

21.06.29

10 Deputy G.P. Southern of the Minister for Treasury and Resources regarding selling off utility assets (OQ.152/2021):

Will the Minister inform Members what powers, if any, she has to sell off utility assets without bringing such decisions to the States Assembly for agreement?

Deputy S.J. Pinel of St. Clement (The Minister for Treasury and Resources):

I assume that the Deputy's question is prompted by the recent announcement of J.T.'s (Jersey Telecom) sale of its majority stake in its I.o.T. (Internet of Things) business. Under the Public Finances (Jersey) Law 2019 the States has assigned to me responsibility to "exercise the rights attached to shares in a company wherever incorporated that are owned by the States in the name of the States." In addition, the relationship with the States-owned entities is governed by a memoranda of understanding and under the provisions of these M.O.U.s (memorandum of understanding) which are not legally binding, the sale of material assets by an S.O.E. (States-owned enterprise) require my consent. In considering the J.T.'s board request for consent to the sale of the majority stake of its subsidiary company I sought independent advice on the nature and construct of the transaction and my role in its approval.

[14:30]

The relationship with the S.O.E.s is one that was created to allow the vital components of the Island's infrastructure to be managed commercially and by experts in the appropriate field with proper oversight from the shareholder. The sale of the majority stake in a deal that exceeded initial expectations has demonstrated the value of the successful relationship between the S.O.E.s and Minister for Treasury and Resources as representative shareholder. I would remind Members that this transaction did not involve the sale of a utility asset and the States, represented by myself as shareholder, still owns 100 per cent of the shares in the J.T. Group.

5.10.1 Deputy G.P. Southern:

What estimate does the Minister for Treasury and Resources have for the combined tax and dividends, which will be paid to the States under the new circumstances, and how does this compare with the tax and dividend that is returned from this entity presently?

Deputy S.J. Pinel:

That is a question, Deputy, that is still under discussion with the board of J.T. so we do not know exactly what the return is going to be because the contract has only just recently been signed. We just simply do not have those details at the moment. We have 2 weeks from the signing of the contract, which was at the end of last week, in order to go through all those details, and we are in discussions with them.

5.10.2 The Connétable of St. John:

Will the Minister be requesting a special dividend from J.T.?

Deputy S.J. Pinel:

We will be expecting a dividend but, as I said in the answer to my last question, we do not know what the details are just yet.

5.10.3 The Connétable of St. John:

Was that not part of the advice that was sought before the sale?

Deputy S.J. Pinel:

Yes, it would have been but the final details have not yet been approved. There is a certain amount of debt that J.T. have to clear from this. They have to remove their high-risk vendor equipment, as everybody will know. They have to invest in J.T. international pipeline products, local services, further investment in 5G, and so until all that is sorted out down to the last penny we will not know what the dividend return to Treasury is.

5.10.4 Senator S.Y. Mézec:

Given the importance that the States-owned companies play in Jersey, not just in providing revenue back for the Government but in helping to deliver our strategic aims on things like connectivity and sustainability, does the Minister not think it might have been more appropriate to have had some form of discussion with the elected representatives of this Island before taking such a drastic step like this in such an important company, which we own?

Deputy S.J. Pinel:

We still do own 100 per cent of the shares in J.T. This is the subsidiary company Internet of Things, which is a global network which J.T. has invested in. There is no question that the electorate or the Assembly, or the Minister for Treasury and Resources as shareholder, still do not own 100 per cent of Jersey Telecom shares.

5.10.5 Senator S.Y. Mézec:

I well understand that but the point of the States-owned companies is to provide some sort of public benefit, that is why we own them and that is why we help set their strategic directions, and that includes presumably their subsidiary companies and what they offer for the Island. Since this is quite a drastic move - I am not saying it is positive or negative; it is drastic one way or the other - is it not more democratic to rather than spring this on Members at the last moment before it is too late to ask questions or anything before it happens, to include us in the discussions on that so we know what is happening and can express some sort of democratic verdict on it? Is that not a more democratic way to run these companies for the public benefit?

Deputy S.J. Pinel:

No, it was a commercially sensitive transaction with a significant number of bidders and it would not have been appropriate to make it public. As I say, it is the board of J.T. that conducted these with several different independent advisers as a commercial sale, if you like, of a part of J.T. But the actual infrastructure of J.T. for which the public are accountable, if you like, as Treasury as shareholder, has not been touched. The infrastructure is still 100 per cent owned by the shareholder and the Assembly.

5.10.6 Deputy I. Gardiner:

Would the Minister advise when the last time the M.O.U. with Jersey Telecom has been updated as per the recommendation from the Comptroller and Auditor General?

Deputy S.J. Pinel:

Good question. All M.O.U.s of all States-owned entities and partially owned States-owned entities, like Jersey Electricity and Jersey Water, are all undergoing review of their M.O.U.s at the current time and almost completed.

5.10.7 Deputy I. Gardiner:

Just to clarify, that since the recommendation from 2014 and follow up in 2019, the M.O.U. for Jersey Telecom has not been updated yet so we are relying on M.O.U. from 2002; is that correct?

Deputy S.J. Pinel:

Not quite. It has been updated, it just has not yet been published. But that will be published shortly. As I say, all the States-owned entities' memorandums have been updated.

5.10.8 Deputy G.P. Southern:

Can the Minister clarify for me that we have not sold anything that we should not have sold and that we do not know what price we are getting for the subsidiary that we have or have not bought? Can the Minister clarify when she is going to come to the house to get the stamp of approval on this action from States Members or is she not going to do that? Is this the start of a mass privatisation of all utilities?

Deputy S.J. Pinel:

No, it is not mass privatisation at all. I keep saying and try to emphasise, nothing of the actual J.T. Group, the infrastructure, has been sold. This is a subsidiary of that group run and initiated by the board of that group, which has been enormously successful, and there was a bidding war in order to purchase it. Jersey Telecom still have a minority share in the business. It seems to be, to me - and I have been involved with it - a win-win situation.

The Bailiff:

Could I remind Members that Standing Orders provide that all addresses should be made through the Chair therefore it is not appropriate when answering a question or indeed posing a question to direct that question or that answer to the Member by name.