson:

If I heard correctly and perhaps the Minister would correct me if I did not, he spoke of the level of profit as directed by the Minister. Can the Minister explain this, please?

Senator B.I. Le Marquand:

No, I said the reverse of that. I said that no target profit level had ever been set by the Minister. That is precisely the reverse of the question.

3.9.4 Senator S.C. Ferguson:

Yes, but the implication is that the Minister can set a profit level. Why should it be phrased like that?

Senator B.I. Le Marquand:

The Minister acts, effectively, as shareholder in relation to the company, which is wholly owned, effectively, by the States of Jersey. He could, I think, give directions to the directors as to what he hoped they would be able to produce in relation to profit levels but has not done so in the past. They, of course, could, theoretically, ignore him because this is a separate company with separate directors and they have to consider things like they need to reinvest and things of that nature. All I am saying is that that has not happened, their hands have not been tied.

3.9.5 The Connétable of St. John:

Is the Minister saying that in fact the Minister for Treasury and Resources is in a position to be able to manipulate the board if he so wished?

Senator B.I. Le Marquand:

I think he is in a position to be able to influence in relation to that, if he so wished because, ultimately, the shareholder appoints and can remove directors but he has no wish so to do.

3.9.6 The Connétable of St. John:

The Minister knows that his colleague would have no wish to do this. How would he know this? Could he please explain?

Senator B.I. Le Marquand:

I know that it is generally policy of the Minister to try to keep such matters at arm's length and to preserve the gap. One of the difficulties that he and other Ministers have in the same area is that they are constantly asked detailed questions, looking towards the Deputy but not in an accusing fashion, in relation to detailed operation of matters. He is perfectly entitled to take the view: "None of my business, this is a matter for the directors." But it is, in fact, the Members of this Assembly that seek to draw him into a managerial-type role. I have to say he always seeks to resist.

3.9.7 Deputy R.G. Le Hérissier:

Could the Minister, for not being invited to dinner, outline whether he will press the Minister for Treasury and Resources to question why cross-subsidisation is not outlawed in the Competition Law, hence, the very timid response that some complainants feel they are getting from the Competition Authority?

Senator B.I. Le Marquand:

I do not see this as cross-subsidisation. I see this as fulfilling a social burden that leads to a situation where there is a loss being made, hence, my answer to Deputy Tadier. But I think it is

perfectly legitimate that if there are other organisations that have concerns in relation to this area that they be raising this with C.I.C.R.A. and also with the Minister who has responsibility for C.I.C.R.A. who, if my memory serves me right, is the Minister for Economic Development and not the Minister for Treasury and Resources.