

**STATES OF JERSEY**  
**ECONOMIC AFFAIRS PANEL**  
**JERSEY TELECOM PRIVATISATION**

**PUBLIC MEETING HELD AT HAUTLIEU SCHOOL**  
**THURSDAY, 7th SEPTEMBER 2006**

**Deputy G.P. Southern of St. Helier:**

Good evening, ladies and gentlemen, and welcome, and thank you for turning up. For those who do not know me, I am Deputy Geoff Southern and I am Chair of the Economic Affairs Scrutiny Panel and 3 of my Members are here tonight; Deputy Gerard Baudains sends his apologies. He has got boat trouble. He is in the Channel and he does not want to come ashore. The purpose of tonight's meeting is to start a process of scrutiny into the potential -- the suggestion that we privatise Jersey Telecom. We have Senator Le Sueur here, the Minister for Finance and Resources, who has floated this idea and is conducting a consultation process at the moment; Mike Budd, who is the regional organiser for Amicus, the union that represents the workers at Telecom. I have suggested to them they will get 8 minutes maximum to talk to you. The most important thing tonight is to hear from you, the Jersey public, about your concerns, your enthusiasm, or lack of it, for possible privatisation; to hear your questions and to seek some answers initially. Obviously where issues are raised that are substantive and are fact-based, we shall be attempting to follow those up in the course of our inquiry into the privatisation process. Before we go any further, can I remind you that this meeting is being recorded and will be transcribed and loaded up on to the scrutiny website? Anything you say will be taken down, if you like, verbatim. Do bear that in mind when you are making a statement, to bear moderation in mind, because your words will be published. As you speak, and there will be a roving microphone, if you would give your name, and if you have a position - if you are here representing a body - then please say so. Before I ask Senator Le Sueur to kick off his presentation, I am required to point you to the -- should everything go pear-shaped and the lights go out and the fire alarms go, you are to go out through those doors there and assemble on the grass directly outside. With that, I think I will ask Senator Le Sueur to kick off.

**Senator T.A. Le Sueur:**

Thank you, Geoff, and good evening everyone and thank you for coming. I am pleased to have the chance to talk to so many Jersey Telecom employees at one time, although I do want to ensure there is a chance for you to have a dialogue with me and for me to explain my thinking to you. I will kick off, perhaps, with just a little bit of background as to where we are with the telecom law, which was passed in 2002. With that, and the setting up of the JCRA (Jersey Competition Regulatory Authority), the

Competition Authority, life changed considerably for Telecom. My role now, as Treasury Minister, is primarily that of owner or shareholder. I hold shares in Jersey Telecom as an investment so decisions I make, and recommendations I make, are based on investment criteria. Questions I have to ask myself; is it in the best long-term and strategic interests of the Island to retain the 100 per cent ownership of the Jersey Telecom Group? My role is not to try to set prices or tariffs. That is a matter between the Board of Jersey Telecom and the Regulator. It is not to run the company or determine operational issues. That is for the Board. I simply set a strategic direction for the Board to follow. Nor is it my role to look after public interest. That is a role for the Regulator in conjunction with the Minister for Economic Development. Indeed, my position is quite clearly set out in law. My duty is to act in the interests of the States as a holder of investments. I am, therefore, legally obliged to maximise the value of the States' shareholding in Jersey Telecom. Consequently, as far as I am concerned, my recommendation for the States to sell Jersey Telecom is about whether, from an investment viewpoint, the taxpayer's money is best in Jersey Telecom or some other strategic investment. But having said all that, I am a human being, I am a States Member. I have a conscience. I also represent, I hope, a good employer. I appreciate the important part which the workforce plays in any business and particularly in Jersey Telecom Group. So, this meeting, and the scrutiny process, will, I hope, be primarily focused on the impact on the employees of any potential sale in Jersey Telecom. I repeat, it is the States who will decide whether or not Jersey Telecom will be sold. Not me, not my financial advisors. It is the States who will decide and States Members alone. But how then, do I see the interests of the Jersey Telecom workforce best being protected? My first and fundamental point is that the future of the company and the jobs of the employees only continue if the company remains profitable. If profits slip then as a consequence almost inevitably the number of jobs will fall. So why might profits slip? I think to answer that question, you only have look at this week's *Jersey Post*. Up until now there has only really been one effective telecom company in the Island. Jersey Telecom has virtually 100 per cent of the market. This year, there will be 2 telecom companies competing for business. Next year, there will be 3. In the future, well who knows? What I do know, and what all of you as employees know, is that Jersey Telecom will no longer have 100 per cent of the customers. In a few years' time I do not know how much of the market it will have, but I do know it will certainly be less than 100 per cent. That is not because Jersey Telecom is out of date or cannot compete; it is just simple mathematics. With 2 or 3 competitors it is inevitable that Jersey Telecom will have less than 100 per cent. The only question is how much less? To try to answer that question, you really need to look at the strength of the opposition. Look at what Cable and Wireless has spent recently on advertising on their promotions this week, and realise that is just the start. They are out to poach every Jersey Telecom customer they can. They offer cut price deals and cut their profits to build up their customer base. That starves Jersey Telecom of profits and stops it being able to reinvest. If it does not reinvest, it does not maintain its competitive edge. That is just the beginning. That is just Cable and Wireless. Next year, we can expect to see Jersey Telenet on the scene. Now, Jersey Telenet is owned by a massive company. They are far bigger than Cable and Wireless. If Cable and Wireless can spend hundreds and thousands of pounds on promotion, then Jersey Telenet will spend far more. Make no mistake, against competitors with that sort

of financial clout, Jersey Telecom can compete but it cannot compete effectively. The only way it will compete is part of a bigger organisation with some financial muscle. That is why I wanted to sell Jersey Telecom because I want there to be a thriving Jersey Telecom in 10 years' time. I want there to be jobs for Telecom workers in 10 years' time and I want those jobs to be with Jersey Telecom, not with some other company. That is why I believe that I need to sell or we need to sell Jersey Telecom. Not just to raise money to put in the bank, but to ensure that Jersey Telecom has the financial support and expertise to have a viable future in a capital intensive marketplace. And only with that financial support, can I guarantee, or be satisfied, that there will be jobs for Jersey Telecom employees in the future. It is not support that the States can provide. It is support that needs to be provided by a multinational organisation involved in the telecoms industry. Now, you may think I am exaggerating and maybe you think that Jersey Telecom can live with the competition. It just might, but I think it will be a lot more vulnerable. It is like comparing a corner shop when Tesco's set up next door. It is likely that the corner shop will survive or survive so profitably? I rather doubt it. I recognise that this is clearly a major issue for all of you. If we are going to sell Jersey Telecom I intend to make sure that measures are put in place to protect your terms and conditions of employment in the event of a sale. My aim is that those terms and conditions we put into the contract of sale would not, I suggest, match TUPE (Transfer of Undertakings (Protection of Employment)); they would be better than you would get under TUPE legislation. I am not saying the Island does not need TUPE legislation. I am saying that in this particular case and this particular deal we can do better than TUPE. That is my intention and that is my objective. I shall want to ensure that the States will demand any sale terms will have that as a requirement. I am sure another key issue will be pensions. Here again, I will point out that under UK-type TUPE legislation pension rights do not automatically get transferred on a change of employer. But here again, I want to ensure that existing pension arrangements are maintained. Indeed, I will go further and I will say that I am willing to guarantee that I will not bring proposals to the States to sell Jersey Telecom unless employment benefits, at their current level, are protected. In conclusion, we have to be realistic. We have got to face the future. I believe that we all, or indeed you all, face a far more secure future by selling Jersey Telecom as soon as possible to a larger operator rather than prevaricating and delaying until much of the value of Jersey Telecom may be lost. That delay not only reduces the share price, but more importantly, that delay puts jobs at risk. It will be detrimental to your long-term interests. That is why I want to propose and progress the sale now rather than wait until it is too late. With the introduction of competition in the market, and that is something which consumers have welcomed, the market strength of Jersey Telecom will inevitably decline in the future. I am trying to safeguard Jersey Telecom's future, the Island's future and your future. Thank you.

**Deputy G.P. Southern:**

Mike, if you would like to respond.

**Mr. M. Budd, Regional Officer, Amicus:**

Good evening everyone. Could I just say and pass my thanks on to the Scrutiny Committee to have the

opportunity to address this meeting tonight. Some of you know me because if you are a Jersey Telecom employee you have probably seen me around a few times already. But for those who do not, my name is Mike Budd. I am a Regional Officer for Amicus and I come from the mainland and not from the Island. The way they did that radio broadcast this morning was all magic and smoke and mirrors. I did it last night, but there we go. The reason for coming here tonight, obviously, is to talk about the proposal for the JT sale, and the reason why Amicus is opposed to it, and we stay opposed to it. By way of introduction, Amicus the UK's largest, second largest trades union with 1.2 million members across the private and public sectors, and our members work in a range of industries including manufacturing, financial services, print, media, construction, not for profit sectors, local government, education and telecoms. We have got a big membership in telecoms. We know what we are doing with telecoms. Amicus is always pleased to respond to requests for written evidence and to comment fully on proposals put forward, and welcome the opportunity to provide further or oral information and evidence to the States at any point in time in the future. We are, however, extremely disappointed about the lack of consultation with the union prior to the publication of the discussion paper. There was none at all. And the use of the minimum 8-week consultation period, in particular, has inhibited a full and open debate on this issue. Again, we criticise that very highly, but that is part of your States and your parliament rather than for my union comment. Let me just start off by quoting something here: "We intend to provide the very best service to the Channel Islands, serving individuals and businesses with the latest technology, the most dependable service at the most economic prices. We are committed to introducing the technology of the future to the Channel Islands today so we can enable our customers to have the same level of service as any larger jurisdiction. It is also important that we are able to support a resilient off-Island network, so that we and our customers can compete globally. Serving our local community is paramount and forms the basis of our continued effort to create wealth for our shareholder and run our business successfully in the future." Where has that come from? The gentleman in question, who has been brought to my attention, is sitting in the audience over there, no other than John Henwood, who is the current Chairman of Jersey Telecom. That says a lot. Let me just do one more quote and then I will move on. Bob Lawrence, Managing Director; I know Bob very well and worked with him, and sat across the negotiating table with him many times. He says this: "Key to any success of an organisation is its people and the way in which they deliver customer service. We take great pride in the skills, ability, positive attitude of our employees. They are the heart of this organisation and they consistently deliver the very high standards of customer service that we strive to achieve." A glowing reference for all you guys, for all the people who work in Jersey Telecom and for the Island itself. So why are we opposed to this? Well, let us start off with some facts. Consumer protection. There is a wealth of information that demonstrates that the privatisation of publicly-owned telecoms has not delivered the results that consumers expect. A survey conducted by Telegen in 1997 showed that 88 per cent of businesses across Europe believe that the liberalisation of Telecom's market would improve the quality of service. There is evidence to suggest that these expectations are not being met. A report by the Technical Marketing Inc in 2003 concludes that while privatisation of telecoms across countries has been a limited success in lowering prices, there has been a failure in terms of unlocking shareholder

wealth, stimulating other industries and improving and maintaining service levels. Pretty strong stuff. These are all quotable, they are all resourced and I can give reference to anybody who wants them. Call prices have been falling in recent years, as Jersey Telecom has effectively engaged in competition. The average customer bill fell by 3.25 per cent during 2005 as a result of JT price reductions. Text messaging at 7 pence is currently 45 per cent below the average UK price. I wish I could text for 7 pence. If Jersey Telecom were to be sold to a firm currently operating on the Island there will be fewer competitors on the market and prices may rise, because obviously what you have heard already is Cable and Wireless is taking a real interest in this sale. They are one of your competitors. It takes one out. Telecoms are a key element in economic development. They are an essential infrastructure that impacts on the productivity and the efficiency of other industries and services. It is also worth considering security issues as telecoms carry highly sensitive information. Jersey Telecom has provided years of good service and stability for the finance industry. The proposed sale will endanger this reliability of services. Smaller telcos like Jersey Telecom are able to provide personalised services which are tailored to particular needs of an Island community. Maintenance of essential telecommunications infrastructure. The provisions of telecoms is best ensured by their ownership through the Island. An off-Island company will have no loyalty to Jersey as their objective will be to maximise profits. It is likely that financing universal servicing obligations would be disputed by a large multinational teleco, as they might find some aspects of this responsibility excessive or burdensome. Other former state-owned telcos have made job cuts in the areas concerned with infrastructure maintenance subsequent to full privatisation. The global decline in telecoms employment since the 1990s has been largely concentrated on activities like construction, installation, repair, maintenance, cable and line jobs. I think we might all identify with some of those. British Telecom has had to fulfil the same public service obligations as before privatisation with only half its previous workforce. That has been reduced from 235,000 down to 100,000. Again, all these are figures and facts that can be looked at and they are referenced on this speech. Jersey Telecom is in a strong position to maintain its existing infrastructure while also investing in new technology, because again it is important. In 2005, Jersey Telecom invested 11.6 million in the Group network and was awarded the licence to provide the third generation mobile services in Jersey, which I now understand has taken off. So competition in the Jersey telecom market. The Telecoms (Jersey) Law 2002 sought to end Jersey's monopoly in the local market in the interests of users. This law was designed to provide better prices to consumer and to encourage innovation in the provision of telecoms services, not to prepare Jersey Telecom for sale. Evidence from the monitoring of merger and acquisitions activity in the global telecommunications market demonstrates there are a handful of large companies which dominate the market. These large firms are able to set prices, and they are powerful with their interactions with their regulators. One such study reports that a handful of giants dominate the bulk of the international telecommunications industry; a small group of very large providers resemble a cartel rather than a competitive market and often act in collusion. That has been proved as well. JCRA currently does not have sufficient powers to adequately protect consumers against the large multinational teleco taking over and developing a monopoly on the Island. The JCRA has approved 4 licences for telecoms firms wishing to operate on Jersey, which has a population of 90,000. There is a

real danger of market saturation in Jersey which, in turn, could lead to diminishing profits for all the companies. This, in turn, leaves Jersey vulnerable to large, multinational teleco forcing small, competing companies out of the market. The Jersey Annual Telecoms Review states its strong reservations about the sustainability of this level of competition in such a market. It also advised: "In a way in which regulatory practice is applied in much larger markets is not necessarily scaleable to a small market such as Jersey." So, Jersey's telecoms subsidiary, Wave Telecom, is in healthy competition with Cable and Wireless in Guernsey, and anticipates further offshore activity. If Jersey Telecom were to be acquired by Cable and Wireless there would be a substantial elimination of competition in the telecoms sector in Guernsey. So, that is under threat as well. So Jersey Telecom as a State investment because that is part of the argument that has been going on. Jersey Telecom is a profitable company which consistently provides a healthy return to the States for the funding of other public services. In 2005, pre-tax profits were £13 million, close to the 2004 figure. In 2005, the States received £1.9 million in taxes and £7.1 million in dividends. If Jersey Telecom is sold, this reliable income will be lost. Currently, there is no estimated value for Jersey Telecom. Therefore, it is difficult to tell whether revenue for sale will be enough to compensate for the permanent loss of those returns. It is like selling off the family silver. You only do it once. Telecoms is a key growth sector in the world economy. In 2000, telecoms service industries represented 6 per cent of the world GDP. The telecoms sector has, however, become increasingly volatile. Jersey Telecom is currently looking to compete on its own terms in the market. Already Wave Telecom competes successfully in Guernsey and there are proposals to expand into the cruise ship market and to develop e-commerce services. After the sell-off, the priorities of those who run Jersey Telecom will change. Accountability to shareholders and investors will come before the needs of the Island. Sustainability is integral to the provision of telecoms in Jersey, not just for the general public, but also for the Island's financial industry as well. So, what about the employees, because really this is the heart of the argument we bring, I think. Traditionally, telecoms has enjoyed a large, highly-skilled workforce. With full privatisation, the size of the Jersey Telecom is very likely to be cut, as has been the case in the majority of privatisation situations in European countries. The World Bank found that in a study across other countries in 1981 to 1998 privatisation significantly reduced employment in the telecoms sector. Moreover, countries that transferred more ownership shares to private investors often experienced steeper reductions in employment. Most European countries that have undertaken the full privatisation of their telecoms have witnessed significant drops in employment in these companies. After privatisation, Deutsche Telekom sought to reduce its workforce by 60,000 by 2000. From 1997 to 2004, British Telecom reduced staff numbers from 127,000 to 91,000. Cable and Wireless have more than halved its workforce during that period from 10,100 to 4,398. The sale of Guernsey Telecom to Cable and Wireless also led to a reduction in workforce numbers as well. The European Industrial Relations Observatory (EIRO) also finds that privatisation leads to reduction in employment in telecoms companies and an increase in restructuring because of the demands of private investors. It also finds that new entrants to the market are more likely to provide lower pay and conditions, as has been the case in Spain and Italy. Public ownership is also conducive to good industrial relations according to the EIRO. It finds that protection and guarantees for workers are

usually more pronounced in the state-owned companies, especially in terms of the security of employment relationship. Jersey Telecom currently enjoys good relationships with its staff and its union, Amicus. This positive relationship has contributed to the success of the company. The managing director's review, which I have already said, talks about the pride in the skills and ability of the Jersey employees. There has been no formal assurance given to either the union or directly to Jersey Telecom employees concerning their job security. If a sale were to happen, the States should include responsibilities for retraining and redevelopment in instances of redundancy in the Memorandum of Sale. Let me just cover that point again, because Senator Le Sueur tonight said that he was going to promise to import into any legislation the protection of terms and conditions that would be better than TUPE as a sale requirement. Well, that is fine. But I do not think, and I would challenge that, whether once the sale has taken place what stops a company then changing it, because it becomes its own entity. It might be a condition of sale at the time, but you cannot guarantee anything beyond after the date of sale. The same as TUPE, in fact. TUPE applies on the day of the sale, but it guarantees by law, enforceable through the courts in the UK, where companies cannot change terms and conditions by reason of a sale. So, I am afraid, I do not accept that at all. The second one is that although pensions are excluded from most TUPE transfers, in fact in the UK there is an exception to that and it is under the European Parliament. It is that because you are a public body, viewed as a public body, there are different exceptions to that, and pensions are transferred over or similar pensions have to be put into place. That was a case, in fact, for our T&G colleagues sitting in the audience, brought by the T&G in the UK mainland against Eastbourne Borough Council many years ago. It is now standard law. So, pensions could be part of the package as well. I have mentioned that. The last part really is about TUPE. Amicus is of the view that no sale of Jersey Telecom should take place until full employment protection legislation is in place. Amicus welcomes the news that the States' Government is currently working on the adoption of the TUPE Regs. However, it is possible that legislation will not be implemented for at least another 18 months. That really brings us to the nub of the matter. What is the rush? Why are we selling off telecoms before we have got any protection? You will be gone and dusted, finished without anything. Everyone else in future will enjoy the legislation that will currently come through. Amicus is currently, obviously, responding to the legislation process in that, as we did with the previous employment law. TUPE Regulations are designed to provide protection for employees in case of business transfer. The requirements are not onerous for employers and are conducted to smooth transfer of undertakings, which define responsibilities both for the buyer and for the seller. The UK currently has in place TUPE Regulations which cover the minimum requirements of the EU Regulations, including transfer of union recognition and protection against dismissal. Amicus would urge the States of Jersey not just to match these provisions, but to go further. It looks like we might go further, from what Senator Le Sueur was telling us there. If a sale is to take place, Amicus should be consulted at every stage in the process to ensure Jersey Telecom employees are protected throughout the transfer. The Blue Book of Jersey Telecom employees' terms and conditions of agreement should also be incorporated into the working practices of the new company. These agreements have contributed to the smooth-running of the company and have come about as a result of a

positive, constructive dialogue between the management and the unions. I will pass my book back again. Just a couple more, because I know I am going to sit down - you have probably heard enough from me. Just one little thing about the community, for instance, if I can find the right page. Here it is. In the community, because it is part of your community, Jersey Telecom is part of Jersey, always has been for a long, long time. The statement here: "The concept of Guernsey-friendly [I am talking about your partner. I hope it is not like a Man United and Liverpool with Jersey and Guernsey, I do not know] is epitomised by Wave Telecom, whose generous sponsorships of events around the Island is tremendously appreciated and contributes to our enhancing the way of life on our tiny island." And very quickly, Jersey Telecom itself, its chosen charity for 2005 was ChildLine and we raised over £14,000 for that, through various fundraising opportunities and organised by yourself. In 2006, the nominated charity will be Headway in Jersey and Pink Ladies in Guernsey. I am not quite sure what Pink Ladies are, but I am sure someone will tell me later. The point is it is part of the community. Are Cable and Wireless, or any other competitor, going to be doing that as well? I do not think so. Just to finish, and thank you for your time, if I can summarise the points, because I have said a lot there. It is that basically we are opposed to the sale of Jersey Telecom. The sale does not present a guaranteed benefit to the people or the economy of Jersey. It poses a real threat to job security, working conditions and pension rights of Jersey Telecom employees. The sale of Jersey Telecom does not guarantee a competitive environment in the telecommunications market in Jersey. Furthermore, the population, location, business needs of the Island mean that a fully free market is not necessarily conducive to the prosperity of Jersey. It is unlikely the consumers will gain from the sale of Jersey Telecom. Call prices may rise as a result of the sell off to the larger teleco, and which has the potential to dominate the market. In addition, it is not clear how the maintenance and improvement of telecoms' infrastructure would be assured without a degree of public ownership. The loss of Jersey Telecom, as a States' asset, will be detrimental to the finances of the Island. Jersey is a profitable company which provides an annual return to the States, which is used to fund public services. I think if you look at their interim statement, you will see that in the last 6 months, the profit levels are holding up. It is better to retain this asset than to invest elsewhere. There have been no formal assurances given to the employees about their job security or pension rights. It is likely that any buyer would wish to cut the workforce numbers to increase profits. There should be no sale of Jersey Telecom without full TUPE Regulations in place. Any prospective buyer should also have members of the PECR, which is the admitted body for the pensions, and safeguards the pension rights of Jersey Telecom employees. Finally, Amicus welcomes, and would like to add its voice to calls for a full and extensive scrutiny investigation, looking at consumer protection, competition, regulation and employee protection. Thank you for your time. Sorry, I have overrun. **[Applause]**.

**Deputy G.P. Southern:**

Right. It is now down to me to do my Robin Day impersonation. The man in the green shirt will start. No! Anybody? It is open to the floor now for comments or questions, feelings.



**Mr. G. Connolly:**

George Connolly. I am about to start my 28th year with Jersey Telecom. I have heard what Mr. Le Sueur said and I hope it is not rhetoric. I hope what you said you are going to do because not only are you in charge of Jersey Telecom you are also a representative of us, the people, so bear that in mind please. Now, what I am concerned about is my pension rights. I had no choice when I started at Jersey Telecom; it was a condition of employment. As a condition of employment I had to join the pension scheme, so please bear that in mind also. If had been given the choice to take a private pension scheme I would have done. I want you also to remember that the most important resource that Jersey Telecom has is us, the people, so think about that as well please. I also am here to represent the Connolly family because the pension that I hope to get is going to look after me and my family, so bear that in mind please.

**Senator T. Le Sueur:**

I am having to reiterate my confirmation that I aim to see that the pension rights you have now are protected and I have made that comment in my speech and I make it again now, just for the sake of continuity and also can I say, yes, I fully endorse the important part which the workforce plays in making Jersey Telecom such a successful business and I understand that, I appreciate that, so does the management team, so does the Board of Directors, so does the State. So, there is no difference between us there whatsoever.

**Mr. M. Budd:**

Could I just say then, because the pensions is a huge issue, not only for future pensioners but for current pensioners that are already out there and you say you can guarantee that; I wonder how. I really do wonder on the how.

**Senator T. Le Sueur:**

If it was in the contract of sale of the shares in that company we would build in stipulations that the purchaser could only purchase on that condition and if he failed to honour that in the future that would be a breach of the contract which could be sued in the courts.

**Mr. M. Budd:**

Well, I am no expert on company law but I would really question whether that was enforceable or not. I do not know.

**Mr. N. Corbel:**

Nick Corbel, TGWU (Transport and General Workers Union). The States of Jersey pension scheme at present does not admit private companies. It is a States body for public sector workers, so the legislation would have to change in order to allow private company employees to join the scheme. Now, is our present joint negotiating group and committee of management prepared to do this? Will

they support your proposals? So, can you give such an undertaking, bearing in mind that there is no agreement to admit private sector bodies? The other point I would like to make is what will happen to new workers, to new employees? Invariably they will not enjoy the same pension rights as current workers and as we have seen in terms of TUPE transfers, negotiations we have undertaken in the Island with private companies, new employees do not enjoy terms and conditions enjoyed by those who have been transferred.

**Senator T.A. Le Sueur:**

Briefly, thank you for the question, Mr. Corbel. The committee of management of the public employees scheme are meeting tomorrow, I think, to make their response to this document but there are bodies, which are admitted bodies within PRC (Pension Rights Centre), PECRS, other than state employees and that is up to the trustees at the PECRS. Now, whether they choose to admit a private company is up to them.

**Mr. N. Corbel:**

Who are the private companies who are admitted bodies?

**Senator T. Le Sueur:**

It depends what you call a private company, Mr. Corbel but --

**Mr. N. Corbel:**

A commercially based company.

**Senator T.A. Le Sueur:**

Jersey Telecom at the moment is a private company. It is owned by the States but it is a private company.

**Male Speaker:**

(...several inaudible words)

**Mr. M. Budd:**

Well, I query on some of the answers that have been given because it is not my understanding that Jersey Telecom is a private company. Jersey Telecom is a State-owned company; the States own the share; that is why you are selling it. If you were not -- there would not be any need for a sale if it was a private company because you would not own it.

**Senator T.A. Le Sueur:**

The point I am making is that the employees of Jersey Telecom are employed by JT Group Limited or

subsidiaries, not by the States. They are employed by the directors, by the company, Jersey Telecom Group Limited. And the public own the shares in that company.

**Ms. R. Pestana**

Rosemary Pestana, T&G member. You have made a lot of guarantees tonight about people keeping their jobs but how can you give those guarantees without TUPE being in place. Is it coming in place on Monday, so that if the sale goes ahead these people will be protected because no matter what, once Telecom is sold, private companies do come in? They can get rid of who they like. The next question is, you made a reference to a corner shop and Tesco opening next door, so why allow Tesco to open next door? Why not keep it in Jersey and keep the jobs for our young people - let alone the people which already work in Telecom - for the young people which are coming in because we know for a fact, and we are seeing it in Jersey now, that jobs are going to migrant workers coming in as cheap labour. Is that what Jersey is trying to do, drive the local people out of this Island for the migrant workers to come in and carry on?

**Senator T.A. Le Sueur:**

First question as far as undertakings given, I give no undertaking that there is guarantee of jobs. There is no guarantee of jobs at the present time with Jersey Telecom Group Limited. There is guarantee of terms and conditions of employment, which is not the same thing as jobs. I think we need to be very careful here and really take on board that if you want to try to guarantee jobs, if you want to preserve jobs in the future, you need a strong Jersey telecom company and in order to get a strong Jersey telecom company it should not be staying as it is, it should be part of a bigger group with bigger financial muscle, able to maintain that competition, able to maintain its business and able to maintain your jobs, those jobs which you are trying to guarantee. TUPE will not guarantee them, I cannot guarantee them, it is a successful business which will guarantee them. As far as Tesco in --

**Ms. R. Pestana:**

By not selling Telecom in Jersey it will guarantee it.

**Senator T.A. Le Sueur:**

Pardon.

**Ms. R. Pestana:**

By not selling Telecom it will guarantee it.

**Senator T.A. Le Sueur:**

There is no way in which I can guarantee it and I am sure the Board of Directors would not want to guarantee continuity of every job in Jersey Telecom for the indefinite future. To do that would be

commercial suicide. As far as Tesco and the corner shop is concerned, the States have already agreed and the public have endorsed and welcomed competition in the marketplace. That is a decision which has been taken. Some of you, some of us, may say that that competition is not being applied in a very sensible way; that is another matter. Competition is here, competition is here to stay, competition is what the public want in order to bring down prices and to avoid monopolies. We cannot have it both ways.

**Mr. G. Connolly:**

I do not think anybody that works for Jersey Telecom (...several inaudible words) competition here today. I have never heard anyone say that we should not have competition. What we are saying is we want you to make sure that you take into account the social effect of doing something like this. There is no unemployment pay in Jersey, so if we are all put on the - to use the word that they use in the UK - the dole, what is going to happen to us. I am 61 next February.

**Senator T.A. Le Sueur:**

I appreciate your concerns, Mr. Connolly but as I said at the outset, competition is not my remit, competition is the remit of the Competition Regulator Authority. The States agreed that and gave them that responsibility. How they apply that is up to them.

**Mr. G. Connolly:**

That is not what I have said to you. You do not appear to have heard what I have said. We have not mentioned the competition. Nobody has argued against competition. What we are saying to you, take on board the implications of doing what you are about to do and I want you to tell us, if it is not a question of if, it is when, because it is going to happen. There is no doubt about that and I want you to tell me that it has not already happened.

**Senator T.A. Le Sueur:**

There is no doubt that competition will come into the Island. There is no doubt that the Tesco equivalent of the telecom industry will be in the Island, will be operating in that aggressive way and at the present time in relation to the players like Cable and Wireless and Jersey Telenet, Jersey Telecom will be very much the corner shop.

**Male Speaker:**

Making £40 million a year.

**Senator T.A. Le Sueur:**

Making at the moment £40 million a year but I do not know for how much longer.

**Mr. P. Dwyer:**

Good evening. Paul Dwyer. I retired from Jersey Telecom, November last year after 34 years. I am a member of the Institute of Engineer and Technology, incorporated engineer. I would like to say that Jersey Telecom is the best public asset that this Island has and given a level playing field there is no reason why that should not continue. **[Applause]** It offers a broad spectrum of telecoms, from the basic telephone, 3G mobile, voice over IP (internet protocol), NGN (New Generation Network) links, Roman agreements over 200. The biggest company in the world to date telecom operate is China Mobile and they have not yet issued 3G licenses. Jersey Telecom has. It is at the top of its game. It is a fantastic small company. The eagerness with which Cable and Wireless seem to be knocking at your door should tell you and the public what a good company this is. It is first class. As the gentleman, Mike Budd, said earlier on: "31 December 2005, the operating profit before tax £14.3 million, turnover £84.5 million, sales of £8.5 million dividends and £1.95 million paid to the States in tax." Telecom is a capitally intensive industry and always needs further investment. There are no guarantees that when another company comes into this Island and buys Jersey Telecom that that further investment will take place. Very often it is seen that some of these companies, when they do take over efficient small companies, their profits go to their shareholders. They are not interested in putting the effort and work into maintaining the existing infrastructure and that would be to the detriment of all in the Island, particularly the finance industry, tourism and business. There has been a mutual help, if you want, between Jersey Telecom, the finance industry, business, tourism in the Island. The finance industry has, you know, Sir, has always required the best telecom links and Jersey Telecom has provided that over many years. The JCRA I do not think is sufficiently robust to stop further problems with operators in the Island. In fact, there has been a case in another jurisdiction where an argument took place between the regulator and a particular company and because the regulator there could not afford to take the company to court, the company threatened them with large court cases, that they backed down. With 4 operators there is a smaller slice of the cake. I mean, to have 4 operators in an Island the size of Jersey, it is absolutely ridiculous to allow that. **[Applause]** Guernsey Telecom is not the same as Jersey Telecom. When Guernsey Telecom was sold to Cable and Wireless they did not have to make the profits and were run as a company like Jersey Telecom has been; a very efficient company for many years. Guernsey Telecom was always run as a public utility company and just was expected to put back any money that they had in the pot at the end of the year and borrowed money when it was needed for new equipment. Jersey Telecom, for many years, has invested in the infrastructure and had to make a profit to pay to the States. The last profits that were made of £14 million that I mentioned earlier, that has been going on for a series of years in the past. As you know, £10 million, £12 million, £13 million, year after year. That is a profitable company and there is no reason why that should not continue. I would like to say as well, I believe that 60 per cent of Jersey Telecom is the staff and management of the company. It is the intellectual property that belongs in the company that makes up this company, not just the equipment, it is the work, the training and the ability to do the job and provide the service that they have. That is what Jersey Telecom is. Job losses, I do not think, as someone else has mentioned, that there is any

possibility that you could guarantee that there would not be job losses if the company was bought by a predator outside big operator. A lot of these big operators the money is spread quite widely throughout the company. An instance was mentioned recently, particularly about Cable and Wireless, where the teleco chief executives, one in America and the one in Britain, were offered and voted by 80 per cent of Cable and Wireless shareholders, against 20 per cent, that they would be offered £20 million each bonus incentive to be able to carry on and take over small companies like Jersey Telecom. So, it is not very good. There is also a question if that happened, Wave Telecom -- how would the Guernsey regulator look at the position of Wave Telecom in Guernsey. If a company like Cable and Wireless took over Jersey Telecom they also would take over Wave Telecom. So, therefore, there is no competition there whatsoever. I believe that Jersey Telecom is not afraid of fair competition and there is no reason why it should not. It is a successful small company and other big companies in the world tend to have a department, which would do this, and another department, which would do that, and another department would do the other. I know for a fact that Jersey Telecom, many of the staff are multi-tasking. That is why it is a successful company. Thank you very much. **[Applause]**

**Senator T.A. Le Sueur:**

Thank you, Mr. Dwyer. There are many points there and I am sure the Scrutiny Panel will pick them up in the course of their deliberations. I would just say that at the present time we may have a level playing field but I think the teams on that field have different sizes. That is the difficulty. You talk about fair competition. Is it fair competition for one company to be capitalised at £100 million and one company to be capitalised at £1,000 million? Can they compete on equal terms? I think perhaps not. You talk about 4 licences being too many. That may well be the case. It may well be that in a number of years the number of operators in the Island will reduce to 3 or even 2. I want to make sure that Jersey Telecom -- **[Interruption]** I do not think one, no. **[Interruption]** I wanted to see that Jersey Telecom is one of those who are still in business in 10 years' time, not one of those who go to the wall. I think there is one message which I know has come out a couple of times and came out in those last comments and that is the implication that Cable and Wireless is somehow my preferred buyer. That is not the case. I have no greater loyalty or no better interest in Cable and Wireless than any other operator. In fact I will tell you the other way round, I suspect that the Competition Regulator Authorities both in Jersey and in Guernsey would be very unhappy and might prohibit a sale to Cable and Wireless on the grounds that that would certainly kill competition in Guernsey and put a serious (...inaudible) on competition in Jersey. I do not know at the moment how the JCRA would think but if they are going down a policy in general of open competition, the last thing the regulator will want to do, having started that policy, is to close it down again. So I think any suggestion that Cable and Wireless is the only player or the preferred player is something we need to dispel from our minds. I have --

**Mr. P. Dwyer:**

(...several inaudible words) as an example.

**Senator T.A. Le Sueur:**

As an example, yes, I appreciate that, Mr. Dwyer, but there are certainly a number of people who do think that I am in Cable and Wireless's pocket or vice versa. That is not the case and there is no question of any deal or any arrangement between Cable and Wireless. Certainly, they are interested, as they would be as any other telecom company would be but they have got no head start, no priority over any other competitor.

**Mr. M. Budd:**

Just a few comments there. I will agree; job losses are a separate category of argument. I cannot sit here and guarantee everyone's job in Jersey Telecom, equally I look after about -- I do not know how many companies in the UK and I say the same things to them. In fact, unfortunately, the sad reality of life is that I probably presided over the biggest decline in the manufacturing companies that I look after. I seem to be constantly chasing the receivers but that is the climate in the UK. What I would say is that competition is more than just prices because we have seen it in the UK. You get an operator comes in, they slash prices. You go into a High Street, in Southampton is probably your nearest one, and you look at the number of shops that are offering the deals they offer. Yes, and they get all the youngsters in there, they get all their phones for free, they get text messaging, they get bundles. You know the stuff; I do not know. It is bloody -- a bit beyond me sometimes but it is all there free, yes, but then in 6 months' time you walk down the same High Street: "Where are all those shops gone?" They have all gone bust because they have all out-bid each other. They have saturated the market. There is only one left but then: "Oh, sorry, Sir, your bundle package has gone up now", "Oh, well, we have withdrawn that one", "We are going to increase that one" and that is the way competition works in some places. Jersey is not going to be anything different from that. Cable and Wireless are already operating. The first sign you see when you walk in the airport now is Cable and Wireless. Now a great disappointment to me is my phone automatically locks into the network when I land and I look up and it is always locked into JT or Wave because it is a bit nearer on that side of the Island. Tonight it is Cable and Wireless automatically. By the way, I changed it very quickly. I can prove it to you as well, if you like. But on that basis Cable and Wireless already have a foothold on the Island. They have an extreme interest in taking over the commercial activity on this Island. There is no doubt about it. You have only got to read the press, not just in Jersey but in the mainland. I have been following this. I think I have slept and lived with this for the last few months, the same as you, with great interest and you have only got to see the way they are positioning themselves. Now, any company that wants to come in, if all of a sudden: "Oh, we will not allow you to do that" because if you buy JT that means you buy Wave, which means you have a monopoly position in Guernsey. I would suspect that a company that is worth £1,000 million is going to say: "Well, okay, we will not bother with Guernsey then because we can afford to lose that. £30 million, small change, it is only the bonus payment we are going to give our executive anyway." So, you know, it is all sums, it is all conjecture. Our main thrust and always has been from

the very first day I found out about this and the very first day that Tim and Janine from Telecom, their Personnel/HR, told me about the proposition, the first concern and the biggest concern it would always be is the lack of employee protection in any deal and I cannot accept and I will not accept - and I will say it quite publicly because I know this is being recorded, so I would not say it if I did not firmly believe it - there is no guarantees that can be put into place that will protect your terms and conditions if a sale takes place, unless the Island itself introduces its own law and legislation that can be upheld within the tribunal system that you have now got for all your other bits of law, which is great news, but unless and until that legislation is put in place you have no protection whatsoever and I am sorry, Terry, I will disagree with you on every opportunity I get to do that.

**Senator T.A. Le Sueur:**

We have to disagree, but if I thought that that was the case and I could not guarantee the continuity of the old terms and conditions I would not be suggesting a sale now.

**Mr. M. Robinson:**

Mark Robinson, I am a Jersey man. I would like to ask Senator Le Sueur why he has not got faith in the Telecom staff here that they cannot compete with other companies, because as a Jersey man I have. I would also like to know why are we going back 20 years or 25 years and using policies that England have used, i.e. privatising public utilities? Why are we suddenly taking on all this 25 years too late? I am a Jersey man, I like things done the Jersey way, not the English way. Thank you. **[Applause]**

**Senator T.A. Le Sueur:**

Yes, Mr. Robinson, I have got total faith in the Jersey Telecom workforce and I have got total faith in the Jersey Telecom management and I am sure that they will compete as well as they ever have done and as aggressively as they possibly can but the fact is that Jersey Telecom will no longer have 100 per cent of the marketplace. That is inevitable. That is as clear as night following day. Two or 3 operators in the marketplace, maybe even 4, there is bound to be some carving up. That is bound to have an effect on the total turnover, bound to have an effect on the total customer base. So, it is not a question of can we contain 100 per cent of our customers? We would like to. We will still work as well as we ever have done but the reality of the situation is that some are going to go to Cable and Wireless, some are going to Jersey Telenet, particularly when they have the sort of blandishments and offers and perks that are being put forward to them at the present time. That is why, much as I support and endorse the management, much as I back the workforce at Jersey Telecom, I have to say from an investment point of view the value of Jersey Telecom as a company is inevitably going to decline as its share of the market declines.

**Male Speaker:**

Are you going to stay with Jersey Telecom in future?



**Senator T.A. Le Sueur:**

Yes, I am.

**Mr. M. Budd:**

Again, I think it is all part of the argument, is it not. The competition. The competition. Everyone keeps saying competition. But we should not be afraid of that. They say the price is one thing but then service is the other thing. It is an Island community and I bet your bottom dollar that you knock on a house owner's door or a tenant or anybody who has got their own property on the Island, they will be more than happy to see the JT van turning up than some other van turning up and I suspect even the financial sector - who have been remarkably quiet about all this as well by the way - but that is going to have a huge impact on them. They rely, your Island here relies totally on Telecom to operate as a financial institution. Yes, you do not have people bussing in and out. No, it is too far away. It is done on the Internet, it is done on phone lines, it is done on Broadband, it is done on VoIP (voice over internet protocol); all that terminology that you technical guys know all about. What Jersey Telecom has done is provide that service and it continues to provide that service and improve that service and puts millions of pounds into the investment of the structure to make sure that the financial markets will have the service they need because if they do not get the service, if this system goes down, I mean, 24 hours, I mean, it is Armageddon as far as you guys are concerned, because the financial industry will quickly say: "Well, hang on a minute, why are we still stuck in Jersey? Let us go somewhere else where we can get a better service." I think that States needs to consider that as well because, you know, this spreads out further and further. It is like a domino effect, is it not? You kick the first one over and you have seen those lovely patterns that they create on the *Guinness Book of Records*, you cannot stop it and off it goes. That is the real concern that the Jersey Island people, not just Telecom employees, because hopefully there are a few here tonight who are just sitting here as Jersey residents rather than Jersey Telecom employees, because that is the impact for the Island itself.

**Mr. G. Birbeck:**

My name is Gary Birbeck. I am pensions representative for Amicus and ESA for Jersey Telecom. Firstly, I would like to say that I am very glad to hear the reassurances that Senator Le Sueur has given over the pension rights. However, my concern is that fundamental to these guarantees I would think are the amendments to General Regulation 9 and the subsequent amended admission documents for Jersey Telecom. I believe that this has run into problems and the latest that we have heard is that the Attorney General believes that there is a vires problem with that regulation and that there would need to be an amendment to the Enabling Law of 1967 and all of this looks like it is going to take time. How is this going to be reconciled within the timeframe that you are effectively putting forward to sell Jersey Telecom as quickly as possible?

**Senator T.A. Le Sueur:**

I think, certainly, I am aware that there is a potential difficulty with General Regulation 9, which needs amending but as I think, to coin a phrase, there is more than one way to skin a cat. I think the objectives of the change are quite clear. We wanted to make sure that the PECRS admission document is sound and enforceable and how we deliver that is up to us and up to the lawyers to work out and certainly, I know a condition of the endorsement of the JNG (Joint Negotiating Group) of PECRS that that amendment should be in place before the sale takes place. I see no difficulty in accommodating that within the timetable. When I say that I would like an instant sale, the reality is, it is not going to happen this side of Christmas and I am sure that Deputy Southern will endorse that.

**Deputy G.P. Southern:**

I am glad to hear that.

**Mr. G. Birbeck:**

It would be nice to have the debate first, I think.

**Senator T.A. Le Sueur:**

So, I think, while there is an obstacle, in terms of the overall timescale I do not see it being a serious one.

**Mr. G. Birbeck:**

Yes, because obviously the concern I have had is that JPL, Jersey Post, was incorporated on an agreement that was put forward by yourself and the Chief Minister, Frank Walker, which enabled the incorporation of JPL. That is sufficient and it satisfied the needs of COM in that it was a States company moving into an incorporated, wholly owned States position. I am sure that would not satisfy the COM, JNG or Amicus, so it is just obvious that that regulation has got to be in place, in statute.

**Senator T.A. Le Sueur:**

Yes, and the undertaking which Senator Walker and I gave was given on the basis that that would be in place and certainly I am not going back on that undertaking.

**Mr. A. Horner:**

Andy Horner, Jersey Telecom. Going back to the analogy of a corner shop and Tesco, you were saying that Cable and Wireless or a big company like that would simply stamp their foot on us and put us out to dry but at the moment we are competing successfully in Guernsey with Cable and Wireless and they really have not put us down in any way and what we are saying is: "Why do you not give us a chance, as a vote of confidence in us as a company, and to go forward and compete?"

**Senator T.A. Le Sueur:**

Yes, I agree that Wave Telecom have done a bloody good job in Guernsey; they have done a terrific job. What they have done is taken market share away from Cable and Wireless. Cable and Wireless, or Guernsey Telecom as it used to be, used to have 100 per cent of their market, now they have lost - I do not know - 15 per cent, 20 per cent of it, to Wave Telecom. That is, if you like, the reverse side of the picture of what is likely to happen in Jersey. Yes, Jersey Telecom will still contain, hopefully, a significant slice of the market but it will inevitably lose some, just as Cable and Wireless in Guernsey have lost some to Wave Telecom and it is a question of how much and for how long. The reality is that we are going to lose some market share and we are going to lose some value in Jersey Telecom Limited and the longer we delay the more that market share is likely to decline and the more the value of Jersey Telecom is likely to decline and the more risk there is to your jobs.

**Mr. D. Hibbs:**

David Hibbs. I do not see the logic in that at all because if you have got something for sale, it is for sale. The minute you promote it is for sale someone is going to say: "Well, what is the rush? We will just sit back and wait till the price drops down." It does not make a difference if you sell it today or if you sell it in teleco years' time, by the fact that you have put it on the market someone is going to say: "It is a great deal, we must have it because there is a profit to be made", or, "We will just sit back and let it fester and we will buy it when it is cheap.. Another point, just on the TUPE sort of side of it, Senator Shenton has got a proposition, I believe, saying that nothing should take place until his proposition has been discussed and looked into properly and that is all I have got to say on that. There are lots of things I would like to say but I think I would lose my temper.

**Senator T.A. Le Sueur:**

Certainly if there were only one purchaser in the market, then if I were that purchaser I would be inclined to bide my time until the price was right but I believe that there are more than one purchaser in the market and if I thought there was only one I would be very wary about the sort of price that that purchaser was offering me. But I think when there are a number of purchasers interested, as there appear to be, then there is a danger that if they just all hold back, someone will go ahead and the rest will be disappointed. So, I think the reality of the marketplace is that the price will be whatever somebody is prepared to pay at the appropriate time for what is the value at that time. As far as Senator Shenton's proposition is concerned, well that will come before the States and we will debate that, and at that time I will make the same comment as I have made tonight; that I believe that the sale contract for the shares in Jersey Telecom Group could contain terms and will contain terms which are better than would arise under TUPE, so we will have to wait and have that debate in this floor of the House.

**Mr. D. Hibbs:**

Could I just say then you obviously do not support Senator Shenton's motion?

**Senator T.A. Le Sueur:**

You could say that.

**Mr. D. Hibbs:**

It is just nice to know where we stand sometimes.

**Ms. L. Cantrell:**

I would just like to ask, why do the States or why do you feel that you need to sell Telecom now? Because any large company coming in, once it has got the list of the assets they normally break companies like Jersey Telecom down. They strip them down and they will sell off the good bits and keep the other bits. What I am saying to you, if you feel you do not want to be 100 per cent in the telecom business, why do you not just sell 49 per cent and you keep the 51 per cent. I think what is going to happen, any company coming in is going to strip down all the assets, with property the price that it is on the Island you can bet your life there is some odd building plots around Jersey Telecom sites that are worth millions. That is exactly what they will do and keep the Wave because that is doing very well over there, but what could happen is that in 3 or 4 years down the line, when the competition has come in and the people of Jersey -- you have got to remember that the people of Jersey have got to adopt Cable and Wireless and the other company that is coming in. If they do not get the same service, if the old age pensioners do not get their line rental at the same as what Jersey Telecom they are not going to support them. **[Interruption]** No, but this is my point, you know, you have got to think of that side of it as well. I think that you will find that it could go the opposite way and you could have sold something that would have been very good.

**Senator T.A. Le Sueur:**

Yes, and that is a pure investment decision, which I can take on investment grounds based on investment advice; should I sell now, should I wait until later, will the price be worth more in 3 years' time than it is now. I can take that decision quite happily on investment grounds and that is the sort of decisions, which I have to make, but in terms the scrutiny panel I think they are quite rightly looking at employment issues and wider issues as well. Certainly my view and the reason that I do urge a sale earlier rather than later is that I believe that as Jersey Telecom loses market share, as it will, however efficient it will be, the value of that company is likely to decline rather than rise. Now, no one is perfect and I will not get it right 100 per cent of the time but that is just my feeling that the reality is that if you lose market share you lose ability to reinvest, ultimately the value starts to fall.

**Ms. L. Cantrell:**

But doing it the way that you want to do it now, you are forcing perhaps 1,500 people -- I would think that is the sort of size of the people that are either receiving pensions or could be eligible for pensions or

it could be more, it might even be the former employees, not employees now -- it is going to be in the thousands if you add them all up together. That is a huge responsibility to be responsible for those people if it all goes pear-shaped. What I am saying is that if you feel that the time is right, do not offload it all. Keep the Government's so that it has got 51 per cent of the shares. Put it on the local stock market. I bet a lot of local people would invest into it. I mean, even I expect the employees would like a chance to invest into it and I am sure that is a much better way of doing it. **[Applause]**

**Senator T.A. Le Sueur:**

Yes.

**Mr. M. Budd:**

That is worth picking up, that point, because it is the first time it has been mentioned and it is something that I have been aware of. One of the things we have to get into our minds is that JT, as owned by the State, has got one share. There are not any shares, there is one share. It takes the controlling interest. It is because of the way the markets -- the company law works, that if you have got the share then you become a Group. That is what the incorporatisation is all about but that is something that has not really been debated to any great detail at the moment, because if you look back through privatisation in the UK -- and I can give you firsthand experience with that -- that is how British Telecom was dealt with. In fact all the privatisation issues were dealt with that way. It was a State entity, which did move into that category. They were still 49 per cent and 51 per cent owned by the UK Government and that UK Government sold its share by releasing a share value, giving people the opportunity in the UK to buy shares. I mean they were horrendously discounted because you basically -- if you bought £200 worth of shares you were guaranteed to get £400 providing you held on to them for 18 months. So, it was an offer you could not refuse and everyone chipped into it. It was so over-subscribed it drove the share price massively up high. One of the good things about that was it gave the opportunity for employees to buy into that and that is important when you have a company of that sort. Now, I do not want to shift the debate too far tonight to what you can do. Our purpose tonight is to really put the views back to the -- or my purpose of coming here tonight was to put the views, (a) to the Scrutiny Committee to hear and to yourselves to hear in more detail of why Amicus is opposed to the sale of Jersey Telecom, but I think it is a debate that should carry on. I have been written to by one of the investment companies on the Island, I will not say who because I think it is probably -- I am not sure if it is confidential or not but certainly -- proposing a position of that sort. The only problem is, and I will put this on record, is that he was seeking the support of Amicus to do that. Now, obviously I cannot do that. We cannot get ourselves involved in individual bidders when we are sitting back opposing the whole sale business in its entirety but he made some interesting comments about that, and that may be something that Senator Le Sueur and his colleagues would like to look at as an alternative to a sell-off; whether it was privatised on that basis. I do not think we will have enough time to even open the debate tonight but certainly Scrutiny may well want to take that issue up as well.

**Senator T.A. Le Sueur:**

I am happy to open a debate to the extent that, yes, I am aware of those sort of offers and I am aware of the possibility of the employees taking shares in the company themselves. I am quite happy to look at those sorts of options as well. There is no guarantee that it would be a trade sale. What I am suggesting is that on the basis of advice that I have received to date, which is by no means complete -- on what I have received to date a trade sale seems to be the best solution for Jersey Telecom and its employees, but I am quite prepared to listen to alternatives and if an alternative comes up which is better than what I am suggesting I am quite prepared to change my mind and go along with that one.

**Deputy G.P. Southern:**

At that point -- Ian is just about to pass the microphone to the man in the green shirt there but we have got to change discs I hear, so we can all take a collective breath. Okay, right. Carry on.

**Mr. G. O'Brien:**

Hi there, Garry O'Brien. I am an employee at Jersey Telecom. There are a couple of points, I mean, Mike Budd mentioned that he wants to hear not just his people from Telecom, but as residents of the Island, and being both, the first one I come to is being a JT employee. I do not have any faith in what will happen to the company or the staff if we are sold to a large company. As an employer/employee I will not have any faith on him upholding any kind of agreement that they might make to enable them to buy the company. We have seen it in so many big companies throughout the world that the least of their worries is staff and their wellbeing. As George before said, there is no unemployment benefit in Jersey, we cannot drive 30 miles down to the nearest town down the road and find another job. It is a very closed market for the people who have got really one skill. I mean I have 25 years at Telecom. If I cannot get another job in Telecom, what do I do? I cannot move around, move elsewhere to find one unless I want to leave the Island where I was born. The other point from that is Jersey Telecom has provided training opportunities and firms of apprenticeships and BTEC (British Training and Enterprise Council) training for lots, I mean, even our director, Bob Lawrence, started as an apprentice at Jersey Telecom. If that is not a good advert for the company, then what is? A guy starts at 16-17 years old and ends up as managing director. These other big companies are not going to worry about the youth of the Island. They will get the skills they need for the short period of time that they need them. They will not worry about the future. So I think you can make, or try to get all the agreements you want out of them, they will not care. They will not have loyalty to the staff. They will not have loyalty to the Island. They will have loyalty to their shareholders and a bank account. So that is from an employee point of view. As an Island resident point of view, again the same. They are not going to care about Jersey. There is going to be, for want of a better use of a word term, a phone war for a couple of years. It is going to be very short-lived where you are going to get the Cable and Wireless and the Airtel/Bharti are going to throw their money to give all these great deals to customers to grab all our customers. But then one of the 3 is going to go out of business. There is no doubt about it. This Island cannot sustain 2 or 3

major players. It is just not going to happen. Other jurisdictions in the world have one major player and a couple of smaller more specialised teleco companies. We will end up with a private monopoly and once they have thrown all this money to win the war they are going to want to recoup it back and there is only 2 ways they can do it. The first is staff. Very easy. Slash pay, slash conditions, get rid of excess staff and, you know, change the working conditions, longer hours and the other way is offering the price up to customers, which they are going to do. You mention that we need to be bought by a big player to sustain the growth and to keep going. That does not make business sense to any business. Any company will only invest in new services in this Island if they are going to make a profit out of it. They are not going to do it because they feel some sort of obligation. I know that over the last 25 years there has been certain technologies and services that JT have introduced which from a pure business sense have not really made a great deal of sense. We have got very little return for a big investment, but we needed to be at the forefront of technology for the finance industry or whatever it was, so we have invested in it. We have not got the returns back that we should have. No other big company is going to do that. They are not going to do it for the good of the finance industry or because they think we should offer it. They will offer the services which they will get maximum return for, so economy of scale is not going to come into it. They will not cross subsidise Jersey from other operations just for that. It is not going to happen. They will just say: "Right, this is the service you have got because we will make the most money from it, take it or leave it." I do not believe there will be 2 or 3 players in 3 or 4, 5 years' time. There will be one major player. There will be one winner and at the moment of the 3 we have got in the Island operational that is probably going to be Airtel because they have one of the biggest subscriber bases in the world. Now that has been allowed to happen because the JCRA have failed in a regulatory job by allowing a saturated market 3 players - where there is no expansion does not make any sense for the customer, a very short-term maybe 6 months for the customer - where they will get cheap prices. At the best scenario if you split the profits of, say, the mobile network into 3; none of the 3 companies would make enough money to invest in the future. So there will be no investment with 3 players in the market. There will not be enough investment for 2 players to invest in any new technology. It just will not happen. There will only ever be one player eventually. There will be one winner and then we will be back to a private monopoly and as we have seen everywhere else in Jersey private monopolies are the worst kind of thing for the residents of this Island. I am glad to hear that you, Mr. Le Sueur, have not got any preferences about who you would like to sell us to, but can you give us assurances that your colleagues on the Council of Ministers have not, bearing in mind that one of them had a nice meeting with Cable and Wireless the day before you announced that you wanted to sell us. That seemed a little bit too convenient for my liking.

**Senator T.A. Le Sueur:**

I thank you for your concerns. Yes, I endorse the praise you have given to Jersey Telecom for the training it has given to its staff over the years, which has enabled Jersey Telecom to stay at the forefront, but I think I have more faith in the economy of the Island and the fact that it is an interesting place for businesses to do business in and I believe that there will be some competition in the marketplace and I

believe that that will be a requirement, that there is competition in the marketplace. Whether it will be 2 or 3, I do not know. Whether it will be the present people, I do not know, but if we ended up in the doomsday situation which you envisage of having simply one company, which would not be Jersey Telecom, in the marketplace, then I think we have got the worst of all worlds.

**Mr. G. O'Brien:**

It is like going to the poker table and you are sitting there and there are 3 people all with different amounts of money. They will just keep going blind until the people with the least amount of money are going to run out of money and at the end of the day if we have got a company with a 350 million subscriber database, they have got money, they can lose money. I mean in all honesty Bharti have done it to Cable and Wireless in the Caribbean already. They went in there and they stuffed them. They lost money for 2 years and in the end Cable and Wireless said: "We cannot compete, you have got a bigger wallet than us." But what happened? Bharti wanted to recoup that money back, so then the prices went up. When they were the monopoly provider the prices went up and the same thing is going to happen. You know it is a bit like the corner shop and Tesco's, but unfortunately the States have put us in that position and to say that the consumer demanded lower prices and competition is a fair point, but on the other hand the States have owned Jersey Telecom since they bought it off the GPO (General Post Office) and if the States wanted to lower prices to the consumer, they have been able to do it for the 25 years I have been there. They did not have to take £11 million a year profit.

**Mr. M. Stevenson:**

Mr. Chairman, can I through the Chair, thank you and the Economic Affairs Scrutiny Subpanel for calling this meeting tonight and for allowing us to explain, and of course convey, our concerns. I have vested interests. I have a conflict of interest. First of all I will declare I am a taxpayer and I, under the auspices of the States, own Jersey Telecom. As a taxpayer I am aware that £40 million of that profit each year and the previous years has helped sustain health, education, social services. Forty million pounds of the family silver, i.e. Jersey Telecom is sold. The vacuum left by that £40 million would have to be found by me, the taxpayer, either direct taxation or indirect taxation. No benevolent entrepreneur or businessman would say: "I feel so obliged, Mr. Le Sueur, that your coffers are so dry, please take £30 million of my profits." Far from it. We live in the real world, Sir. Can I declare my second interest. I am an employee of Jersey Telecom. I am proud to be an employee of Jersey Telecom, and believe me by having the audacity and the arrogance by talking down Jersey Telecom by the comments that have been emanating through the Chair tonight on the platform in regard to the Jersey Telecom sell-off, this is a prize asset. You have said it yourself, it is a strategic asset. In view of the fact of the international finance reputation that Jersey has, to sell off a strategic asset which could be asset stripped, completely picked to the bones, I hope when you confer with your business partners or your business associates via the Treasury, Senator Le Sueur, that I am sure some concerns may emanate from them gentlemen of Hill Street and see what they would think if their telecommunications and data lines from this Island throughout the world could be affected by somebody dissecting the assets of Jersey Telecom.



**Mr. P. Dwyer:**

Paul Dwyer, just another quick word. In the 1980s when a lot of these large companies such as BT (British Telecom) were sold off, they were huge lumbering companies which were very inefficient. This is not the case with Jersey Telecom. It is a very efficient small company. I would like to emphasise that. I would also like to say there is quite a bit of evidence where national companies are sold off that service levels dropped dramatically. You only have to think of companies such as Rail Track and things like the Hatfield disaster. The maintenance is not performed as it should be. California, the electricity companies there, one of the richest states in America sold off to private companies, suddenly they have these large blackouts all over the state. You know, it does not work. Thank you.

**Deputy G.P. Southern:**

One, 2, 3 final contributions. First one here. Go on then. One, 2, 3 and then I will call a halt.

**Mr. M. Garrets:**

I would just like to echo Mr. Le Sueur's sentiments as a Jersey taxpayer that now is the correct time to sell Jersey Telecom. I think one of the things that we have not really spoken about tonight is the diversification and new technologies that will bring new competition to the Island, things such as voice over IP and media communications through television companies. You could see global players such as BT which have had to diversify which traditionally made their money in fixed line, have had to diversify into voice over IP and broadband. Likewise, Vodafone, which throughout the 1990s followed a model of acquiring mobile only telecom operators have recently shed operations in Japan and Belgium. I dispute the notion that investment in a jurisdiction the size of Jersey is unattractive as the proof is that we have investment coming into the Island now I think which would encourage future investment in telecommunications would be to consider merging jurisdiction licences with the other Channel Islands and effective regulation. The States a couple of years ago have allowed the waves of globalisation to enter the Island and I think now to take a protectionist stance will only result in future heartache.

**Deputy G.P. Southern:**

Thank you, Mr. Garrets. It is nice to hear the other point of view.

**Mr. C. Whitworth:**

I never thought I would hear myself say it, but I think some of you have been a little bit harsh with Senator Le Sueur because he is trying to get a maximum profit from Jersey Telecom. I mean, my point is I think we should have sold it when it was worth £300 million. I mean, I do not even think it is worth £200 million now. I mean, you have got, as the gentleman says there, the voice over on the Internet, I mean that is going to absolutely annihilate the profits that Jersey Telecom get at the moment. We have got the Bharti bunch, as they are called, the Bharti party, they are very serious in taking the mobile market. I mean, in the job that I do I go to many offices around the town. They are on every roof. They

are really serious about getting the mobile market, so I just do not see how you value the company at £200 million. I mean, we have got properties and I would say off the top of my head they are worth, what, £50 million, so where is the profit? Where is the money? Who is going to buy Telecom at that £200 million that you are talking about?

**Senator T.A. Le Sueur:**

I have not valued the company at £200 million. That was a figure which was quoted in the *Press* a while ago based on some other calculations. The company is worth what people are prepared to pay for it.

**Mr. M. Budd:**

Is there not a danger there that you sell something without putting a price on it because normally if I go into a shop, I look at an item and it has got £3.99 on it and do I want to buy it or do I buy the other one at £2.99 with its own make label? I mean, it is a valid point because £200 million has been bandied around and I accept that it did not come from you and I accept that, but it has certainly been bandied around, but the crucial point is that if it only sells for £50 million in the end of the day, if that is all the State has raised for it, that is only 3 years of £15 million profit that you have just enjoyed, and it has gone. I am not quite sure, I mean, I think I heard you say in previous interviews that you would be taking this money anyway and putting it in a big box and locking it up for future investment. Now I am not quite sure again how our colleague Mike there says about the loss of the income, the £15 million, because it is something I addressed earlier on. It is something we have put into the scrutiny debate because it is a loss of income to the States. You do not pay taxes the same way we do in the UK. You do not have VAT (value added tax), God bless you, because it makes my -- but that is going to change. That will change. Every time you lose an income on one side, it has to be replaced with another, has it not? You have got to have your schools and hospitals and social care and it is an important part of the debate. I am quite pleased that the last 2 or 3 contributions that have come through have really addressed that point, the social side of all of this argument. We can always have the commercial arguments of whether the sale is a good thing or not or whether it benefits one party or not. I mean, if you take it in true terms of, you know, sell it off, okay, fine. But, like anything, you have to consider the human element of this and I do not think, and I am far from satisfied, that the human elements have been considered in all of this and I will go back to criticise from my opening comments I made, is the lack of consultation that has taken place. To find out your job is on the line by an email is absolutely disgraceful. It really is disgraceful. There is no way. The unions and Telecom have worked so well together over all the years that to be treated that way I find appalling. I was insulted by that process by the way. As an official that gets taken into confidence, to be told: "There is an email on its way, have a look at it." I mean, I think it was outrageous the way that was dealt with and I think the Board should perhaps think about that action and maybe put something out to apologise to their employees of Jersey Telecom. So, secondly, I am concerned about the way that the States are taking this debate forward. The lack of time is again a critical element to this. Eight weeks is just an absolute nonsense timetable

for allowing parties to put forward serious considerations. We have done it, just. I mean, it has been very difficult because the States broke up and what do you get? Oh, look, it is the summer holidays. You know, I am picking up the phone to my research officer and they are out somewhere else. Then I am off for a couple of weeks. Tim is off for a couple of weeks. I mean, everyone is away. I think again there is a great big rush to get it all out and I think it is totally wrong. I think that the contributions you have made tonight, and I will shut up in a minute because I have spoken far too much, but just to say thanks to you all and Senator Le Sueur. I think it has been a great debate. We have all expressed some very good views. We have given each other the time to comment back on them. We still oppose our views, well that is what it is all about. Amicus will continue to campaign against this sale, you can guarantee that, but also I think that it is up to you guys because from what I see from this, and this is perhaps beyond the scrutiny part of it, from what I can see from this tonight, is that you guys out there are the ones, that you are going to make the opinion count, yes? You vote for these Senators to come in, yes? They are your parliament. You vote them in, right? You do not have a party system on the Jersey States, which is a great shame because you can do a lot more with a party system, right or wrong. But it is up to you guys now. It is up to you as employees of Jersey Telecom. It is up to you as residents to get around to your friends and your neighbours, yes? Your children, right? They are all walking round with mobile phones, yes? They are going to get hit by it, yes? They will be looking for jobs in the marketplace. You have got the same problems that we have got in the UK, very little going into the technical side of things now. You have all got kids out there. You have got the pensioners that are on pensions now. You know, they are really worried. There is an undertone coming through there now. I know that. You know, Charlie has informed me tonight that there is a great debate going on there about what is going to happen to the pensioners, for all current pensioners, because you do not have any fallback, and that is really where I will return to now and come right back. I have done the loop round, is that that is the biggest problem you have got on the Island. You have no safety net. You have no fallback. You have no protection, and I still do not accept that you can put that into a sale document and then accompany 2 months, you know, a year down the line and say: "Well, okay we do not need that any more" and cancels it. I am yet to find a company that will be prosecuted for that under any law, but I have made a point here of checking it out and I will write to our legal people tomorrow morning and check that out and get the advice back hopefully in time for Senator Ben Shenton's debate to counter any argument that Senator Le Sueur is going to put forward to guarantee the terms and conditions. Thank you very much.

**Deputy G.P. Southern:**

Thank you. I'll take one more question. Deidre, do you want to ...?

**Deputy D.W. Mezbourian of St. Lawrence:**

Thank you very much and I hope the staff here tonight from Jersey Telecom will indulge me as a member of the States to ask Senator Le Sueur a question. I am Deputy Mezbourian of St. Lawrence. For those of you who do not know me, I am a new member elected in November of last year and of

course we are in the consultation process at the moment and Deputy Southern has agreed to scrutinise this. Senator Le Sueur will then bring a proposition to the States of Jersey and, as he said at the beginning of his speech this evening, it is the States themselves who will decide whether Jersey Telecom is privatised. My question to Senator Le Sueur is; what is your contingency plan if you lose the proposition on the floor of the House?

**Senator T.A. Le Sueur**

My contingency is quite simple. I accept the democratic wish of the States. If the democratic wish of the States is that we should retain the company, and even though I may disagree with that decision, I will abide by it and I will ensure that I will get behind the Board of Jersey Telecom to deliver the best possible future for Jersey Telecom to fight the competition in the best way we can, but I have to be honest and say that would be the second best option for me, but it is one which I will certainly pursue, if you like, as the fallback position. Geoff did say that was the last question when Mike was summing up on the last one. I will be a lot briefer in summing up, but basically to say thank you for giving me the chance to talk to you and to hear your views. I think I have benefited from it. Mike has, and I am sure the Scrutiny Panel themselves will do, and so thank you also to Geoff and the scrutiny subpanel for bringing this meeting together and for the work you are going to do. Yes, I am sure that there will be times when Mike Budd and I will disagree. I hope that on the other hand we can both share in the view that we are both trying to do the best we can for the workforce of Jersey Telecom. We may think there are different ways of doing that, but we have both got the same objective in mind. So with that, and with thanks to Geoff and thanks to the team in the Hall who have, I think, put this all together, and also thanks finally to all of you for coming and showing your interest in what is, I am sure, an important subject for you as I believe it is also an important subject for the rest of the Island. Thank you all.

**Deputy G.P. Southern:**

With that could I remind everyone here that if they want to contribute any evidence to the scrutiny investigation of the privatisation I do encourage them to either write to me directly or to the scrutiny office or email the scrutiny office, email me at [g.southern@govt.je](mailto:g.southern@govt.je), get some information through to us, make sure your opinions and the facts are known. This is the start of a process not the end of a process and please do contribute and thank you again for coming tonight.