

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY SENATOR S.C. FERGUSON
ANSWER TO BE TABLED ON TUESDAY 9th OCTOBER 2012**

Question

Would the Minister clarify and expand the business case for redeeming the 9% preference shares of Jersey Telecoms for the sum of £20 million when the holding was value for 2011 at £29.5 million in Table 9.11 on page 101 of the Financial Report and Accounts 2011?

Answer

The Treasury and Resources Minister acts on behalf of the States as shareholder for JT Group and other strategic investments.

The States owns 100% of the shares in JT. This repayment will make no difference to the value of the public ownership of JT. The States will continue to receive full dividends from JT as they are the only owner. The States can allocate the cash received in return for the shares to high priority areas, such as capital projects and the Innovation Fund. This Fund will provide seed finance for new, small and growing businesses at a time when the economic climate is difficult.

The £29.5m preference share value in 2011 is a technical accounting valuation using the Dividend valuation model. This takes into account all future dividend payments. As stated in the 2011 Accounts this is not the same as the amount which the States could realise if it chose to sell its holdings. As a result of the redemption (i.e. JT repaying a loan from the States) the value of the States' strategic investment in JT does not fall – rather it means it will increase as a result of allowing JT to obtain finance and grow.

Early in 2012 JT's Board shared their new 5 year Strategic Business Plan with Treasury and Resources. The Minister's approach is to balance short term dividend returns with long term sustainable growth of our strategic investments. The Council of Ministers was consulted in advance of this proposal being included in the MTFP.

JT is a company which aspires to grow sustainably over the next couple of years. Recently they have invested in Gigabit Isles and new acquisitions, like Worldstone. JT is operating in a highly competitive market place and needs to grow to maintain its market positioning and to continue to provide stable dividend returns and shareholder growth. In order to support JT's growth Strategy, a new dividend policy has been agreed from 2013 and it is also proposed that they redeem the preference shares. This will assist JT to revise their capital structure and obtaining financing from external sources to support their growth plans at competitive rates.

This is an example of the Minister's determination to manage the States' balance sheet more actively to support the more traditional emphasis on raising revenues and controlling expenditure. As the States owns 100% of JT this repurchase of shares simply exchanges shares for cash and means that expenditure proposals are able to be brought for approval in the MTFP that would not otherwise have been affordable.