

**STATEMENT TO BE MADE BY THE MINISTER FOR TREASURY AND
RESOURCES ON TUESDAY 12TH APRIL 2016**

Sir, on Tuesday 23th June 2015 I made a Statement in this Assembly setting out details of an offer I had received relating to JT, from the ultimate owner of the Airtel business in the Channel Islands, Mr Sunil Mittal.

The offer was a proposal to merge the JT and Airtel businesses in the Channel Islands in return for a percentage ownership in the combined business along with a subsequent share purchase by Mr Mittal to take his interest up to 25% plus 1 share of the merged business. The Board of JT confirmed that it viewed the offer as worthy of serious consideration.

Members will now be aware of the press release issued by Airtel late on Friday 1st April 2016 announcing that they had disengaged from merger discussions. This was unexpected.

Following this surprise announcement I am now in a position to update to Members on those activities undertaken following the offer being made. I trust that Members will recognise that there is a significant amount of commercial sensitivity around the negotiations that took place between the parties and that I have a duty to be mindful of that. However I have kept members of the Corporate Services Scrutiny Panel fully briefed.

Following receipt of the offer it was necessary to assess the commercial and strategic aspects of the offer from the shareholder perspective which has involved working with colleagues across the States and the Council of Ministers. To this end a Political Oversight Group was formed.

The key challenge from the outset has been that of timescale recognising the challenge that uncertainty could create for both JT and Airtel as they continued to negotiate and consider issues arising from the merger, including the need to achieve regulatory approval.

Work undertaken through the Political Oversight Group included the commissioning of an independent assessment of the proposed deal. A review was also undertaken using Oxera to identify whether there were any strategic reasons why the States should retain ownership, in full or in part. In other words were there any risks to selling part of JT at this point.

It was clear from Oxera's work that in theory there were no really fundamental reasons why ownership was necessary, but that a number of safeguards or mechanisms would need to be in place and working effectively to ensure public interests were protected.

In addition Oxera also produced its Regulatory and Competition Framework Review (JCRA) for the Chief Ministers Department in November 2015. This made a number of

observations and recommendations which amplified our concerns and emphasised the need for greater clarity to be achieved around the rationale for continued ownership of JT and other States owned utilities.

The proposed merger would also have required approval from CICRA. That process could have taken six months or more.

Sir, given all the facts it became clear that I would not be in a position to recommend to the States a decision to proceed with any transaction to dilute or dispose of the States' interest in JT in the timescales not unnecessarily required by Mr Mittal. This was also the view of the Political Oversight Group.

That being the case, and in the interests of responding to the offer in the necessary timescales, and after discussion with the JT Board, I informed Mr Mittal in early January 2016 of the following:

1. I believed there were a number of issues, States and regulatory processes surrounding the sale of part of JT which could not be addressed in the timescales his business required and;
2. The Board of JT was therefore free to take forward discussions regarding the purchase of any or all of the Airtel business in the Channel Islands directly with him or his advisors but without any sale of JT shares at this stage.

The JT Board were supportive of this position and believed there was a "deal" to be done which was good for JT, delivering clear benefits and enhancing its longer term value. Mr Mittal was understanding of the issues and agreed to continue negotiations with JT on this revised basis.

The two companies therefore continued discussions and negotiations with a view to agreeing a transaction which, if agreed, would be subject to regulatory approval from CICRA.

Sir, this process had been ongoing until the announcement made by the local Airtel office. I must say the manner of the announcement was unfortunate, particularly as that news had not been shared with either myself or JT in advance.

These things happen in commercial negotiations but JT have made it clear that they remain interested in Airtel's assets, particularly those in Guernsey, and remain open to further discussions as and when the opportunity arises.

A final point to make is that as a result of my statement from June last year, a number of additional parties have come forward to express an interest in purchasing all or part of JT. These are from a variety of organisations.

Finally work is progressing under the Assistant Chief Minister, Senator Philip Ozouf to develop a Telecommunications Policy for the Island. Once this has been completed, and only then, will we consider in more detail whether it might be in the Public's best interest to consider selling shares in JT.

As I have previously stated any decision to sell part or all of the share capital of JT will be a decision for this Assembly.