Sir,

Regarding the proposed sale of the Jersey Telecom Group (JTG), discussion paper.

Consumer protection. Page 7.

It seems that the JCRA is very mindful of competition but not commercial implications. There are 80,000 people (or thereabouts) in Jersey and we have potentially 4 mobile operators, 2 landline operators and another offering broadband only. Clearly this is excessive for such a limited market. Future investments regardless of any enforcement by the JCRA will be severely limited as the payback time for any of these companies will be far too long.
To be borne in mind – the UK has 5 major mobile operators and 60,000,000 people!

Maintenance of essential telecommunications infrastructure page 8

Whatever legal rights the JCRA has over any telecommunications companies; if investment monies are not available the companies will not be able to finance further infrastructure improvements. It should be the role of the JCRA to provide competition being mindful of the Total Available Market (TAM) and the revenues that companies can achieve in the market.

Competition in Jersey's telecommunications market page 8

There is only one barrier to the sale of Jersey Telecom – the price. In view of later comments (cf page 12 last paragraph) which state that "due to increased competition, Jersey Telecom Group is likely to lose market share" – which effectively means that JTG will lose value over time. Having stated this any prospective buyer only has to wait until they can buy the company at a bargain price!

The Global Telecommunications market. Section 3 page 9

Scale of economies can be beneficial if handled properly. However in many companies it is viewed as a means of cost cutting to increase profit without necessarily (and unfortunately) providing a better customer service or experience. The total available market in Jersey is 80,000 (or thereabouts) which is the size of a small UK town, as far as I am aware there are no UK towns of comparable size with ownership or control of their own telecommunication company.

Jersey Telecom as a strategic investment. Section 4 page 11

Any proposed sale of any asset must be "talked up" rather than down! The last paragraph of page 12 is not very positive. To imply that due to competitive pressures the "compensating returns generated for the shareholder are likely to face a downward pressure from those currently enjoyed and in recent years" (also comment on page 13 ref the difficulty of selling JTG in a market downturn) is not very encouraging to any potential investor!
Also, stating, "JTG represents a risk inconsistent with the profile " for " state investments" is not a positive comment to a potential investor. This will simply mean that a predatory investor will wait until the value of JTG has dropped to such a low level that they will be able to purchase JTG at a bargain basement price.

Jersey Telecom employees and pension. Section 5 page 14

Currently the UK pensions and (it would appear) the European pensions provisions are in a mess! Many pension schemes are under funded and many final salary schemes have been closed to new employees. JTG's employees currently enjoy a fully funded scheme. There are no guarantees that a new company will be able to offer the same level of security that is currently being offered by

PECRS. Whether those guarantees are enshrined in constitution or not is irrelevant when commercial pressures dominate a company's operation.

Transfer of undertakings (TUPE) page 16

Once again – commercial pressures rule! A company may make many promises when "acquiring" new employees from a purchased company, however these promises can only be fulfilled if the enlarged company is commercially viable. It is usually the "acquired" employees who are asked to leave the enlarged company first in a downturn. The company offering loyalty to its existing employees in the first instance! It would be impossible to legislate against this, so the states must be aware of any future backlash.

Sale process and form of sale. Page 18 & 19

A fourth option would be a management / employee buy out, with the help of a financial investor such as 3i.

Once again the document talks down the value of JTG by saying " there is no substantial restructuring required in Jersey Telecom that is likely to lead to a significant increase in value over time". This implies that an investor is placing his money in a company whose revenue is decreasing (and will continue to do so) and has no hope of increasing his investment!

I hope that you will consider the above and look forward to a successful sale of JTG,

Sincerely,

Phil Sydor