

1. Urgent oral question

6th November 2009

The Greffier of the States (in the Chair):

Yesterday afternoon the Deputy Bailiff granted leave to Deputy Southern to ask an urgent oral question. The earliest, under Standing Order 15, this could be asked was this morning and, therefore, I invite the Deputy to ask the question. It is on Members' desks.

1.1 Deputy G.P. Southern of St. Helier of the Minister for Treasury and Resources regarding ...

Following the announcement that Jersey Water is opening negotiations with staff representatives in relation to 20 staff whose jobs are said to be at risk of redundancy would the Minister inform Members what consultation, if any, has taken place between the company and the Minister as representative of the majority shareholder in relation to this matter?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

I was alerted to the fact that an announcement was going to be made on Tuesday evening although I was not informed of the detail of it. I was informed in parallel with other parties. While I have had discussions with the chairman subsequently, I need to say to the Assembly the company has not consulted any of its shareholders prior to the announcement on what is clearly an operational matter. It would not have been appropriate to do so to consult with one shareholder to the potential disadvantage of others. What I can say is that I require Jersey Water's Board of Directors generally under the responsibilities I have with all States owned companies to provide efficient, effective and affordable services to Island while, of course, requiring an appropriate financial return to the States as shareholder. I also expect that all States owned companies or partly owned companies treat their employees responsibly and fairly. Jersey Water have, I am advised, been involved with J.A.C.S. (Jersey Advisory and Conciliation Service) and commenced a consultation with staff and the union on proposed changes to the company's operating practices. The company is committed, I am advised, to treating its staff fairly and supporting them through the process. The company is committed to exceeding the legal requirements of any arrangements that may be necessary. I have discussed the matter with the chairman and I want to place on record that I have full confidence in the chairman, the board and the company in their actions.

1.1.1 Deputy G.P. Southern:

Given that last year the retiring Chairman was able to say your company generated profits before tax of £4,034,000, an increase of 14 per cent on the previous year, does the Minister consider it is appropriate behaviour for a company owned by the States to be behaving in this way?

Senator P.F.C. Ozouf:

I consider it to be absolutely appropriate for the board of directors of a company to act in the best interests of the shareholders and its consumers. It is clear that the company has identified operational efficiencies, and I would draw the attention of the Deputy to the

remarks of the Comptroller and Auditor General in his review of Jersey Heritage Trust that good management does not simply spend money up until the budget that is available.

1.1.2 Deputy S. Pitman of St. Helier:

Only a few weeks ago we heard the Council of Ministers saying that they had not broken any collective bargaining in negotiations with the unions and at 4.00 p.m. on Wednesday the workers of Jersey Water were brought into their office and told that they were going to lose their jobs to private contractors so there was no consultation contrary to what the Minister says. Does he think this is appropriate?

Senator P.F.C. Ozouf:

This should not be, in my view, a political matter. This is an operational matter. I am happy to answer and I am happy to exchange to Members the views that I have had with the chairman. The Deputy is quite wrong in the assertion that there is no consultation going on. An announcement of an intention, a potential intention or a potential decision, to make changes to the company has been made. That is over and above, I understand, the statutory requirements that the company has. They have been a responsible employer. They are consulting with the union and commencing a period of consultation. No final decisions have been made.

1.1.3 Deputy S. Pitman:

Supplementary. Could he explain then what consultation has gone on with the workers?

Senator P.F.C. Ozouf:

I am not an expert or the Assembly's expert on employment law. I understand that the company is abiding by best practice which is over and above the legal entitlement and the legal requirements of the company and they are acting fairly and they are informing their staff at the first available opportunity of potential changes within their organisation and everything I have heard from, seen in correspondence and spoken to the chairman indicates that that is the case and it would be quite wrong for the Deputy to insinuate otherwise.

1.1.4 Deputy P.V.F. Le Claire of St. Helier:

The Minister has spoken this morning with nothing but praise for the company who he has full confidence in the board and the operational conduct of the company. Notwithstanding his adoration for the utility company, what does he feel about the workers who are now being faced with potential redundancy ahead of Christmas at a time that Jersey is in recession along with the rest of the world?

Senator P.F.C. Ozouf:

I have every sympathy with the employees. Every decision of any organisation having to make difficult decisions in the economic environment in which we find ourselves has to deal with their employees sensitively and, if the decisions are followed through after the consultation that there is going to be a change in the way the company operates, the company is committed to working with its employees and finding new jobs for its new employees maybe in other companies. I know also that the services of Social Security, Jersey Enterprise and Economic Development will also find job opportunities for any

workers that are losing their particular opportunities in this company. We are not in the state of a massive unemployment in Jersey. There are employment opportunities; just as the sad case of the Woolworths employees who lost their jobs because of changes at Woolworths now have new productive opportunities in new retail operations at New Look. So is the case for any organisation. It would be wrong for the States to send a signal to Jersey Water that they should not be aligning their operations to market demands and appropriate value for money for customers.

1.1.5 Deputy P.V.F. Le Claire:

Nevertheless, does he not consider this timing to be inappropriate? It is just coming up to Christmas time. There is a definite decline in operational and hiring practices at Christmas apart from seasonal type of jobs and if these functions that the water works have been using these workers for are going to continue, is this just not the case of classic outsourcing at an insensitive time, at a time when people are finding it difficult to get meaningful jobs and have meaningful futures?

Senator P.F.C. Ozouf:

There is never a good time in order to make changes to companies. What I think would be wrong is for the company if they have come to a conclusion that they can carry out certain arrangements and operational matters in a different way, in a more efficient way, it would be quite wrong to withhold from their staff the reality of what the company needs to do. It would be quite wrong to come to a conclusion about a reorganisation, hold that for a period of time, create uncertainty with a potential of a leak in relation to that information and create uncertainty. It is far better for a board to be absolutely clear, to be honest with their employees, to be transparent and to tell them as soon as possible of potential changes. While there is never a right time, I think they are operating quite correctly, if I may say.

1.1.6 Deputy T.M. Pitman of St. Helier:

I did have my light on but I think Deputy Le Claire has maybe beaten me to the punch a bit, but I do not think he has stressed this highly enough, given that the pay freeze was justified to a significant degree on avoiding redundancies, it is not the fact that this is not real redundancies, this is just outsourcing to private enterprise for firms using very cheap labour?

Senator P.F.C. Ozouf:

These are operational matters for the company and I am hesitant in allowing this or permitting this by answering and expressing a view on this becoming a political issue. I have a responsibility to ensure that there are appropriate governance arrangements in place. As clearly the majority shareholder with voting rights at the board, one has opportunities to make decisions of hiring and firing boards and that is the extent to which there should be political involvement. We do not stand as a committee of government and we are certainly not a committee of government to running these organisations. That is why we have independent organisations and they should be run appropriately by their boards.

1.1.7 Deputy T.M. Pitman:

Supplementary. Given all the efforts over economic stimulus, is the Minister aware and can he clarify that this firm is actually foreign owned, it is not even a local firm?

Senator P.F.C. Ozouf:

I have no notice of that and what I can say to the Deputy is that while he wishes to make political points about pay freezes, what he would also wish perhaps to say is the fact that this Assembly has injected £44 million into the economy. A lot of work is going into civil and maintenance constructions, a lot of drain improvements in the States and there are going to be job opportunities as a result of the millions of pounds investment in infrastructure and civil engineering projects.

1.1.8 Deputy P.J. Rondel of St. John:

Will the Minister confirm that there is in excess of 100 staff within that company and also of the proposed 20 redundancies do those redundancies include any early retirements or would any early retirements come over and above the 20 redundancies being spoken of? At the same time, several months ago I had a meeting with the water company and asked them to consider asking the Minister for Treasury and Resources to return the dividend to the company this year so that in fact the company could extend main services out into the countryside. Was that ever discussed with the Minister?

The Greffier of the States (in the Chair):

I do not think the second part is very relevant.

Senator P.F.C. Ozouf:

The Deputy asks a number of questions. I am advised that there are some early retirements that are part of the proposals which are being consulted on. No final decisions have been made. It is important to state that and I can say to the Deputy that I am improving relations and governance arrangements with all the utility companies. I have commissioned only this week some work in relation to governance on all States owned utilities to improve the appropriate communication between the shareholder and the Treasury so that we can be a good co-operative shareholder, so there is a clear aligning of the objectives of the States of Jersey from a general point of view in the companies concerned.

The Greffier of the States (in the Chair):

We have got 4 Members waiting before we bring this to a conclusion. Senator Breckon.

1.1.9 Senator A. Breckon:

I wonder if the Minister could advise the House on the cost to the States of 20 unemployed people in loss of social security, supplementation, loss of income tax, benefits that might be payable. Could he give an idea of what this would be balanced against any extra dividend we might get from getting rid of these 20 people?

Senator P.F.C. Ozouf:

I am surprised at the sentiment that the Senator expresses. He seems to indicate that in the event that there are people that will be made redundant by this decision, if this decision is made, that these individuals would not be able to find alternative, rewarding

productive work. That is exactly the objective of the fiscal stimulus, that is exactly the objective of what social security does and it is proven in the case of the sad redundancy of the Woolworths staff that did manage to find alternative employment and every single effort will be made in order to help any employees that are affected. It is the right approach, it is right for the individuals and it is right for the public purse.

1.1.10 Senator S.C. Ferguson:

Will the Minister confirm that the company will be looking for voluntary redundancies before compulsory redundancies?

Senator P.F.C. Ozouf:

I understand that is correct, in the event that the decision is made.

1.1.11 Deputy D.J. De Sousa of St. Helier:

Can I just ask that the Minister that the company is fully following procedure? Part of J.A.C.S. information on handling of redundancies does say, and I quote: "A redundancy situation generally arises when an employer no longer requires a role to be undertaken." It is our belief that these people could be made redundant and replaced and yet the law states that a redundancy situation should be because the role is no longer required.

Senator P.F.C. Ozouf:

The Deputy, I think, suggests that somehow the company is being inappropriate in the way that it is dealing with its staff and in terms of making some people redundant and then redeploying them. I have to say that I have every confidence, having spoken with the chairman overnight, and I know that the chairman is committed to following, in fact, exceeding best practice in terms of dealing with their staff. They are in consultation. No final decision has been made and the chairman has stated very clearly that if plans do proceed, all staff will be treated fairly, with compensation payments in excess of statutory requirements and support for finding new work.

1.1.12 Deputy D.J. De Sousa:

Supplementary. I will be brief. The Minister has just gone on to explain that redundancies will be good and redundancy payments will follow, but it quite clearly states in the law that redundancy situations generally arise when that position is no longer required. Our belief is that those people could be made redundant and replaced by a company outsourcing.

Senator P.F.C. Ozouf:

The Deputy clearly has a different view than I would about the way in which a company operates. It is absolutely clear that this company will adhere to and exceed all of the minimum statutory requirements both in the way that any decisions are made in relation to redundancy, if they are made, the way that those processes are made and consulted upon and the company is going to be following and exceeding best practice. To suggest that somehow I think the company is inappropriate and cannot make operational decisions which are in the best interests of consumers and the shareholder I think is wrong. Companies must be able to run their affairs in the appropriate way and with the

operational freedom to make the best decisions in relation to their shareholders but their consumers too.

1.1.13 Deputy D.J.A. Wimberley of St. Mary:

That brings me nicely on to my question. We have here a company in which the States is a major shareholder and the Minister has twice now talked about the best interests of its consumers and its shareholders. Does the Minister not agree that the best interests of the company are best served in part also by looking after the best interests of its workforce?

Senator P.F.C. Ozouf:

The workforce is absolutely paramount and a happy, informed, efficient workforce is good for its employees in the longer term, and I did not repeat in the last answer the importance of the employees because I mentioned it frequently in previous answers. I know that the company is committed to looking after its workforce, but I believe that the company also must align its operational requirements to that of an efficient organisation and I hope that the Deputy and the other Deputies that have questioned me on this issue are not suggesting that Jersey Water should somehow be protected and cast in aspic and not able to become efficient and operationally effective. That is no good for staff, it is no good for its employees and it is no good for its shareholders. This is an example of a company that is moving ahead appropriately and has my full confidence.

The Greffier of the States (in the Chair):

Do you wish a final question, Deputy Southern?

1.1.14 Deputy G.P. Southern:

Yes, and I will try and wrap 2 into one. The retiring chairman says that he continues to be impressed by the very positive attitude of our staff and their work throughout the company and: "On behalf of my colleagues on the board, as well as shareholders, I take this opportunity to thank all of them for their continued support and commitment to the company" by sacking them over Christmas apparently. The company also says: "That the company is in regular contact with its majority and controlling shareholder, the States of Jersey. Details of contact with and the views of the States are passed on to the board as necessary." Will the Minister pass on the outright condemnation of this House to the board for such treatment of its workforce which have been so loyal? Is this not a case, since the Minister has been talking to the new chairman, of a new broom taking a step too far?

Senator P.F.C. Ozouf:

No. The Deputy, I think, is attempting to put words in the mouths of the majority of this Assembly. It is I that has to discharge the responsibilities, at the service of the Assembly, of the shareholder and I think the Deputy is wrong to attempt to make an operational matter a political matter. I, of course, will stand accountable and answer any questions that he has and any other Member, but these issues, I have to say, should not be political. They are operational matters and I will continue to engage in the appropriate way with the wholly owned and partly owned entities and I will improve further the governance arrangements with the companies in the review that I have commenced this week.