

STATES OF JERSEY



JERSEY TELECOM LIMITED: SPECIAL TARIFFS FOR SENIOR CITIZENS (P.167/2004) – COMMENTS

**Presented to the States on 12th October 2004
by the Finance and Economics Committee**

STATES GREFFE

COMMENTS

The Finance and Economics Committee strongly supports the principle adopted by the States whereby the roles of social policy-making, consumer protection and commercial decision-taking should be separated, particularly in respect of public utilities. Experience has shown that combining these roles increases the likelihood of poorly focussed and ineffective decision-making, inefficiency and poor value for money, whilst at the same time stifling competition and limiting consumer choice.

Furthermore, each of these roles should be undertaken by those best qualified to do so: politicians in the case of social policy-making; professionals in the case of consumer protection and regulation; and businessmen in the case of commercial decision-taking.

The framework to separate those roles and to enable greater consumer protection, competition (and hence consumer choice), efficiency and transparency in decision making in the provision of telecommunications in the Island was established by the States only 2 years ago by enacting the Telecommunications (Jersey) Law 2002.

That framework, unlike that previously deployed in the Island, is the one universally applied as constituting best practice throughout the world.

The Committee accordingly warmly welcomes the opportunity presented by parts (a) and (b) of the proposition for the States as policy-makers to consider policy with regard to the provision of subsidised telephony services in the Island. That policy can then be communicated to the regulator, the JCRA, who in turn would be obliged to ensure that the stated objectives are fully and properly achieved in the marketplace.

The Committee thereby supports parts (a) and (b) of the Proposition.

In approving the Telecommunications (Jersey) Law 2002, the States approved the establishment of a world class regulatory framework and enabled greater consumer choice through the prospect of increased competition, whilst at the same time providing commercial freedom to Jersey Telecom Limited. That freedom is to operate as profitable an organisation as is possible whilst complying with the terms of the regulatory environment in which it operates, the nature of which is determined by the social and other policies delivered to the regulator by the States.

With freedom, however, comes responsibility and accountability and any successful business must be sensitive and responsive to the needs of all its stakeholders if it is to prosper in a competitive environment.

The States, in approving the Telecommunications (Jersey) Law 2002, delegated almost all of the duties of shareholder to the Finance and Economics Committee.

The Committee takes its role of shareholder very seriously and has established a framework, in the absence of a market for the shares in the company, to hold the Board of Directors accountable to the Committee for its business and financial performance.

The task of running a business is the clear duty of the Board of Directors only, but the job of holding the Board to account for its overall results is the shareholder's prerogative.

By incorporating Jersey Telecom the States accordingly passed the running of the company from a political Committee to a professional Board of Directors, who could expect to operate free from political interference, provided they continued to act within policies clearly set out and agreed by the States.

Ultimately of course the shareholder can exercise its will over the company. However, to do so at this stage, before the outcomes of part (a) and (b) of the proposition are known, would be to act unnecessarily and prematurely, and set unfortunate precedents in the blurring of roles. It could also result in decisions being taken which would conflict with the views of the Regulator being sought under parts (a) and (b). The Committee therefore believes that the States should not take the steps outlined in (c) and (d) at this stage.

The Committee assures States Members that in the unlikely event that Jersey Telecom were not to operate within the clear parameters which will be established by parts (a) and (b), then as shareholder it would take the steps outlined in (c) and (d).

The Committee notes however that this is very unlikely to occur given that the Board of Jersey Telecom have welcomed parts (a) and (b) of the proposition and have undertaken to await the outcome of part (a) before taking any decision to implement the changes to the Primetalk 6065 tariff which have initiated this proposition. The Committee therefore recommends that parts (c) and (d) of the proposition be held over until the findings of the Regulator have been issued and discussed, and then only brought back for debate if no satisfactory outcome has been achieved.