

3.12 Deputy G.C.L. Baudains of the Minister for Treasury and Resources regarding Jersey Telecom's proposed 28 per cent increase in broadband charges:

May I just preface the question by saying it was intended originally to go to the Minister for Economic Development and it was redirected to the Minister for Treasury and Resources, hence the rather curious wording and perhaps the second part of it is not relevant. Is the Minister, as the shareholder representative, aware of Jersey Telecom's proposed 28 per cent increase in broadband charges due to come into effect shortly and, if so, what action, if any, is he taking *vis-à-vis* the regulator?

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

J.T. is responsible for making its own pricing decisions and these are regulated by the J.C.R.A. (Jersey Competition Regulatory Authority). As the Deputy will be aware, there is an important separation that was put in place upon incorporation between the shareholder and the regulator. I am advised that the 28 per cent referred to by the Deputy is not a like-for-like comparison - this is information provided by J.T. - as the 2 megabits per second product he uses for his calculation has been taken out of service and being replaced up to a 28 megabits per second product. I am advised subscribers on products other than 2 megabits per second will see price drops of 62 per cent. Subscribers on the 2, 4, 8, 16 and 20 products are being provided with maximum speeds possible to all of the current ... which is effectively a 4-megabit price. To reduce the impact on the lowest speed service, J.T. has committed to hold the current price for 18 months while providing a significantly improved service during that period. For subscribers that wish to continue using a 2 megabit service thereafter, J.T. will be providing this over its mobile network at a rate of £17.99 per month. The action I have taken and will continue to is to hold the board to account and ensure that whatever recommendations C.I.C.R.A. are doing into this matter, as the Minister for Economic Development was speaking about earlier, are implemented by J.T.

3.12.1 Deputy G.C.L. Baudains:

By forcing customers off the lower product on to a higher one, would the Minister agree with me that this is really a covert way by Jersey Telecom of forcing its customers to take up bandwidth they do not need and making them move on to a higher band that they have not willingly chosen to do because Jersey Telecom requires that income to pay for its fibre roll-out?

Senator P.F.C. Ozouf:

I think that is probably quite unfair and I am happy to go and perhaps have a cup of tea with Deputy Baudains in St. Clement to see what speed he needs on his devices. Certainly, I do not know about him but I think that ...

Deputy G.C.L. Baudains:

Two megabits is adequate for me.

Senator P.F.C. Ozouf:

The Deputy made a point that apparently 2 megabits per second is enough for him. Well, I do not know how many emails he is receiving from States departments with 10 downloads, *et cetera*. I guess he is saying not many. The fact is that 2 megabits per second is really very slow and is upgraded. It is not only the 2 megabits per second, it is the actual quality and the contention ratio of that that is delivered, and that is as I understand it. I am acting in the shareholder issue here. I am interested in technology. It is really the regulator and E.D.

(Economic Development) that need to deal with this. I will make sure that J.T. complies with whatever rulings the regulator gives.

3.12.2 Deputy T.A. Vallois:

Could the Minister advise what the social good definition is under our Articles of Association or Memorandum of Understanding with J.T. and whether it involves pricing as a part of it?

Senator P.F.C. Ozouf:

Again, I do not have a copy of the M.O.U. (Memorandum of Understanding). I keep them on my iPad and I will look them up because I have a pretty fast speed here [**Laughter**] to get them. The M.O.U. is effectively the guiding principles that set out the relationship as the shareholder between J.T. That really is not a legal document. There is the law. There is the Jersey Telecommunications law which sets out the duty of the J.C.R.A., the Minister for Economic Development and the Minister for Treasury and Resources. Now, the Minister for Treasury and Resources has to effectively deal with the shareholding operating side, and I know that there is sometimes confusion on this but the Minister for Treasury and Resources is not doing the proxy regulator job. That is the job of the J.C.R.A. and the Minister for Economic Development. J.T. and the Treasury will comply with those rulings. I hope that is helpful to answer the Deputy's question.

3.12.3 Deputy T.A. Vallois:

A follow-up: I only asked whether there was a definition for social good in the Memorandum of Understanding and if there is not then why is it that the public own Jersey Telecom?

Senator P.F.C. Ozouf:

Well, I think the public good statement ... and I am just in the process with the Minister for Housing to confirm, and will be circulating later today the new M.O.U. which will be signed by Andium. Public good is effectively a standard clause which is in all of the Memoranda of Understanding for Jersey Post, Jersey Telecom, Andium and I think S.o.J.D.C. (States of Jersey Development Company) as well. I have been clear that I believe that the States Assembly in discharging those duties via the Treasury should be an activist shareholder. Now, public good, for example, would be ensuring the company invests in the longer term, doing fibre, thinking about the long-term interests of Jersey and the Jersey economy and the people of Jersey in the longer term, but we are not a proxy regulator and I think there is obviously some colour to that.

3.12.4 Deputy S. Power:

Is the Minister for Treasury and Resources aware that Jersey Telecom appear to be another States utility that is coming across as aggressive and that the public who are getting these letters of offer on so much per month on such a capacity of speed on their broadband are then irritated and annoyed - and it is becoming an issue for colleagues - when usage charges and service charges are added to their phone bill as almost a penalty charge over and above the rate that Jersey Telecom has set? So, for instance, if somebody is set with a 2Mb speed and their grandchildren or their in-laws or their siblings or whoever downloads something, they are then charged a usage charge, which is almost a penalty. Can the Minister for Treasury and Resources discuss this as the shareholder interest because it is sad ...

The Bailiff:

I think you have asked the question now, Deputy. It is quite a long question.

Deputy S. Power:

All right, Sir.

Senator P.F.C. Ozouf:

I have been clear before and what we are doing with J.T., working with the Minister for Economic Development ... and I have reported on this a number of times, and to also perhaps build on the answer to Deputy Vallois which is at the heart of this, is what is the State's purpose in owning J.T.? In my view, that policy was set a number of years ago and we are reviewing that purpose. It must be a multiple of reasons and we are busy confirming and we are having a dialogue about that interest. I think what is not right, if I may say, is to describe J.T. as being aggressive. They are in a competitive marketplace and they have to compete with other operators. There are 2 other operators in mobile and there are going to be other operators in fixed. Now, J.T. has to be aggressive in that marketplace, but aggressive should not be bad. Aggressive should be good, winning customers, delivering what customers want, and investing for Jersey's future. I see no particular conflict in it, but we are looking as to the purposes and confirming what the purposes of national ownership should be.

3.12.5 Deputy G.C.L. Baudains:

I would inform the Minister I used to be on 50 megabits and there was no improvement over the 2 megabits. I do not know if he is aware that greater bandwidth in a property is only of use where there are multiple users, father, son and whatever, all doing different things, or where films are downloaded. How does he justify this imposition on those who do not need it? Is he not concerned that at the present customers do not have the option of going elsewhere because of a lack of competition? Eventually, this will affect the value of Jersey Telecom when those customers decide to go elsewhere.

Senator P.F.C. Ozouf:

A number of points there. The first thing is that having spoken to many people experiencing J.T.'s service and having then dealt with and followed up individual cases so that I can become comfortable with my Assistant Minister that J.T. is doing what is expected, oftentimes when the new fibre has been connected there have been problems within individuals' own homes, the Wi-Fi has not been correctly configured and there have been issues with everybody's implementation of new technology, but those have been quickly resolved. So I think it would be wrong to say that when an installation has been made then there is a permanent problem. As far as the value of J.T. is concerned, I would just tell the Deputy that Manx Telecom - another national operator that has the same market share as J.T., not owned by the Government, which was owned by O2, then sold to Telefonica, then taken to private equity and how publicly quoted - has a value on the basis of J.T.'s returns which would be north of £300 million. So on the contrary of eroding taxpayers' value, J.T. is cutting costs and adding dividends and investing, so it is quite the opposite picture of what the Deputy has portrayed, if I may say.