

# STATES OF JERSEY



## **ANNUAL BUSINESS PLAN 2008 (P.93/2007): THIRD AMENDMENT (P.93/2007 AMD.(3))– COMMENTS**

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**Presented to the States on 14th September 2007  
by the Council of Ministers**

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**STATES GREFFE**

## COMMENTS

The Council of Ministers unreservedly opposes this amendment.

While the Report begins with a paragraph accurately outlining the basis for the existence of the JCRA it then seeks to justify a reduction in JCRA funding based on unsubstantiated opinion. Attached to the end of the report is an academic article based on economic theory that has little relevance to Jersey, the needs of our residents or, more importantly, the role and budget of the JCRA.

To reduce the JCRA's grant by £250K would represent a 52% cut which would seriously undermine their effectiveness as a regulator. To take such a stance on the basis of one academic article would be irresponsible. Where is the evidence from across the world that economies with weak competition authorities have achieved higher economic growth and lower inflation? That consumers do not lose out as a result?

Members will be quite aware that the JCRA and the application of the Competition (Jersey) Law 2005 ("the Law") have been of very clear benefit to the Island and to consumers generally. One has only to recall the outcry that greeted the takeover by C.I. Traders of Safeway/Morrisons the day before the Law came into effect to understand the very real public concern that possible abuse of dominant position does cause.

Application of the Law has had clear and publicly noted benefits. It has led to an end to some cartels and prevented further anti-competitive behaviour. There is no longer an 'agreed' retail price for fuel at garages. Lawyers have abandoned standard levels of charges and estate agents clearly and openly seek to compete against one another in offering their services. This is not to say that the Law – or the market – in Jersey is perfect. Probably not, but that is precisely the reason why the Law and the JCRA are so vital.

Senator Shenton seeks to suggest that regulation does not help the consumer or the economy. He then suggests, however, that 'light-touch' regulation would cause markets to operate more efficiently. This is somewhat counter-intuitive. Either he believes that regulation is of no benefit and thus should be abandoned, or he does in fact understand that regulation has clear benefits after all. The suggestion that because the JCRA receives licence fee income for its role as Telecommunications and Postal Services Regulator it should have no need for funding of its competition role is also fundamentally flawed.

Furthermore, in having a single body responsible for utility regulation and competition, Jersey is able to achieve clear economies. The Office of Utility Regulation in Jamaica, for example, received US\$132 million in licence fees in 2004<sup>[1]</sup> against expenditure of US\$139 million and the Jamaican Government also established a Fair Trading Commission that cost some US\$35.8 million in 2004<sup>[2]</sup>. Clearly Jamaica is a larger domestic market than Jersey, but in terms of its international financial market Jersey is far larger than Jamaica. The reference is for illustration only. The regulator in Guernsey, also known as the Office of Utility Regulation, notes expenditure of £845,862 in 2004 and £805,867 in 2005<sup>[3]</sup> and licence fee incomes of £853,671 and £949,850 respectively. It has no economy-wide competition remit.

Clearly, economic regulation, whether limited to competition concerns in industry-specific sectors, or across the economy more generally, comes at a price. The Competition Law Grant is £480,000 in 2007 and is budgeted at the same level for 2008. This is a modest figure when set against the size of the local economy and reflects the importance of protecting local consumers from abuse of dominance, as well as incentivising business to innovate and maximise efficiency. The Grant should not be arbitrarily cut, rather it should be maintained at a level necessary to maintain the very real benefits now enjoyed by local consumers and residents. An effective competition authority is vital for economic growth and low inflation. Handicapping the JCRA in the manner that is suggested would therefore seriously undermine the States economic objectives.

We have no doubt whatsoever that the application of the Competition Law and the role of the JCRA serves the goals of stimulating innovation, increasing consumer choice and ultimately providing the incentive to business to compete effectively in the marketplace. These are the true benefits of competition law and prove the worth of the grant that the States makes on behalf of all Jersey consumers.

The Council of Ministers urges members to reject this amendment of Senator Shenton during the debate.

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[1] Latest published figures: p.87, 2004 Annual Report, Office of Utility Regulation.  
[http://www.our.org.jm/new/Documents/Company%20Reports/cadannual\\_reports.asp](http://www.our.org.jm/new/Documents/Company%20Reports/cadannual_reports.asp)

[2] Latest published figures: p.21, 2004 Annual Report, Fair Trade Commission.  
<http://www.jftc.com/news&publications/Publications/PDF%20DOCUMENTS/Annual%20Report%20for%20FTC%20March%202004.pdf>

[3] Income and Expenditure Account 2005, p.27.  
<http://www.regutil.gg/docs/Annual%20Report%202005%20Final.pdf>