

# STATES OF JERSEY



## **JERSEY GAS: INCLUSION IN PAYROLL CO-FUNDING SCHEME (P.52/2020) – COMMENTS**

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**Presented to the States on 7th May 2020  
by the Minister for Economic Development, Tourism, Sport and Culture**

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**STATES GREFFE**

## COMMENTS

Deputy G.P. Southern of St. Helier's proposition ([P.52/2020](#)) comes at a time when discussions are still ongoing with the Jersey Gas Company Limited regarding possible financial support from the Government of Jersey. In view of this, the Minister for Economic Development, Tourism, Sport and Culture is unable to support the proposal and urges States Members to vote against it.

Officers are continuing to work with Jersey Gas to assess the options for helping the company and its staff to help limit the affects of the Covid-19 period, secure the supply of gas for Jersey residents and protect jobs.

Jersey Gas and Kosangas Jersey wrote on 2nd April to request access to Phase 2 of the Co-Funded Payroll Scheme. The Council of Ministers had already decided that all utilities would be excluded from the scheme on the basis that the payroll support was intended to target only those industries suffering the greatest detriment and with the greatest need and which, without assistance, would quickly become unviable and potentially face collapse. It was made clear by my officers that this did not preclude Jersey Gas from receiving financial support from the Government through other mechanisms should it be able to demonstrate financial need.

It has been apparent from early on in discussions that Jersey Gas has suffered material detriment. Based on data provided by Jersey Gas for the first 14 days of April, distributed gas volumes were down 45% when compared to the same period for 2019 and down 42% when compared to the same period for 2018.

As Deputy Southern notes, by its nature Jersey Gas has a high percentage of fixed costs. As such the reduction in revenue currently being experienced does materially impact the profitability and cashflow of their business.

However, material detriment is different to financial need. Not all businesses that suffer material detriment require Government support to continue to operate. Jersey Gas is required to demonstrate financial need in order to be considered for financial support through an alternative source, such as the Business Disruption Loan Guarantee Scheme or the Jersey Covid-19 Special Situations Fund (formerly the Jersey Recovery Fund), which may have scope to provide more comprehensive support than the payroll scheme alone. They could for instance, give access to more funding over a longer period, if appropriate.

Notwithstanding the Government's wish to assist Jersey Gas and its staff, the Council of Ministers has a duty of care when distributing public funds.

It is our understanding that, since it was acquired in 2016, Jersey Gas has been owned through a private equity-type fund structure. We therefore need evidence of demonstrable financial need on the part of Jersey Gas to ensure that any public money is used appropriately, and does not ultimately support a private equity fund that has adequate resources of its own to provide the same assistance.

In seeking to determine whether Jersey Gas has financial need that may necessitate Government assistance, amongst other questions, we have asked the company –

- what actions its shareholders are taking to provide the necessary working capital for the business
- what discussions have been undertaken with its debt funders to provide assistance such as additional loan facilities, interest deferrals, interest roll-ups or similar mechanisms.

These are reasonable and appropriate questions to ask when attempting to ascertain whether financial assistance is required. Until such time as we have appropriate answers to these questions, which at the time of writing have not been forthcoming, then we would urge Members to vote against this proposition.

Businesses included in Phase 2 of the Payroll Scheme have been identified by sector. If Jersey Gas were to be added, it would be necessary to open the scheme to other utilities that are currently operating effectively and do not require this support. We believe it would be more appropriate to tailor an assistance package specifically for Jersey Gas.

The Government does have legal powers under the [Jersey Gas Company \(Jersey\) Law 1989](#) to protect Jersey consumers against high price increases. However, we recognise that Jersey Gas is a critical infrastructure provider, and we remain open to providing comprehensive assistance. We urge Jersey Gas to work with us, in the interests of their local customers, their employees and their business, to find a solution to their current challenges, ideally through the Special Situations Fund.