

7. Statement by the Chairman of the Economic Affairs Scrutiny Panel regarding the proposed sale of Jersey Telecom

7.1 Deputy G.P. Southern (Chairman, Economic Affairs Scrutiny Panel):

Just briefly, Sir, in the light of that previous statement I have cut out great chunks of what I am about to say, but I believe it is appropriate that we do examine the reasons why that decision has been taken. Members will find on their desks a copy of the Economic Affairs Scrutiny Panel Supplementary Report into the proposed sale of Jersey Telecom - S.R.3/2008 - in which the Panel has assessed developments in the 2 major reservations contained in our previous report, S.R.5/2007. The Panel is of the opinion that there should be an immediate review of the J.C.R.A's (Jersey Competition Regulatory Authority) skills base, resources and legal powers. Such a review should be part of any privatisation planning and should be completed before the States are asked to decide whether to sell. There is widespread agreement among all stakeholders involved in the telecommunications market that the powers and resources of the J.C.R.A. do indeed need to be reviewed. The Minister for Economic Development is in the process of setting up such a review. The Panel recommends that the J.C.R.A. be given the fullest powers of inquiry, determination and fining in order that a fully competitive marketplace can be achieved. Irrespective of the proposal to sell Jersey Telecom, the debate on separation needs to be resolved. The issue of separation and the powers required to enforce appropriate levels of separation need to be fully resolved before consideration is given again to the sale of Jersey Telecom. It would have been very difficult, if not impossible, to enforce separation following the sale of J.T. (Jersey Telecom) into the private sector. In an attempt to address the concerns raised by Scrutiny and by the comprehensive cost benefit analysis, the Minister has produced a list of assurances pertaining to the 'sale' and the 'process' of the sale. The Panel's conclusions from this supplementary review have shown that these assurances could not be guaranteed. Consequently, as a result of the evidence examined, the Sub-Panel had recommended that the proposed sale of Jersey Telecom should not proceed at this time. Furthermore, it recommended that a lengthy period of stability should be guaranteed to the management and employees of Jersey Telecom following this protracted period of uncertainty. I am glad that the Minister and the Panel are now of one mind and I believe that what we are seeing here today is the result of effective and rigorous scrutiny.

7.1.1 Deputy R.G. Le Hérissier:

In their considerations, other than preserving Jersey Telecom, did the Panel come to the view that, for example, had there or were there to be a strategic alliance, this would be a much better way of retaining the strength of Jersey Telecom in the face of intense globalisation?

Deputy G.P. Southern:

If the Member would care to return and revisit our original report, he will find the evidence on the balance of the processes suggested by the Treasury Minister are fully explained in that. This most recent review has not covered that central issue but issues, as I have said, of the powers of the J.C.R.A. and the assurances given by the Minister for Treasury and Resources.

7.1.2 The Deputy of St. John:

Does the Panel now expect the States of Jersey to invest significant sums of money into Jersey Telecom in order to keep it competitive and up to date with new technology?

Deputy G.P. Southern:

The Scrutiny Panel have every faith in the management and employees of Jersey Telecom and are convinced that the history of privatisation and liberalisation of markets will be repeated in Jersey and that, where competition does bite, Jersey Telecom, as the dominant operator, will be able to effectively compete and retain a share of a growing market.

The Deputy of St. John:

The Deputy did not answer the question. Is that without significant investment by the States of Jersey?

Deputy G.P. Southern:

Jersey Telecom has been incorporated and makes investment decisions based on sound commercial sense, I am sure it will continue to do so.

7.1.3 Deputy R.G. Le Hérissier:

Just to press the broader picture, because I notice the Panel did take evidence on number portability. Would the chairman indicate whether the advent of number portability, given the quite unconscionable delay, will indeed change the competitive landscape considerably?

Deputy G.P. Southern:

The issue of mobile number portability, is one that serves to illustrate the lack of powers of the J.C.R.A. in being unable to bring about this change in a reasonable length of time. As I have said previously, the likelihood is that in a competitive liberated market the market will grow and that J.T. will be able to compete on equal terms with all its competitors in a growing market. I see a positive future for Jersey Telecom.