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# STATES OF JERSEY



## JERSEY COMPETITION REGULATORY AUTHORITY: ANNUAL REPORT 2012

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Presented to the States on 22nd July 2013  
by the Minister for Economic Development

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STATES GREFFE





# **ANNUAL REPORT 2012**

## **FOREWORD**

This is the first annual report of the Channel Islands Competition and Regulatory Authorities (CICRA). It consists of a report on CICRA's activities together with separate sets of financial statements for the two authorities that comprise CICRA.

This report is presented to Jersey's Economic Development Minister and Guernsey's Commerce and Employment Department pursuant to provisions set out in the Competition Regulatory Authority (Jersey) Law 2001 and The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001. It also fulfils the requirements of the obligations on CICRA as set out in the Islands' competition laws and sector specific legislation.

### **What is CICRA?**

The Channel Islands Competition and Regulatory Authorities is the name given to the Jersey Competition Regulatory Authority (JCRA) and the Guernsey Competition and Regulatory Authority (GCRA) (formerly the Office of Utility Regulation). The JCRA was established under the Competition Regulatory Authority (Jersey) Law, 2001, and the GCRA was established under the Guernsey Competition and Regulatory Authority Ordinance, 2012.

By working together, sharing resources and expertise between the islands, CICRA's aim is to ensure that consumers receive the best value, choice and access to high quality services, in addition to promoting competition and consumers' interests.

### **CICRA's functions**

#### **Competition**

CICRA is responsible for administering and enforcing the Competition (Jersey) Law 2005 and The Competition (Guernsey) Ordinance, 2012. The aim of this legislation is to prevent consumers being harmed by anti-competitive or exploitative behaviour in the market (such as price-fixing or abuse of market power).

#### **Advisory**

CICRA can be called on to advise the Jersey's Economic Development Minister and Guernsey's Commerce and Employment Department on matters of economic regulation and competition.

#### **Economic regulation**

In common with many jurisdictions in the European Union, and further afield, the States of Jersey and the States of Guernsey have decided to structure particular previously States-run businesses as separate companies - albeit wholly-owned by the States. In Jersey's case this decision was taken in respect of the telecommunications and postal businesses now run by JT and Jersey Post respectively. In Guernsey's case this decision was taken in respect of the telecommunications, postal and electricity businesses now run by Cable and Wireless, Guernsey Post and Guernsey Electricity.

### **Who we are**

CICRA is led by a joint board. The board consists of a Chairman, three non-executive directors and three executive directors. In addition CICRA has eight staff spread between Jersey and Guernsey.

The Chairman is jointly appointed by the States of Jersey and States of Guernsey on the recommendation of Jersey's Economic Development Minister and Guernsey's Commerce and Employment Department. In consultation with the Chairman, the Economic Development Minister and the Commerce and Employment Department are also responsible for the appointment of at least two non-executive directors and the appointment of executive directors to the Board.

### **How to find out more**

More information on CICRA and its activities can be found on the website [www.cicra.je](http://www.cicra.je) or [www.cicra.gg](http://www.cicra.gg).

## CHAIRMAN'S STATEMENT



In June 2012 the effective merger of the competition and regulatory authorities in Jersey and Guernsey was completed. Both bodies now operate under the aegis of the Channel Islands Competition and Regulatory Authorities (CICRA). Legislation in Guernsey transformed the previous Office of Utility Regulation (OUR) into the Guernsey Competition and Regulatory Authority (GCRA) governed by a board rather than as previously by a Director General. The members of the Jersey Competition Regulatory Authority board (JCRA) were appointed as members of the GCRA board. In anticipation of this move, Peter Neville had been appointed to the JCRA board. Peter was previously Director General of the Guernsey Financial Services Commission and brings valuable experience of regulation and of the business and political environment in Guernsey. Peter succeeded Robert Foster who retired from the JCRA board after eight years during which time his experience of regulation and competition in the UK was invaluable.

John Curran, as Director General of the OUR, played a major role in the integration of the two authorities when he was also appointed Chief Executive of the JCRA in September 2011. John had indicated that after seven years running the OUR he would not be seeking a further term when his contract expired in September 2012. After an open selection process Andrew Riseley, previously Deputy Chief Executive of the JCRA, was appointed as the new Chief Executive. Andrew joined the JCRA in July 2011 but has rapidly demonstrated his abilities across the range of the JCRA's work.

Even a small organisation such as CICRA needs a strong management team. Michael Byrne, previously Deputy Director General of the OUR, and Louise Read, previously Head of Finance and Operations at the JCRA, both played a major part in the creation of CICRA as well as effectively performing their normal responsibilities. In recognition of the roles they played, and continue to play, they were appointed as Executive Directors with effect from 1 August 2012.

The end result of what might seem a complicated process is that CICRA operates as a single body but formally takes decisions as GCRA or JCRA under the respective laws of the islands, which, while not identical, are sufficiently aligned so as not to cause significant problems in practice.

There is always a danger that corporate reorganisations result in the eye being taken off the ball. With so much going on we could not, and did not, allow that to happen. We have had to handle a rapid change in the nature of the postal services market affecting both islands and, while the telecoms market continues to grow in importance, the telecommunications market in the islands prove to be a challenge to operators and regulators alike. Here there is a real difference between Jersey and Guernsey; the dominant fixed line operator in Jersey being the States-owned Jersey Telecom while in Guernsey it is the international group Cable and Wireless. Fortunately, the two companies operate in both islands so have to reconcile their interests as both incumbent and entrant.

In Jersey the switch of emphasis in competition regulation towards local markets was completed and good progress that directly benefits the public has been made on petrol, fuel oil and school uniforms. It is disappointing that taxi regulation continues to operate in the interests of the providers of the service rather than the public, notwithstanding the compelling case for deregulation that the JCRA has made. In Guernsey, the legislation that created the GCRA also introduced a competition law for the first time, albeit with very limited funding that will restrict the amount of work that can be done. However, an early success has been the ending of the scale of fixed fees for conveyancing which will provide an immediate and direct benefit to house buyers.

The creation of CICRA has been a success, although operating in two islands with real differences in structures and approaches is a challenge, particularly when the governments have their own agendas. There is much talk of further integration between the islands. CICRA shows what can be done, and is frequently mentioned in the wider debate, but, as Europe has discovered, merged functions require a degree of political integration for which the politicians may not be ready. CICRA will be happy to share its experiences with others as the prize, in terms of greater efficiency and effectiveness, from combined working is substantial.

CICRA has an effective board and an excellent executive team. I am grateful to all my colleagues for the contribution they have made during the year. Combining a major structural change and operating in two different jurisdictions, while maintaining appropriate regulation in ever changing markets, is a real challenge and one that the organisation has more than met.

**Mark Boleat**  
**Chairman**

### **CHIEF EXECUTIVE'S REPORT**



It was a great honour to be appointed as Chief Executive of the Channel Islands Competition and Regulatory Authorities (CICRA) from 13 June 2012. As regulator of competition and utilities, CICRA has a vital role to play in protecting the interests of consumers in the Channel Islands, while also encouraging innovation and growth in local economies, and high-quality and efficient infrastructure. My appointment coincided with the launch of the Guernsey Competition and Regulatory Authority (GCRA) which shares a board with the Jersey Competition Regulatory Authority (JCRA). The board structure provides useful scrutiny and challenge for CICRA's decisions and contributes different perspectives on our regulatory objectives as well as being a helpful source of counsel and support for CICRA's executive.

In a short time, my predecessor, John Curran, made great strides in integrating the Guernsey and Jersey CICRA offices and in sharing the best aspects of both organisations. The creation of the joint CICRA board has been an important step to formalising those arrangements. Continuing that process of integration, particularly in the context of an overall reduction in employee numbers, remains an important task for the CICRA executive.

#### **Competition Law**

The past year saw the introduction of competition law in Guernsey, with The Competition (Guernsey) Ordinance, 2012 coming into effect on 1 August. Much of our initial work on competition law has involved educating businesses and their advisors, individual consumers and States departments about the requirements of the new law; for example, we published new pan-CI guidelines on various aspects of competition law and its administration and enforcement.

We have also instigated a number of competition law investigations during the course of the year in both islands. After completing market studies in Jersey on heating oil and electricity, we look forward to conducting our first pan-Channel Islands market study in relation to grocery retailing in 2013. We have also moved closer to obtaining amendments to the merger notification thresholds in Jersey to mirror those applied in Guernsey. The new thresholds, based on the merging businesses' local turnover, will be more objective than the 'share of supply' tests they replace and will also assist in concentrating CICRA's resources on reviewing material transactions with a significant link to the Channel Islands.

## **Telecommunications**

The largest area of CICRA's work continues to be telecommunications. Work on the allocation of new spectrum, for use by 4G applications, will restart in 2013 and should benefit from the results of a joint strategic review of spectrum policy by the States of Guernsey and Jersey. We procured an independent audit of emissions of electromagnetic radiation from every mobile mast in the bailiwicks during 2012 and were pleased to report that all masts in the Channel Islands are well within the limits given by international standards. We took the first steps in 2012 to encouraging further competition in the provision of landline services across the Channel Islands and expect to see the introduction of new wholesale telecoms products (such as wholesale line rental) during the course of 2013. Work has also begun on harmonising our approach to telecoms regulation in Guernsey and Jersey on matters such as separated accounts, interconnection rates and on-island leased lines. Our intention in 2013 is to increase our focus on consumers' interests in areas such as quality of service, 'bill shock' and variations to fixed-term contracts.

## **The Postal Sectors**

Postal sectors in almost all jurisdictions have experienced considerable challenges in recent years with steep reductions in the volume of letters carried offset, somewhat, by sizeable increases in carriage of parcels and packets as a result of the move to online shopping. The changes for the sector in the Channel Islands have been even more dramatic after a sharp decline in bulk mail due to the abolition of Low Value Consignment Relief (LVCR) for postal items shipped to the United Kingdom in April 2012. Despite the effect of the abolition of LVCR the two incumbent postal operators in the Channel Islands are both profitable and their medium-term future looks sustainable, in part, due to the cost reductions produced by regulatory pressure in prior years. In addition, other postal licensees have adapted their business models in the past year and continue to provide options and choice for larger postal customers. CICRA has recognised the evolution of the postal sector and is in the process of consulting on a new, reduced form of postal regulation. The proposed approach would monitor quality of service and provision of the Universal Service Obligation, while allowing market forces (and the ever-growing threat of substitution by electronic communication) to constrain the prices of postage.

## **Electricity**

The development of our regulation of the electricity sector in Guernsey awaits the results of a further review by government. CICRA recognises that Guernsey Electricity Limited (GEL) and its shareholder, the States of Guernsey, face major decisions in relation to future capital expenditure, and the method by which that expenditure is financed, as well as in considering security of supply in the long-term. CICRA remains convinced that there is a role for independent regulation in representing the interests of consumers and in ensuring that GEL maximises its efficiency. However, we recognise that the scope of any such role in the future needs to focus on where economic regulation can best support broader policy goals.

Finally, I would like to pay tribute to the staff of CICRA particularly Deputy Chief Executive, Michael Byrne, and Director of Finance and Operations, Louise Read, and to thank them for supporting me and their hard work for local consumers. Many businesses and organisations in the Channel Islands are familiar with the challenges of being relatively small in scale. CICRA must also be innovative and pragmatic in order to cover effectively the range of functions undertaken by much larger counterparts in other jurisdictions. Our success to date in doing so is in no small part due to the resourcefulness and diligence of all of my colleagues.

**Andrew Riseley**  
**Chief Executive**

## THE BOARD



**Mark Boleat**  
**Chairman**

Appointed chairman of the joint board on 1 June 2012, having previously been appointed JCRA chairman in April 2010, Mark has extensive experience in regulatory policy and practice and the handling of complex public policy issues. He holds, or has held, numerous board level appointments in commercial, public and charitable organisations including Chairman of the States of Jersey Development Company and Chairman of the City of London Policy and Resources Committee. He has strong ties to Jersey having been born and educated in the island. He has written extensively on Jersey and has undertaken three significant reviews for the States of Jersey including one on consumer policy.



**Richard Povey**  
**Non-Executive Director**

Appointed non-executive director of the joint board on 1 June 2012, having been appointed a JCRA non-executive director in May 2005 Richard has extensive industrial experience particularly in the petrochemical, mechanical and electrical engineering, and telecommunications sectors. He held a number of senior management positions in Swire Pacific Ltd in Hong Kong and Taiwan between 1979 and 1996. Since 1996, he has held non-executive positions for various fund management and industrial companies. He is currently a Non-Executive Director of Henderson Far East Income Ltd.



**Philip Marsden**  
**Non-Executive Director**

Appointed non-executive director of the joint board on 1 June 2012, having been appointed a JCRA non-executive director in September 2010, Philip is a competition lawyer with a particular interest in abuse of dominance, consumer welfare, innovation incentives and international competition issues. His current portfolio includes being the director of the Competition Law Forum, Senior Research Fellow at the British Institute of International and Comparative Law, Non-Executive Director of the UK Office of Fair Trading and a visiting professor at the College of Europe, Bruges.



**Peter Neville**  
**Non-Executive Director**

Appointed non-executive director of the joint board on 1 June 2012, having been appointed a JCRA non-executive director in April 2012, Peter is the former director general of the Guernsey Financial Services Commission having headed the financial watchdog for over eight years. He is currently chairman of Kleinwort Benson in Guernsey.

After reading law at Oxford, Peter qualified as an accountant and then worked as a banker and merchant banker in the City and the Far East. He worked for City watchdog IMRO, which is now part of the Financial Services Authority, and for the Lloyd's of London insurance market. He also advised the Maltese authorities on regulating financial services business.

## THE BOARD (CONTINUED)



**Andrew Riseley**  
**Chief Executive**

Andrew was appointed Chief Executive on 13 June 2012 having joined the JCRA as Deputy Chief Executive in July 2011.

Andrew is a competition and regulatory lawyer, who has worked at large law firms in both the UK and Australia, at one of the UK's competition regulators, and in-house at a major UK utility. He has extensive experience in utility regulation, competition law and public procurement.

Andrew is admitted to practise as a solicitor in England and Wales and Victoria, Australia. He holds post-graduate qualifications in competition law and economics from the London School of Economics and Political Science and degrees with first-class honours in economics and law from Monash University in Australia.



**Michael Byrne**  
**Deputy Chief Executive**

Michael was appointed Deputy Chief Executive on 1 August 2012 having joined the GCRA in May 2005 before being appointed Deputy Director General in December 2007.

Michael has extensive experience applying regulation and competition law in the UK energy, media and telecoms sectors.

Michael holds a diploma in Company Direction from the IoD, an MBA, a post graduate qualification in European Competition Law, and a Bachelor of Science Honours degree in Mathematical Statistics.



**Louise Read**  
**Director of Finance and Operations**

Louise was appointed Director of Finance and Operations on 1 August 2012 having joined the JCRA as Finance and Operations Manager in June 2009.

Louise is a chartered accountant, with extensive experience of managing finance, personnel and operational aspects of business. She played a lead role in the integration of the JCRA and GCRA to form CICRA. She is the board and audit and risk committee secretary.

Louise was previously the Group Financial Accountant at Jersey Post, and has worked with many of Jersey's businesses during her time at PwC.

Louise holds a diploma in Company Direction from the Institute of Directors, is a fellow of the Institute of Chartered Accountants in England and Wales and a BSc in Accounting and Management Sciences from the University of Southampton.



## FINANCIAL STATEMENTS 2012

Consistent with prior years, the Jersey Competition Regulatory Authority (JCRA) made an accounting surplus of £1 in 2012, effectively breaking even. The laws under which the JCRA operates require that it accounts for income only in order to meet its actual costs during the year. It must also ensure that it receives enough income during the year in each of the three areas it covers – competition, telecoms regulation and postal regulation – to fund them separately, given that cross-subsidisation is not permitted. A working balance is maintained at all times but, for the purposes of the financial statements, deferred income adjustments are made to match income with costs.

Overall costs in 2012 decreased by £360k compared with 2011. Year on year consultancy fees were £144k (2011: £262k) reflecting, in part, the benefits of pan-Channel Island working which has given the organisation the ability to complete more projects in house and at a lower cost. Legal fees were £8k (2011: £213k). The level in 2011 was particularly high, reflecting the cost of defending an appeal against a telecoms decision.

The JCRA maintains strict internal guidelines with regard to purchasing and tendering procedures which, combined with appropriate corporate governance best practice, helps to ensure that it is run as an effective and efficient organisation. An audit of policies and procedures is undertaken each year by independent internal auditors to ensure that high standards are maintained.

In line with the service level agreement between the JCRA and the Economic Development Department (EDD), grant funding for work under the Competition (Jersey) Law 2005 continued to be received quarterly in advance. There was deferred grant income carried forward at the year end of £94,335 (2011: £148,758).

Income of £63k (2011: £84k) was received in the form of mergers and acquisitions fees. There was £12k (2011: £5k) of deferred income relating to applications for approval of mergers and acquisitions that were on-going at the year end.

There was one fine issued and paid during the year relating to an infringement of Article 8(1) of the Competition (Jersey) Law 2005. Although this fine was paid to the JCRA, as required by Article 39(7) of the Competition (Jersey) Law 2005, this was then paid on to the Treasurer of the States and was therefore not accounted for within the income and expenditure account as the JCRA merely acted as a collection agent.

At the year end there was deferred telecommunications licence fee income of £147k (2011: £132k). Based on budgeted costs, the Class III and Class II licence fees for 2012 were once again set at 0.75% of regulated turnover.

At the year end there was deferred postal licence fee income of £154k (2011: £5k). The high level of deferred income reflects the impact of the JCRA's policy of rolling back regulation where it is appropriate to do so.

## **JERSEY COMPETITION REGULATORY AUTHORITY**

(Incorporated in Jersey, Channel Islands)

### **NON EXECUTIVE MEMBERS**

Mark Boleat                      Chairman

Richard Povey

Philip Marsden

Peter Neville

Robert Foster

appointed 1 June 2012

term ended 1 August 2012

### **EXECUTIVE MEMBERS**

Andrew Riseley                Chief Executive

Michael Byrne                Deputy Chief Executive

Louise Read                  Directors of Finance and Operations

John Curran                    Chief Executive

appointed 13 June 2012

appointed 1 August 2012

appointed 1 August 2012

resigned 13 June 2012

### **SECRETARY**

Louise Read

### **INDEPENDENT AUDITORS**

Grant Thornton Limited

Kensington Chambers

46/50 Kensington Place

St Helier

Jersey

JE1 1ET

### **BANKERS**

HSBC Bank plc

PO Box 14

St Helier

Jersey

JE4 8NJ

### **REGISTERED OFFICE**

2<sup>nd</sup> Floor Salisbury House

1-9 Union Street

St Helier

Jersey

JE2 3RF

## **JERSEY COMPETITION REGULATORY AUTHORITY MEMBERS' REPORT**

The Members of the Jersey Competition Regulatory Authority (JCRA) present their report and financial statements for the year ended 31 December 2012.

### **ACTIVITIES**

The principal activities of the JCRA during the year were the regulation of the telecommunications and postal industries and the administration and enforcement of the Competition (Jersey) Law 2005.

### **RESULTS**

There was a surplus for the year of £1 (2011: surplus £1).

### **MEMBERS**

The Members in office when these financial statements were approved are shown on page 8.

### **INDEPENDENT AUDITORS**

The auditors, Grant Thornton Ltd, who were appointed in accordance with Article 17 of the Competition Regulatory Authority (Jersey) Law 2001, have indicated their willingness to continue in office.

By order of the Members

**Louise Read**  
Secretary  
8 March 2013

**JERSEY COMPETITION REGULATORY AUTHORITY  
STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL  
STATEMENTS**

The Competition Regulatory Authority (Jersey) Law 2001 requires the members to prepare financial statements in accordance with generally accepted accounting principles which show a true and fair view of the surplus or deficit of the JCRA for the year and of the state of the JCRA's affairs at the end of the year.

In preparing financial statements the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the JCRA will continue in operation; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The members are responsible for keeping accounting records which are sufficient to show and explain the JCRA's transactions and are such as to disclose with reasonable accuracy, at any time, the financial position of the JCRA and to enable them to ensure that the financial statements comply with the Competition Regulatory Authority (Jersey) Law 2001. They are also responsible for safeguarding the assets of the JCRA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Members confirm that these financial statements comply with these requirements.

The Law also requires the JCRA's accounts to be audited annually by auditors appointed by the Minister for Treasury and Resources and the accounts to be submitted, together with the auditor's report to the Economic Development Department. The Economic Development Department, in turn, must submit the accounts and auditors report thereon to the States of Jersey.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JERSEY COMPETITION REGULATORY AUTHORITY**

We have audited the financial statements of Jersey Competition Regulatory Authority for the year ended 31 December 2012 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Authority's members, as a body, in accordance with Article 17 of the Competition Regulatory Authority (Jersey) Law 2001. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Members' Responsibilities on page 10 the Authority's members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2012 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Competition Regulatory Authority (Jersey) Law 2001.

**For and on behalf of  
Grant Thornton Limited  
Chartered Accountants  
St Helier, Jersey, Channel Islands**

**JERSEY COMPETITION REGULATORY AUTHORITY  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	<i>Note</i>	<i>2012</i> £	<i>2011</i> £
<b>INCOME</b>			
Licence fees		711,488	886,371
Economic Development Department grant		279,424	443,496
Mergers and acquisitions fees		63,333	84,220
Bank interest		727	940
Sundry income		10	20
		<u>1,054,982</u>	<u>1,415,047</u>
<b>EXPENDITURE</b>			
Salaries and staff costs		679,111	688,582
Consultancy fees		143,601	261,967
Operating lease rentals		64,953	64,450
Travel and entertainment		18,867	15,975
Conference and course fees		18,019	15,963
Depreciation		7,453	9,597
Administration expenses		18,626	14,404
Legal and professional fees		8,457	213,474
General expenses		23,399	32,188
Audit and accountancy fee		12,000	11,500
Advertising and publicity		17,604	15,812
Repairs and maintenance		20,930	33,385
Heat, light and water		3,017	3,971
Recruitment		18,944	33,778
		<u>1,054,981</u>	<u>1,415,046</u>
<b>SURPLUS FOR THE YEAR</b>	<b>5</b>	<u>1</u>	<u>1</u>

**Recognised gains and losses**

There are no recognised gains and losses other than the surplus of the JCRA of £1 in the years ended 31 December 2012 and 31 December 2011.

**Historical cost equivalent**

There is no difference between the net surplus for the year stated above and its historical cost equivalent.

**Continuing Operations**

All the items dealt with in arriving at the net surplus in the income and expenditure account relate to continuing operations.

The notes form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY  
BALANCE SHEET  
AS AT 31 DECEMBER 2012**

	<i>Notes</i>	<i>2012</i> £	<i>2011</i> £
<b>FIXED ASSETS</b>			
Tangible assets	2	22,285	28,134
<b>CURRENT ASSETS</b>			
Debtors and prepayments	3	153,401	234,950
Cash at bank		466,525	233,177
		<u>619,925</u>	<u>468,127</u>
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	4	516,760	370,811
<b>NET CURRENT ASSETS</b>		<u>103,165</u>	<u>97,316</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>125,451</u>	<u>125,450</u>
<b>RETAINED SURPLUS</b>	5	<u>125,451</u>	<u>125,450</u>

The financial statements on pages 12 to 19 were approved by the members and signed on their behalf by:

**Mark Boleat**  
**Chairman**  
**8 March 2013**

The notes form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	<i>Note</i>	<i>2012</i> £	<i>2011</i> £
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	6	234,225	(344,897)
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
Interest received		727	940
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(1,604)	(6,321)
		_____	_____
<b>INCREASE / (DECREASE) IN CASH</b>		233,348	(350,278)
		=====	=====

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<i>2012</i> £	<i>2011</i> £
Increase / (Decrease) in cash in year	233,348	(350,278)
Cash used to increase liquid resources	-	-
	_____	_____
Change in net funds	233,348	(350,278)
Net funds at 1 January	233,177	583,455
	_____	_____
Net funds at 31 December	466,525	233,177
	=====	=====

**ANALYSIS OF NET FUNDS**

	<i>1 Jan 2012</i> £	<i>Cash flows</i> £	<i>31 Dec 2012</i> £
Cash at bank	233,177	(66,652)	166,525
Current asset investments	-	300,000	300,000
	_____	_____	_____
Total	233,177	233,348	466,525
	=====	=====	=====

The notes form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**1. ACCOUNTING POLICIES**

The financial statements are prepared under the historical cost convention and in accordance with accounting principles generally accepted in Jersey, incorporating United Kingdom accounting standards.

A summary of the more important accounting policies is set out below

**a) Interest receivable**

Interest on bank deposits is accrued on a daily basis.

**b) Fixed assets**

Fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write down their cost on a straight line basis to their estimated residual values over their expected useful lives. The depreciation rates used are as follows:

Leasehold improvements	– shorter of remaining length of lease or expected useful life
Computer equipment	– 33% per annum
Website	– 33% per annum
Fixtures and fittings	– 10% per annum
Other equipment	– 20% per annum

**c) Leasing commitments**

All leases are operating leases. Rentals payable under operating leases are charged in the income and expenditure account on a straight line basis over the lease term.

**d) Pensions**

The JCRA provides a defined contribution pension scheme. Contributions are charged in the income and expenditure account as they become payable in accordance with the rules of the scheme.

**e) Grants**

Grants received from the Economic Development Minister are accounted for in the period to which they relate. Any unused funds at the financial year end are either deferred or repaid to the Minister. Deferred grant income as at 31 December 2012 amounted to £94,334 (2011: £148,758).

**f) Telecoms licence fees**

Licence fees are set on the basis of cost recovery under Article 17 of the Telecommunications (Jersey) Law 2002. The JCRA's costs are determined on an annual basis and these are recovered by applying a percentage to the licensed revenues of the Operators on the basis of relevant pro-rata turnover, or if appropriate an annual fee. The percentage for 2012 was 0.75% (2011: 0.75%).

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is treated as deferred revenue. Deferred licence fee income as at 31 December 2012 amounted to £146,603 (2011: £132,245).

**JERSEY COMPETITION REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**1. ACCOUNTING POLICIES – CONTINUED**

*g) Postal licence fees*

Licence fees are set on the basis of cost recovery under Article 18 of the Postal Services (Jersey) Law 2004. The JCRA's costs are determined on an annual basis and these are recovered by applying a percentage to the licensed revenues of the Operators on the basis of relevant pro-rata turnover, or if appropriate an annual fee.

The fees for 2012 were set at £250,000 (2011: £250,000) for Jersey Post Limited equating to 0.9% of licensable revenue and £1,000 (2011: £1,000) for Class I Operators.

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is treated as deferred revenue. Deferred licence fee income as at 31 December 2012 amounted to £153,754 (2011: £4,806).

*h) Taxation*

Article 16 of the Competition Regulatory Authority (Jersey) Law 2001 provides that the income of the JCRA shall not be liable to income tax under the Income Tax (Jersey) Law 1961.

*i) Expenditure*

Expenditure is accounted for on an accruals basis.

**2. TANGIBLE FIXED ASSETS**

	<i>Leasehold improvements</i>	<i>Computer equipment</i>	<i>Website</i>	<i>Fixtures and fittings</i>	<i>Other equipment</i>	<i>Total</i>
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2012	35,093	75,984	-	21,415	3,936	136,428
Transfers	-	(4,125)	4,125	-	-	-
Additions	1,296	-	-	308	-	1,604
Disposals	(445)	(4,230)	-	-	-	(4,675)
	-	-	-	-	-	-
At 31 December 2012	<u>35,944</u>	<u>67,629</u>	<u>4,125</u>	<u>21,723</u>	<u>3,936</u>	<u>133,357</u>
<b>Depreciation</b>						
At 1 January 2012	17,192	71,326	-	16,062	3,714	108,294
Transfers	-	(454)	454	-	-	-
Charge in the year	4,283	502	1,361	1,249	58	7,453
Disposals	(445)	(4,230)	-	-	-	(4,675)
	-	-	-	-	-	-
At 31 December 2012	<u>21,030</u>	<u>67,144</u>	<u>1,815</u>	<u>17,311</u>	<u>3,772</u>	<u>111,072</u>
<b>Net book value:</b>						
At 31 December 2012	<u>14,914</u>	<u>485</u>	<u>2,310</u>	<u>4,412</u>	<u>164</u>	<u>22,285</u>
At 31 December 2011	<u>17,901</u>	<u>4,658</u>	=	<u>5,353</u>	<u>222</u>	<u>28,134</u>

**JERSEY COMPETITION REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**3. DEBTORS AND PREPAYMENTS**

	<i>2012</i>	<i>2011</i>
	£	£
Prepayments	40,913	37,323
Trade debtors	111,332	194,188
Sundry debtors	1,156	3,439
	<u>153,401</u>	<u>234,950</u>
	<u><u>153,401</u></u>	<u><u>234,950</u></u>

**4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<i>2012</i>	<i>2011</i>
	£	£
Accruals	23,190	52,389
Deferred grant income	94,335	148,758
Deferred licence fee income	300,357	137,051
Other deferred income	11,667	5,000
Trade creditors	77,080	20,876
Social security	10,131	6,737
	<u>516,760</u>	<u>370,811</u>
	<u><u>516,760</u></u>	<u><u>370,811</u></u>

**5. MOVEMENT ON RETAINED SURPLUS**

	<i>2012</i>	<i>2011</i>
	£	£
Income and Expenditure Account		
At 1 January	125,450	125,449
Surplus for the year	1	1
	<u>125,451</u>	<u>125,450</u>
At 31 December	<u><u>125,451</u></u>	<u><u>125,450</u></u>

**6. NOTE TO THE CASH FLOW STATEMENT**

Reconciliation of surplus for the year to net cash inflow / (outflow) from operating activities:

	<i>2012</i>	<i>2011</i>
	£	£
Operating surplus	1	1
Depreciation	7,453	9,597
Interest on current asset investments	(727)	(940)
Decrease in debtors	81,549	96,335
Increase / (Decrease) in creditors	145,949	(449,890)
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<u><u>234,225</u></u>	<u><u>(344,897)</u></u>

**JERSEY COMPETITION REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**7. RELATED PARTIES**

**a) The transacting parties are:**

- The Economic Development Minister
- Jersey Competition Regulatory Authority (JCRA)

**Relationship**

The JCRA acts independently of the States, but is accountable to the Economic Development Minister in respect of its funding for the administration and enforcement of the Competition (Jersey) Law 2005 which is also covered by a Service Level Agreement. The Minister acts as a conduit for requests from other Ministers who may request the JCRA to carry out projects. The JCRA reports formally to the Minister on an annual basis.

**Transactions**

In 2012, the Economic Development Minister provided funds to the JCRA to finance the administration and enforcement of the Competition (Jersey) Law 2005.

**Amounts involved**

- £148,758 brought forward as deferred grant income, as agreed from 2011
- £300,000 received during the year under the provisions of the Competition Regulatory Authority (Jersey) Law 2001

**Amounts due to the Economic Development Department at the balance sheet date**

	<i>2012</i>	<i>2011</i>
	£	£
Deferred grant income (included in creditors)	94,335	148,758
	<u>          </u>	<u>          </u>

**b) The transacting parties are:**

- Guernsey Competition and Regulatory Authority (GCRA)
- Jersey Competition Regulatory Authority (JCRA)

**Relationship**

The JCRA and the GCRA work together under the aegis of the Channel Islands Competition and Regulatory Authorities (CICRA) sharing a board, resources and expertise between the islands whilst retaining their own separate legal identities.

**Transactions**

The JCRA and GCRA share resources and expertise and recharge each other for expenses (including staff costs) on a no gain no loss basis.

**Amounts involved**

- £232,282 invoiced during 2012 by the GCRA to the JCRA
- £78,376 invoiced during 2012 by the JCRA to the GCRA

**Amounts due to and from the Guernsey Competition and Regulatory Authority at the balance sheet date**

	<i>2012</i>	<i>2011</i>
	£	£
Amounts due to the JCRA from the GCRA	11,788	1,789
	<u>          </u>	<u>          </u>
Amounts due by the JCRA to the GCRA	41,741	264
	<u>          </u>	<u>          </u>

**JERSEY COMPETITION REGULATORY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**8. FINANCIAL COMMITMENTS**

At 31 December 2012 the JCRA had annual commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	<i>2012</i>	<i>2011</i>
	£	£
Operating leases which expire:		
Not later than one year	-	-
In more than one year but less than five years	53,886	53,886
Later than five years	-	-
	<u>53,886</u>	<u>53,886</u>
	<u><u>53,886</u></u>	<u><u>53,886</u></u>

**9. PENSION COMMITMENTS**

The JCRA provides a defined contribution pension scheme (the Public Employees Contributory Retirement Scheme) for its employees. The assets of the scheme are held separately from those of the JCRA in an independently administered fund. Contributions of £62,268 (2011: £67,509) were charged in the year. There were no unpaid contributions at the year end.

# **JERSEY COMPETITION REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES**

## **The JCRA and the Economic Development Minister (the Minister)**

The JCRA is an autonomous body and entirely independent in its decision taking from the States of Jersey. But under powers of the Competition Regulatory Authority (Jersey) Law 2001 (the CRA Law), Article 10(1) the Minister, “may give to the Authority written guidance, or general written directions, on matters relating to corporate governance, that is relating to the systems and arrangements by and under which the Authority is directed and controlled”. The following are the Corporate Governance Guidelines as agreed between the Minister and the JCRA.

### **What is Corporate Governance?**

“Corporate Governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.” – OECD April 1999

### **Constitution of the JCRA**

The JCRA is a statutory body corporate established under Article 2 of the CRA Law. The governing body is a Board of Members which directs regulatory, licensing, financial operational and strategic policies of the JCRA.

### **Functions of the JCRA**

The functions of the JCRA are set out in Article 6 of the CRA Law which states:-

- a) The JCRA shall have such functions as are conferred on it by or under this or any other Law or any other enactment.
- b) The JCRA may recognise or establish, or assist or encourage the establishment of, bodies that have expertise in, or represent persons having interests in, any matter concerning competition, monopolies, utilities or any matter connected with the provision of goods and services to which the JCRA’s functions relate.
- c) The functions of those bodies shall include one or more of the following –
  - i. the provision to the JCRA of advice, information and proposals in relation to any one or more of those matters;
  - ii. the representation of the views of any one or more of those persons.
- d) The JCRA may, on request by the Minister, provide the Minister with reports, advice, assistance and information in relation to any matter referred to in paragraph (b).
- e) The JCRA shall have power to do anything that is calculated to facilitate, or is incidental or conducive to, the performance of any of its functions.

### **Constitution of the Board**

Article 3 of the CRA Law requires the Board to consist of a Chairman and at least two other members.

The appointment of Board Members is undertaken by the Minister. Vacancies which arise on the Board are filled through the use of an open and transparent process. The Minister follows the procedures recommended by the Jersey Appointments Commission – a body set up by the States of Jersey to overview all public sector appointments. A vacancy is usually advertised and once a suitable candidate is identified, a recommendation is made to the Minister.

## **JERSEY COMPETITION REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)**

Under the provisions of the CRA Law, the appointment of the Chairman is a matter reserved for decision by the States of Jersey on the recommendation of the Minister. The other Board Members are appointed by the Minister after it has consulted with the Chairman. The Minister must notify the States of the appointments.

On appointment, a Member will receive an induction to the work of the Board and the JCRA. This includes an opportunity to meet all members of staff.

Under the provisions of the CRA Law, Members are appointed for terms not exceeding five years and upon expiry of such period are eligible for reappointment.

### **Operations of the Board**

The Board sets strategic policy and the implementation of these policies is undertaken by the Executive.

The Board usually meets at least monthly or bi-monthly and holds additional meetings when circumstances require it. In advance of each meeting, Members are provided with comprehensive briefing papers on the items under consideration. The Board is supported by the Board Secretary who attends and minutes all meetings of the Board. During 2012 the Board met ten times.

The quorate number of Members to hold a Board meeting is three, two of which must be Non-Executives, with one acting as Chair.

Article 9 of the CRA Law empowers the Board to delegate any of its powers to the Chairman, one or more Members, or an officer or employee of the JCRA or a committee whose member or members are drawn only from the Members, officers and employees of the JCRA. However, the Board is not authorised to delegate the power of delegation or the function of reviewing any of its decisions.

The Board maintains a strategic plan and annual budget which is prepared in the last quarter of each year and incorporates, amongst other things, any strategic issues raised by the Board at its annual away day, and comments received during public consultation. This is considered by the Board prior to the start of the financial year.

The Board monitors the performance of the JCRA against the strategic plan and annual budget through reports at its regular Board meetings. Performance against budget is monitored by the presentation of quarterly management accounts to the Board and ad-hoc financial presentations as and when appropriate.

The JCRA has agreed a policy on travel with the Economic Development Department.

The Chief Executive makes recommendations to the Minister in respect of fees paid to the Non- Executive Board members.

### **Committees of the Board**

Article 7(1) of the CRA Law enables the JCRA to establish committees.

During 2012 the Board had established one committee; an Audit and Risk Committee. The members of this committee are selected from the Non-Executive Directors and are appointed by the Board.

## **JERSEY COMPETITION REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)**

The key duties of the Audit and Risk Committee are:-

- To review annually the JCRA's application of corporate governance best practice;
- To review the mechanisms for ensuring the effectiveness of the JCRA's internal controls;
- To review and agree the internal auditor's annual work plan, monitor and review the effectiveness of any internal audit work carried out and review all reports from the internal auditors, monitoring the Executive's responsiveness to the findings and recommendations.
- To meet with the internal auditors at least once a year, without the presence of the Executive.
- To consider certain matters relating to the external audit of the JCRA's annual financial statements (including reviewing those financial statements prior to their consideration by the Board).

Whilst the Audit and Risk Committee's Charter includes the consideration of the annual appointment of the external auditor, the actual appointment of the auditor is a matter reserved to the Treasury and Resources Minister under Article 17 of the CRA Law.

The members of the Audit and Risk Committee at 31 December 2012 were Peter Neville (Chairman), Richard Povey and Philip Marsden. The Chief Executive is expected to attend the meetings of the Audit and Risk Committee in an advisory capacity.

### **Openness, Integrity and Accountability**

The JCRA abides by the principles of openness, integrity and accountability – and those standards which are widely recognised as being applicable to public service, and to the conduct of all involved in public life. In the discharge of its duties, the JCRA will ensure:

- That subject to the appropriate level of confidentiality, it maintains an openness in its public affairs, in order that the public can have confidence in the decision-making processes and actions of public service bodies, in the management of the JCRA's activities, and in the Board Members and staff of the JCRA itself;
- That it maintains at all times an appropriate degree of integrity in the conduct of its affairs. Integrity comprises both straightforward dealing and completeness. The JCRA bases its integrity upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of its funds and management of its affairs;
- That it is fully accountable in the application of the public funds and that these are properly safeguarded, and are used economically, efficiently and effectively.

The three fundamental principles, defined above in terms of public sector bodies, have been refined to include the findings and recommendations of the Nolan Committee on Standards in Public Life. The JCRA will make its best efforts to abide by Nolan's seven general principles that underpin public life, namely: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.

### **Audit and Accounts**

While the JCRA is an independent body, it is accountable for its overall performance to the States of Jersey through the Minister.

Article 17 of the CRA Law requires that the JCRA shall keep proper accounts and proper records in relation to the accounts and prepares a report and financial statements in respect of each financial year and provide these to the Minister no later than four months after the year end. The Minister must lay a copy of the financial statements provided before the States as soon as practicable after he receives the report.

It is also a requirement of the CRA Law that the financial statements are audited by auditors appointed by the Treasury and Resources Minister and that they are prepared in accordance with generally accepted accounting principles.

**JERSEY COMPETITION REGULATORY AUTHORITY  
CORPORATE GOVERNANCE GUIDELINES (CONTINUED)**

**Other Matters**

Under powers granted by Article 10 of the CRA Law, the Minister may, after first consulting with the JCRA and where it considers that it is necessary in the public interest to do so, give the JCRA written guidance, or general written directions, on matters relating to corporate governance which may include matters relating to accountability, efficiency and economy of operation of the JCRA.