

6. Statement by the Minister for Treasury and Resources regarding the proposed sale of Jersey Telecom

6.1 Senator T.A. Le Sueur (The Minister for Treasury and Resources):

When I was asked in this House 2 weeks ago, I indicated that while I remained perfectly convinced that a sale of the majority interest in the Jersey Telecom group was the right thing to do, I acknowledged that there were a number of uncertainties at the present time in the minds of many States Members. I have reflected on this over the last 2 weeks and listened to the views of a significant number of fellow States Members. I have come to the view that the majority of the Assembly probably believes that, with competition and regulation still relatively new features of the local telecommunications environment, this is not a sensible time to press forward with a debate on the sale of the company. The proposition currently lodged would not in itself have been conclusive since it required me to come back to the States in due course once certain matters had been resolved. Nevertheless, I have come to the view that even this intermediate step should not be taken while the current level of uncertainty remains. I am aware that the delay and uncertainty over the resolution of issues surrounding the sale of Jersey Telecom has been detrimental to the company and its employees and I have no wish to exacerbate or prolong that situation. I have therefore regretfully come to the conclusion that the correct course of action at this time is for me to withdraw Projet 153/2007 and to put the issue to rest for the foreseeable future. I have discussed this course of action with the directors and senior management of Jersey Telecom who, while disappointed, have reinforced my view that the ongoing uncertainty has been detrimental to the activities of the company and that what is now needed is a period of stability and certainty. Assuming the States Members agree with me that a debate in the States on the sale of the company should not proceed, I will be having further discussions with the board of directors on how the company should be positioned in the future to address the undoubted challenges that lie ahead without access to the economies of scale the sale to a global entity would bring. We anticipate it could take up to 3 years to reshape the business to meet changing circumstances. I have total confidence in the company, the board, its management and its staff and ask all Members to join with me in giving Jersey Telecom group our full support as they face these future challenges. Therefore, Sir, I am announcing the withdrawal of Projet 153.

The Deputy Bailiff:

Does any Member wish to ask a question?

6.1.1 Deputy G.P. Southern:

If I may, Sir. May I first of all congratulate the Minister for seeing the light. I think it is a wise decision to withdraw. I have a statement later to make in brief, if Members will bear with me, but may I just ask a 2-part question; when he says for the foreseeable future, what sort of length of time are we talking about? Presumably not less than the 3 years which is required to reshape the business to meet changing circumstances. Could he tell us if he has any thoughts about those changes in the 3 years?

Senator T.A. Le Sueur:

My view is it would not come back to this House for at least 3 years, I suspect. The only way it could come back was if an offer came out of the blue which the States could not resist, then I would bring that issue back to the States, and discuss it with the board first, but I would not initiate a sale in the next 3 years. As to what the changes will be, that is really for the board of management and the company to decide for themselves how they can best position the company for the future and I will be having discussions with the company in the coming weeks in order to ensure that that can happen.

6.1.2 Connétable D.J. Murphy of Grouville:

I would like to congratulate the Minister on a decision very well taken and I am sure the staff are extremely relieved as well. However, can I ask him what the cost of this exercise has been in advisory fees?

Senator T.A. Le Sueur:

The cost of this exercise has been in the region of half a million pounds or just a little bit under, and I also took the view that rather than incur further fees on perhaps an abortive process, fees that could be considerably more than that, now is the time to draw the line.

6.1.3 The Deputy of St. John:

The Minister does not sound entirely certain about his decision here. He says regretfully, for example. Is he completely sure about his decision here and how has he been influenced to make this decision, and is his decision partly as a result of a global downturn in markets? In other words, does he think it is a bad time to consider selling the company? Does he still agree with the principle of privatising this particular utility?

Senator T.A. Le Sueur:

An interesting question, Sir. The decision ultimately is not one for me to take, it is one for the States to take and I am both pragmatic and politically aware and I believe that, even though my personal view is that we should sell this company, I also believe that the view of States at the present time was that they need further information. Faced with that situation, Sir, I believe that the political and statesman-like thing to do is to give Members the chance to get the information they require before making a decision.

The Deputy of St. John:

Has politics got in the way of good business sense, Sir?

Senator T.A. Le Sueur:

It is a democratic House, Sir.

6.1.4 Deputy D.W. Mezbourian:

Will the Minister for Treasury and Resources acknowledge the influence on his decision that has been made by the scrutiny of this issue?

Senator T.A. Le Sueur:

I do not think my decision was necessarily influenced very much by the Scrutiny Panel decision. I made my decision last week before the Panel review had been published. I am pleased to say that, on this occasion, the Panel and I are of one accord, but we have reached our views independently and perhaps for slightly different, but not significantly different, reasons. So I do not think I can add very much to that comment.

6.1.5 The Connétable of Grouville:

I am sorry, I did have a follow-on question but I was so overtaken by shock that I did not have time to push my button, Sir. In view of the fact that he is paying half a million pounds in fees for a non-performing act on behalf of the advisors, will he now take steps to repay the £8 million he took from Telecom last year as a special payment?

Senator T.A. Le Sueur:

No, Sir.

6.1.6 Senator J.L. Perchard:

One more question if I may? Can the Treasury Minister confirm the position with regard to his colleague on the Council of Ministers, the Minister for Economic Development's drive for structural separation of the company? Is that now off the agenda?

Senator T.A. Le Sueur:

I think the issue of regulation - what form of separation - is not off the agenda; it is an ongoing issue and I think the Scrutiny Panel report makes that clear. In my view, structural separation is not an appropriate way forward but others may disagree. The general question of what form separation might take is, I think, still an ongoing issue.

6.1.7 Deputy P.N. Troy:

Given that we were advised over many months that delay of this issue would seriously affect the valuation of the company and its future, does the Minister feel that this is genuinely the wrong course of action because I think myself that he is pulling this for all the wrong reasons and he should really be carrying on and proceeding with it. Does he, Sir, feel that there is a danger that the valuation of this company could be affected by the continued delay, as he has previously stated?

Senator T.A. Le Sueur:

I am sure, Sir, that the value of the company is affected by a number of factors, and delay is certainly one of them, but the value of the company in itself is only one aspect. It is only one asset that the States owns and I think the economic wellbeing of the Island in the future with a good telecommunications industry are also factors to take into account.