

# STATES OF JERSEY

## Economic Affairs - Telecom Privatisation Sub-Panel

TUESDAY, 19th DECEMBER 2006

**Panel:**

Deputy G.P. Southern of St. Helier (Chairman)

Senator B.E. Shenton

Deputy G.C.L. Baudains of St. Clement

Deputy J.G. Reed of St. Ouen

Deputy J.A. Martin of St. Helier

Mr. D. Parker (Adviser)

**Witnesses:**

Senator T.A. Le Sueur (Minister of Treasury and Resources)

**Deputy G.P. Southern of St. Helier (Chairman):**

If I could, before we start, Terry, just draw your attention to the notice in front of you. It is a formality; we have been here before. You know the terms on which you are appearing before us and you know everybody around the table, I believe, except for possibly our adviser, David Parker from Cranfield University. If you are happy to make a start?

**Senator T.A. Le Sueur (Minister of Treasury and Resources):**

Just give me 30 seconds to get oiled. Right.

**Deputy G.P. Southern:**

Right, so if you want to start us off with the history of how you arrived at coming to this decision, when it was, what research you did about assessing options for Jersey Telecom?

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

I suppose a lot of it is set out in the consultation document that I issued 6 months ago or so now. I do not know if I can point to the date of conception of this, it is one of those things that sort of appears out of the mist of something a bit more concrete. I suppose it is the sort of thing which any Treasury Minister or any President of F and E (Finance and Economics) in the past would have looked at from time to time and quite often put in the 'too difficult to do' box. Either the law was not in a fit state or there was not enough regulatory framework, one reason or another why a disposal of an asset like this was not seriously pursued. I suppose going back a stage why would one want to sell an asset like this? That comes to a more philosophical question of why is the States holding investments? Why does

government hold investments? Why does government need to hold investments? Basically people normally hold investments to get a capital appreciation, get a dividend, and make their investment work for them. Governments are in a slightly different position in that they may also want to hold assets, particularly utilities, in order to protect the public good. I think that has been one of the reasons certainly why Jersey continues to hold the majority of shares in all its public utilities, with the exception of gas, in order to protect the consumer. As time evolves the tension between the investor looking for a return and the need to protect the consumer means that the poor Treasury Minister is being pulled in all directions. I do not see much sympathy around the table, but anyway. So, governments have decided really it would be better if someone else looked after the interests of the consumer and that has evolved through the creation of the regulatory authority and a telecoms law suitable to support that to a state where now, as far as I am concerned, the interest of the consumer are fully protected by a third party. I can go back to my primary role of being an investor. On that basis I am considering the value of disposing of all or part of the shares in Jersey Telecom. I look at that on the grounds of what sort of return would I get on that; how does that compare with what I am getting now; how might this affect the long term future of the Island; would this be a quick buck but have repercussions down the road in terms of the economy and so on? Weighing up all those things and coming to a decision ultimately to recommend to the States either yes we do or no we do not sell. That, I suppose, is encapsulating my thinking in 5 minutes or so if there are areas the Panel wants to pursue in more detail I would be happy to try to do that.

**Deputy G.P. Southern:**

It has been put to us recently that if we wanted to invest we would look carefully at the cost-benefit analysis of making a particular investment. When we want to divest we appear not to. We are just saying: "We are going to divest ourselves of this asset" and there appears to have been no cost benefit analysis done, either in the build up to that decision or since.

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

The decision at the moment is to explore the possibility of selling Jersey Telecom and one which I think this pretty certainly the right one, but that is more at the moment a gut feeling unsupported by sufficient, if you like, hard evidence, which is why we have commissioned advisers to help us on the investment side. We have asked the Economic Adviser to look at the economic impact on the Island and the Minister for Economic Development has commissioned the JCRA (Jersey Competition Regulatory Authority) to look at it from the point of view of the Minister for Economic Development. So I think in the end what we will have is a view which will be guided by the results of the findings of my advisers, the Economic Adviser, the JCRA advising the Economic Minister and I, I suppose in conjunction with my fellow Minister, will come to a view as to whether in fact my initial view was correct.

**Deputy G.P. Southern:**

I am staggered that you failed to mention the scrutiny review that is taking on. You might be guided by us possibly?

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

Possibly, yes.

**Deputy G.P. Southern:**

Right, okay. You mentioned in particular protection of the consumer as one of your roles. You do not mention the strategic assets and strategic elements in there. Can you explore how you see telecoms as a strategic asset long-term for the Island?

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

I see the telecoms infrastructure as being a long-term requirement for the Island and I see the need for that infrastructure to be adequately provided, protected and diversified. I believe that the present operation and the way in which additional competitors have come into the field will ensure that diversification and, through competition that that will generate, the continued investment in new services and updating and keeping in the forefront of the telecom industry, will be in the Island's interests.

**Deputy G.P. Southern:**

Before I hand over to somebody else to carry on, again it has been put to us that the main efficiencies and benefits in a competitive world arrive from regulation and competition and that privatisation per se does nothing in terms of the economic efficiency of the system and provides little benefit in its own right. Is that a view you would agree with?

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

I think that would depend. Privatisation takes many forms. It could just take the form of moving from one passive investor to another or it could be a move from a passive investor to an active investor with existing involvement in the telecoms industry that is able to bring economies of scale, technical expertise and so on, in which case there could be further efficiencies.

**Deputy G.C.L. Baudains of St. Clement:**

Just briefly going back to some comments you were making a few moments earlier, Minister. It has always seemed to me that as an investment owning stock or shares or whatever is usually better than having cash in the bank. Why is Jersey Telecom's situation different? Is it perhaps because they perceive a declining value for Jersey Telecom in the face of competition?

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

Two things there: firstly, I do not think if Jersey Telecom was sold I would keep the proceeds all in cash. That would not be a good use of the investment. I want to diversify and reinvest that cash in other areas. I have forgotten the second part of your question.

**Deputy G.C.L. Baudains:**

Well, is one of your rationales for sale the fact that you believe the Jersey Telecom value will decline as a result of competition?

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

No. I believe that there is a risk. Investment is predominantly about managing the risk, assessing the risk and seeing to what extent you, as an investor, should be covering that risk or should not. I believe that there is a risk, an increasing risk, that in the longer term the value of Jersey Telecom may well decline as a result of competition. On the one hand the competition will, I think, generate greater efficiencies and greater profitability and so on, but it is clear to me that there is a limited market within the Island for telecom services. At the moment the principal incumbent has a large slice of that market, the likelihood is that in even with the best will in the world or with the most efficient organisation in the world, competition will erode that market to some extent. I cannot tell at this stage how much, if any, that erosion will be but there is certainly a risk, an increasing risk, as competition gets stronger that the value of the company is likely to decline rather than rise significantly.

**Deputy G.C.L. Baudains:**

Finally, notwithstanding obviously the ability of the JCRA to regulate the industry as a whole, are you concerned that a sale would not enable Jersey to have control or meaningful input into what is a vital part of our infrastructure given our economy is based on an industry which requires very good telecommunications?

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

If I thought that the JCRA was not in a fit enough state to be able to ensure the continued provision of good quality telephone services to the Island I would be very concerned. I do not believe that is the case so ...

**Deputy G.C.L. Baudains:**

In your thinking have you also taken into account the fact that the JCRA, able as it undoubtedly is, would have some difficulty regulating a multinational company?

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

That is a question you would probably have to ask the JCRA. I believe they are quite capable of regulating a multinational company but in any case it is hypothetical as to whether the new purchaser

would be a multinational company. Certainly I am not ruling out a multinational company as a potential purchaser but I do not think the powers of the JCRA vary according to who the owner of the company is.

**Deputy G.C.L. Baudains:**

Thank you.

**Senator B.E. Shenton:**

I think you would agree that if you are looking purely from a financial viewpoint the maximum value will be achieved through the 100 per cent sale of Jersey Telecom, but there is obviously a strategic element there. In most privatisations, or a lot of privatisations, the government has retained a strategic stake, do you put no value on retaining a strategic stake?

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

There is a value in a strategic stake. I would question that a majority of governments retain that. I would say that the majority of governments have divested themselves completely of their telecoms infrastructure and that Jersey is one of the few places left in the world which still owns, as in the Jersey case, the entire telecoms company.

**Senator B.E. Shenton:**

I think there is one or 2 but I think the majority retain a strategic stake.

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

I would question that. I do not have figures to back it up and maybe you can provide those.

**Deputy G.P. Southern:**

Have you investigated what the situation is worldwide?

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

That is something which my adviser will be doing but the impression I get is that the majority of telecom companies are no longer owned, either wholly or partially, by modern governments.

**Deputy G.P. Southern:**

I think you will find there is a partial stake in most privatisations and that the wholesale divesting of any interest is actually quite rare.

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

Well, we will have to wait and see. As I say, my mind is at the moment sufficiently open that I will be

guided by advisers and if they tell me that I should retain either a majority stake, which I think is unlikely, or a partial stake, which I think is equally doubtful, I will listen to that advice and obviously I will also be interested to understand why other governments around the world in a similar situation might or might not do the same thing.

**Senator B.E. Shenton:**

The other aspect is that the advisers said that the opinions of the management of Jersey Telecom, with regard to the potential acquirer, was not particularly relevant and whether they were in favour or against their job was to get the maximum value. Would you like to comment on that? Will you take the adviser's advice on that and just look for the best value or will you talk to the management of Jersey Telecom?

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

I will talk to the management of Jersey Telecom. As I say, I am getting advice from my advisers but I am also getting advice from the Economic Adviser and I am more than willing to get advice from the management as well. The more advice I get, at the risk of being more confused, the more chance I have of seeing a clearer and fuller picture.

**Senator B.E. Shenton:**

But if the maximum value can be achieved through the sale to an acquirer that the Jersey Telecom board do not favour would you still achieve the maximum value per your mandate?

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

No, I do not think I have a mandate necessarily to achieve maximum value. I have a mandate to look at this in the best interests of the Island. The best interests of the Island might well be served by me selling it for less than the maximum value. Sorry, by the States selling it for less than the maximum value.

**Deputy J.A. Martin of St. Helier:**

Can I just come in there? You said earlier that you are listening to your advisers and then there is the Economic Adviser and JCRA, Scrutiny, and the Auditor General, have you not already got a date set for lodging the sale of Jersey Telecom?

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

I have got a target date which has moved, I think, 3 times so far because the more you delve into this and the more people get involved in looking at it, the longer it takes to come up with a solution. So my target date is now February but if I could bring that target date forward I would be happier.

**Deputy J.A. Martin:**

Well, that is frightening, Terry, because as you say you have got lots of advice, you have already admitted you have got no hard evidence and you want to bring it forward. What we are trying to say -- the bigger economic picture, which you have only got the Economic Adviser to advise you on one part and you want to bring it forward. Would you not agree that Citibank - and I do not know their second terms of reference - is to look into the sell off of Telecoms to get you the maximum money and their second tranche of their payment, what will it be? Who will they sell to? Will it be a percentage of the total sale? We do not know that, and obviously I doubt if you are going to tell me, but I am very wary about people who are being paid on a percentage of sell off money that are advising you and you are listening to them more than any of the other advisers who have got no money involved.

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

I would be even more foolish to appoint advisers and then not listen to them, particularly having paid good money to them. But the fact that I may listen to them does not mean I will take their advice without thinking.

**Deputy J.A. Martin:**

But you are listening to everyone else's advice equally that have not got a financial stake in advising you to sell off Telecoms?

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

At the end of the day I have to-

**Deputy J.A. Martin:**

It is a yes or no answer, Terry.

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

I have to come to a proposal which I will put to the States' Members and the States' Members will decide.

**Deputy J.A. Martin:**

Well, I am asking you if you are listening to everyone else's advice not the States' Members because you are the one bringing the proposition.

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

Yes, I am listening to other people's advice and I will take that advice and weight it appropriately according to the expertise that they have and have demonstrated in previous activities in the telecoms field.

**Deputy J.A. Martin:**

The JCRA, which you say it is best directing questions to them, but you are the one that has got to have the confidence that they are really strong enough to be regulatory if we do go to a multinational telecoms company. Now, they say it is going to take them at least 6 months, and I am presuming it is once we have decided who we are going to sell it to, under the mergers and acquisitions to decide whether or not that is a good strategic move for Jersey. So where is the rush in lodging in February?

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

The JCRA have been commissioned by the Economic Development Minister --

**Deputy J.A. Martin:**

But that is a different report entirely. This is the mergers and acquisitions of once Citibank have advised you who to sell to or what type of sale, not which company, that will be on the table. Then if it is maybe one of the incumbents, one of our competition, obviously that is getting rid of some of our competition, that is when JCRA has to look into the mergers and acquisitions. They tell us it is going to take approximately 6 months.

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

Well, we will have to see. If that is the case I shall be disappointed.

**Deputy J.A. Martin:**

I will not be because I think we need to really be very careful who we do sell to and ask for different opinions also.

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

I agree but whether that will necessarily take 6 months I think will depend on who the purchaser is. That is why I think it is very hypothetical at this stage.

**Deputy J.A. Martin:**

Okay, thanks.

**Deputy G.P. Southern:**

There are 2 questions, I think, there. One, why the rush? It took something like 2½ years for BT (British Telecom) to be privatised when that was first mooted, on the back, incidentally, of an election pledge to go to privatisation. There has been no such thing floating around the Jersey democracy. So why the rush? Why this 3 or 4 months and we would like to sell it as soon as possible? Secondly, how is payment to be made to Citigroup? Obviously, one, to do the initial research about how we might proceed but is there a second half to take that sale through and is the payment a percentage of the take?



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

I will take the second question first. The terms of the contract with Citigroup are confidential and, in any case, I do not think it is relevant.

**Deputy G.P. Southern:**

I do not want the figures. Is it a percentage of the take? I think it is important.

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

Even that I do not think is relevant to this particular discussion. They are advising and I will take their advice and we will just see what they say. As to the first part of your question on timing, I think inevitably having made a decision to look at these things I like to get on with them at a reasonable pace. The idea was first mooted something like 9 months ago. We are going to take over a year between that stage and disposal, if indeed the decision is to dispose. There is no certainty of that at this stage. But assuming that were the case you could still be talking about a 12-month period. That is hardly rushing. Now, in terms of an investment, a normal investor would tend to look at the market on a fairly regular basis and he would not take a year to decide whether or not to buy an investment. I think the same is true in this case as far as selling an investment is concerned. If the value of the company is perceived more likely to decline than to rise or if the risk of declining becomes greater the longer you leave it then it would appear to make sense to decide earlier rather than later.

**Deputy G.P. Southern:**

That assumes that any potential vendor is stupid, because if you can see that the value of the company is going down, do you not think they can see that as well?

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

I said that the risk is greater. The risk for the States as a small private investor is greater, the risk for a different investor may be different. Different people perceive risk in different ways.

**Deputy G.P. Southern:**

Can I return to the question I asked you? In terms of taking through the actual sale and achieving the maximum return, which is one of your aims, are Citigroup being paid on a percentage basis of the actual value realised?

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

That is a question which I am not prepared to answer, certainly not in public session, and I think it is irrelevant to your terms of reference anyway.

**Deputy G.C.L. Baudains:**

Can I come in there because it does trouble me, and obviously we understand that some things are confidential, but my concern is that if a firm is engaged to advise and the basis of its payment depends upon one outcome from that advice then to my mind it is hopelessly conflicted. Can you assure us that Citigroup is not conflicted?

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

Yes, I can and I think we perhaps need to remind ourselves that Citigroup are appointed on a 2-stage basis. Firstly they have to advise me as to the potential viability of a sale and the best way to achieve that. On that advice they are totally independent.

**Deputy G.P. Southern:**

Again, I will just briefly return to that issue because while I accept what you are saying that you are not prepared to talk of it; you feel it is confidential, you are aware that, in fact, as part of the early research I conducted into this decision, there was an early draft of minutes made which said Citigroup can be paid out of the sale and that minute was changed so as not to reflect that the decision was a fait accompli. That was the case, in fact, of the minute. I think you were recorded, Terry, as saying that.

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

Yes, the fact is that in any situation like this the cost of disposal will be offset against any disposal proceeds, assuming there is a disposal. If part or all of Jersey Telecom is sold then the costs of any professional advice would go against that sale. If Jersey Telecom is not sold then we have to find some other way of funding a bill which will, nevertheless, still be there.

**Deputy G.P. Southern:**

Indeed. That takes me to the 4 points in the recent letter that you took out, your 4 principles. You have talked about the long term and strategic assets and protecting the needs of consumers on the Island. Does that not run contrary to your primary aim as Treasury Minister that it must provide for the attainment of the highest possible sale proceeds for the benefit of the people of Jersey? Do you not see that the 4 objectives you outlined are mutually contradicted?

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

There will tensions between the 4 certainly and it is my job to try to strike a fair balance. As I say, I would not necessarily recommend selling to the highest prospective bidder if I thought that that was not so much in the interests of the Island as selling to somebody else or not selling at all.

**Deputy G.P. Southern:**

In your book what would be an unsuitable buyer. What criteria do you put into that equation?

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

At this stage what I wanted to do is to see whether any particular purchaser or maybe any particular type of purchaser would or would not be likely to maintain a good telecoms infrastructure within the Island. Clearly I am interested in ensuring that that infrastructure does continue.

**Deputy J.G. Reed of St. Ouen:**

I would just like to take a step back here and explore perhaps a little bit more about the decision, as you said, that you made to decide to explore the sale of Jersey Telecom and the idea of a cost benefit analysis. You state quite clearly that you wanted to explore the sale. You state that evidence is in the consultation document. Certainly there seems to be a lot of assumptions raised to carry through in that consultation document, but more than that the efforts that have been spent by consultants, and who speak about JCRA and Citigroup, all seem to point to how we sell and not whether we should sell. Now, generally it is known that obviously prior to making to decisions of any disposal you need to consider carefully what you own and what is provided, especially if it could be determined a strategic asset. I suppose the first question is do you believe that Jersey Telecom is a strategic asset and, if not, why not?

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

Jersey Telecom is not a strategic asset. The telecoms infrastructure of the Island is a strategic asset. That telecoms infrastructure can be provided by a variety of providers and so long as that is provided and so long as it is properly regulated then the strategic aims of the Island can be achieved.

**The Deputy of St. Ouen:**

Do you not agree that telecommunications is rather a complex market or provision and it has a rather wide effect on our economy, especially one such as ours which is obviously primarily reliant on the finance industry.

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

Yes. I think we are all well aware of the importance of a good telecommunications industry in the pursuance of the Island's economic interests.

**The Deputy of St. Ouen:**

So what work is being done to consider the effects that the States disposing of Jersey Telecom would have on that industry and our wider economy?

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

I think the States is now merely an investor in one of the providers of telecom services in the Island.

Those telecom services will still be provided, Jersey Telecom will continue to be in existence if and when the States sells its holding in Jersey Telecom, and all that will change is the ownership of the company but the ongoing delivery of services will be maintained.

**The Deputy of St. Ouen:**

Do you not believe, as obviously many other countries have done, that it is essential to ensure stability in the telecommunications network within their governments and within their countries and hence the reason why most countries have maintained a partial ownership of the telecommunications network and business?

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

No, I think there is a need not just for stability, there is a need for stability, development, enhancement and we keep getting very much up to date in the head of the field. That is a function of a telecommunication industry, not one particular player within the industry.

**The Deputy of St. Ouen:**

We are also aware that we are planning on developing and encouraging economic growth on the Island and we are also aware the sort of areas that that might come from. Has the Economic Development Minister raised any concerns over the impact the change of ownership may have on the overall economy of this Island and our ability to compete with other financial jurisdictions?

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

I think the Economic Development Minister is clearly as keen as I am to ensure that there is a good telecommunications infrastructure in the Island. I think he is looking at it from his point of view to satisfy his obligations just as I am looking at it from my point of view to satisfy my obligations and what we have to do is see, when our 2 views are put side by side, to what extent they overlap, to what extent they might diverge.

**The Deputy of St. Ouen:**

May I ask what evidence do you have to support that view?

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

Sorry, to support which view?

**The Deputy of St. Ouen:**

To support the view that divesting ourselves of Jersey Telecom and relinquishing control over the telecommunications network is in the best interests and will serve the medium and long term interests of not only our Island but enable us to compete with other financial jurisdictions.

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

The fact that we have set up a telecommunication infrastructure which involves regulation, which involves competition, does of itself, I think, give that strength and stability which you are looking for.

**The Deputy of St. Ouen:**

But would you not agree that certainly competition and regulation, including JCRA our regulators, are very much in its infancy and are still unproven?

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

No, I think it is fair to say that they are still relatively new but I think what we have seen in terms of the market is the interest of competitors to come into a buoyant market where they see growth for further development. I think that has been good for Jersey Telecom itself, it has been good for the competition, it has been good for the Island infrastructure. It has raised our game and sharpened our pencils.

**Senator B.E. Shenton:**

I am on record that I am in favour of privatisation, be it part or full, providing it is done in a considered manner. I do not have a lot of confidence in the Economic Development Minister and when we were chatting to Citigroup they, like me, found it quite perverse that the regulator was asked to comment on the sale and so much emphasis was put on what they were going to say. Would you like to comment on that because I still find it very strange that you ask the regulator to advise you on the sale of an asset?

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

I have not asked the regulator, the Economic Development Minister has chosen to employ JCRA to do that work, perhaps because they have a head start in knowing the local market and knowing the conditions and would be able to deliver the service more quickly. You would have to ask the Economic Development Minister that.

**Senator B.E. Shenton:**

But you have said that you will listen to what they have to say.

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

Yes, just as I am listening to what you have to say and I will place appropriate weight to his comments just as I place appropriate weight to Citigroup's comments. Ultimately it will be for me to decide how important each of those comments are.

**Deputy G.P. Southern:**

Have you examined the terms of reference that were given to the JCRA?

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

Not in any great detail.

**Deputy G.P. Southern:**

Well, can I point it out to you then? They are asked to advise the Economic Development Minister on the following issues. The structure of JT (Jersey Telecom) that the JCRA believes best serves the States' policy of promoting competition in telecommunications and thereby economic growth as a whole. It builds in an assumption that the 2 go hand in hand. Either selling in its current form or selling -- separating the network wholesale business from perhaps retail, either together or separately, and the economic costs in terms of the regulation from the various ways it might be sold off. The Economic Development Minister seems to be pursuing his own agenda where he wants to effectively promote the sale in part or parts of Jersey Telecom. Do you have any comment on that?

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

I do not think he is promoting his own agenda, he is promoting an agenda which I wanted to look at as well. Part of the work which I have asked Citigroup to do is to examine the rationale for a full sale versus a partial sale. If it were a partial sale, would it be a partial sale on a vertical basis or a horizontal basis, or what other ways might there be? The reality is, and I think we should not forget, that Jersey Telecom is quite a small company and that to try to carve out little bits of a relatively small company you end up with smaller and smaller bits. That tends to become uneconomic. I would not discount it completely but I think it is more likely to be more attractive to sell the whole as a unit.

**Deputy G.P. Southern:**

But he is basing his request on the 2001 OECD (Organisation for Economic Co-operation and Development) recommendation, which I believe recommended back then actual structural separation of companies. That has been overtaken more recently by EU (European Union) guidance which says accounting separation is all that is required so you can clearly see that you are not cross subsidising and not competing improperly. Would you accept that modern thinking is one of accounting separation rather actual structural separation?

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

I do not think you can necessarily say that one has excluded the other. They are both still possible and they are both still possible in conjunction with one and other. I think either accounting separation or any other form of separation adds quite a bit to the cost and you have to say: "Well, does that additional cost justify the additional benefits which it provides to the regulator?" You can carry on and provide more and more information, more and more reports but does it add a lot to your store of knowledge? I think that is a question which the Economic Development Minister would wish to pursue from his point of

view. Clearly there is a need to ensure that regulation is delivered properly and it may well be that regulation is better delivered with more accounting separation or with more controls of whatever nature may be chosen. That is where there may well be a tension between what might be most efficient from a regulatory point of view and what might be most efficient from an investment point of view.

**Deputy G.P. Southern:**

What about what might be most efficient from a telecoms market point of view? Because what is remarkably missing from the Economic Development Minister's brief and the request — it is solely concerned whether it best serves with the policy of promoting competition. That is the only criteria he is looking at. Who, in your view, is looking at the wider interests? If we talk about - if I can remember them - the 4 groups of people who have interest in what happens in the telecoms market, the customer, the shareholder, the employee and the taxpayer. Those 4. Who is assessing the broad impact of possible sale on those 4 interests?

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

Me for one and the States Economic Adviser for the other. We have commissioned the Economic Adviser to look at the economic impact. He ought be able to take a wider objective view of what is best for the Island and best for the overall telecom infrastructure. But I will also be looking at that myself.

**Deputy G.P. Southern:**

However, your starting point seems to be that of a Treasury Minister maximising your return.

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

That seems to be your starting point. My starting point is to get a good return which will also maximise the interest of the Island.

**Deputy G.P. Southern:**

My starting point, Terry, is to thoroughly investigate the consequences of the variety of scenarios that are in front of us.

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

Okay. I am just trying to make the point that it is not the highest bidder at any price.

**Deputy G.C.L. Baudains:**

Talking about highest bidders, Minister, it has been reported that you may see Cable and Wireless as a potential purchaser. Is that a correct assessment of your views? What are your thoughts on that? Surely such a purchase would reduce competition by merging 2 leading players.

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

I believe that there will be a significant number of potential investors of whom Cable and Wireless are likely to be one of them. I would be surprised if they did not show interest. If they did it would make life more difficult for the regulator in terms of competition and that is something which might delay the process and might bring in additional conditions on the sale, which conversely might reduce the value of their prospective offer and it would be an innovative process. I do not believe, by any means Cable and Wireless are the only runners or even the frontrunners. I would be surprised if I did not see a variety of interested parties.

**Deputy G.C.L. Baudains:**

What I was really trying to explore was your views on whether it would be desirable or not for Cable and Wireless to be considered as a purchaser?

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

From my objectives as an investor, I would not rule out Cable and Wireless as a purchaser. I can see it from the Island's point of view there might be a perception that we would be going back towards more of a monopoly situation and that is something, no doubt, the Economic Adviser and the regulator would have views on and I would listen to those views.

**Deputy G.C.L. Baudains:**

You are talking about sales and obviously not referring now to Cable and Wireless, but if there was a share flotation or sale to a private equity group, how would you protect against the sale or take over to another party, and perhaps one considered undesirable, in the future? Because my understanding is that the JCRA can regulate on matters of competition and the Economic Adviser can give directions on economic issues but this may fall between the 2. Jersey could end up having its infrastructure owned by somebody that it is not at all comfortable with.

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

No, I think there are sufficient regulatory controls in place to ensure that Jersey's infrastructure is protected and that all incumbents in the telecoms market on the Island have adequate access to that infrastructure.

**Deputy J.A. Martin:**

You will remind us how the JCRA are getting on with JT and sharing the numbers with Cable and Wireless? They are regulating that.

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

They are regulating that and that is part of their activities --



**Deputy J.A. Martin:**

They have had no success so far and I may be being a bit flippant there, Terry, but my question is even JCRA, when we interviewed them the last time, accepted with 90,000 maximum people on the Island and we have business -- they accept in their transcript, basically the words are: "We have to wait and see how the market plays out but we will end up with one consolidated telecommunication company in Jersey", whether it be Cable and Wireless or Airtel or whether it be some other one. At the end of the day we need to know that our regulator -- and the Economic Development Minister has said that it has to go to court if they are not doing something they should be doing under regulations. We have to know that there is enough money in the coffers to go and take on the multi million pound telecom provider who may not be doing their job for different reasons. They may hit easy cash on the Island, it is not strategic, we are just something they want to make money out of. How can we be sure, and how much money have we got behind the regulator in Jersey to make sure, in 3 or 4 years down the line, even less if you look at some telecommunications around that have been taken over by someone who the government agreed, 2 years, even a year later, they have a hostile takeover that people do not want. All they are doing is maximising a money return to the shareholder, they have not invested in infrastructure and they certainly have not invested in research in the telecommunications market, which is in such a transitional period at the moment. We have to be very careful and I, for one, do not have the full confidence that you have, or hopefully have, in our Regulator. That is my opinion but I think if we read their transcript, where is the evidence? What have they done so far? Who are they regulating?

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

I think that is almost a scenario of despair.

**Deputy J.A. Martin:**

Well, I think we need to consider everything.

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

I do not think it is likely that an investor, while in Jersey Telecom, would do that on an asset-stripping basis.

**Deputy J.A. Martin:**

Why?

**Deputy G.P. Southern:**

Sorry, I missed that.

**Deputy J.A. Martin:**

An asset-stripping basis. Why do you not believe that?

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

Because I do not believe that the value of the assets stripped out would be as great as the value of the company in its sale form. So I do not think they would make any money out of it. I think that scenario is implausible. I think an investor will buy Jersey Telecom because they see it as a thriving company for the future.

**Deputy G.P. Southern:**

Yet you do not?

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

And yet, because of --

**Deputy G.P. Southern:**

You are suggesting that competition will render it less --

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

I am suggesting that other investors with more money, more expertise and more resources will be in a better position to ensure the future of Jersey Telecom than the States can.

**Deputy G.P. Southern:**

That is a political viewpoint or is an economic viewpoint? What are we basing our decision on?

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

I think that is probably an economic viewpoint and, if you like, a practical viewpoint. The telecoms market is fast moving, fast changing and requires a considerable level of investment. I see no reason to believe -- that level of investment is going to increase for the future and be more frequent as well. There has to be the questions asked to what extent is Jersey in a position to justify those sort of levels of investment? Yes, maybe I could do that by increasingly gearing up the company and let it borrow more and more. Is that the sort of investment philosophy which Jersey would want to go into on a risk adverse strategy or is that something better done by a commercial entity rather than the Government? To that extent it is a philosophical question but the real nuts and bolts behind it is that the telecoms industry is capital intensive.

**Deputy G.P. Southern:**

Can I just pose a worst-case scenario? That we end up some way down the line swapping a States owned near monopoly for a private near monopoly with maybe one investor with a minor share in the

market. That provider is run from Seattle, from London, from Hong Kong and the priority for that world, global sized corporation is not Jersey and the decisions are made in Hong Kong to the benefit of Hong Kong because that is the priority, for the moment, of that global operator. Jersey has a say but it is a little voice in a corner trying to compete for an investment. "Hang on, we need to invest in Jersey." The priority in the global operator is Hong Kong. That is where we are investing. What protection can we, through the JCRA, through -- who? How do we build in a protection for our strategic asset, vital to our financial sector, to make sure that this global corporate serves the needs of little Jersey? How do we do that?

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

Because I think if that global corporate is so blinkered that it does not invest in its subsidiary in Jersey, if it does not invest in the ongoing development, then other competitors will come in and take over that share of the market which that global party is neglecting. So I think to the extent that they chose to neglect their investment, it will be at their cost.

**Deputy J.A. Martin:**

No, it will be at our cost, Terry.

**Deputy G.P. Southern:**

Our cost.

**Deputy J.A. Martin:**

It only needs, in the telecommunication market and I do not understand it fully, but it is moving so fast and if, for 6 months or a year, we have an owner who does not invest and does not keep our finance industry up with London, Switzerland, wherever, that we cannot get to them as quickly in shares and deals that are all done all over the telecommunications and different things that are coming in, investing in new infrastructure, we are finished. It is really concerning. If someone new is going to come in and it has still got to take a year to get up to speed, people have left already, they have gone to where they can get that communication. We have heard this through hedge funds. If they cannot get the telecommunications that they need over here they are off and it has got to be fast and it has got to be up to date and it has got to be modern. I think it is very naïve. We are that small, we are not even in the global market, I know we would like to think we are but when talking global and telecoms, if they have got to answer to their shareholder only, they could asset strip and we could be the third, fourth or fifth down the line. It is no good to us and it is certainly no good our finance industry. That is your biggest concern.

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

That might be a concern if there was no evidence of interest in competition in the market locally. We

have seen, as you say, in this small market that international players like Cable and Wireless and Bharti Telecom are prepared to invest in what may be a relatively small market for them. Why are they doing that? Because they see a buoyant thriving market which will grow and which will enable them to get a good return on their investment. You are suggesting that that is somehow going to change in future.

**Deputy J.A. Martin:**

I am not suggesting it, the JCRA in the transcript says they doubt -- we have not got room for 3 major players in Jersey and it will come out. It is the way it has happened all over the place. So, yes, whoever comes in and whoever buys it, it could be Cable and Wireless, there will not be much room left for competition. The other ones have not really arrived yet, have they? They are having a bit of a problem with Planning at the moment. They even say we could end up with one player, multinational, and we need to know that we can operate like that.

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

We can.

**Deputy J.A. Martin:**

Well, how much money have we got behind us and how much money have we got to take someone to court, a global player, if they are not providing the strategy things in the law under Article 7, to make sure that our infrastructure is there. How much money are we going to put behind it? How long is a piece of string?

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

Firstly, I think these are all hypothetical questions but they --

**Deputy J.A. Martin:**

But I think they need to be answered. I think they need to be thought about. I am sorry, Minister, but I really think they need to be thought about.

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

They assume you will solve the problem by litigation. That is not necessarily the only solution to the problem.

**Deputy J.A. Martin:**

What is the other solution then?

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

Find an alternative provider or come back into the market yourself.

**Deputy G.C.L. Baudains:**

Can I come in here, Chairman? The one thing that does concern me is the fact that we could end up, in fact most likely will end up with one major provider and it will not be Jersey Telecom having sold it and the remaining competition will be quite small. Now, what I am trying to understand by your views, which would seem to me to be that if the new incumbent, no longer Jersey Telecom but whoever owns it, is not providing the service that we require or investing properly in the Island then the competition will chase him up. But if that competition is only of a minor nature it could take some considerable time for that competition to gather speed to become effective. What happens in the meantime?

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

I do not see that the present incumbents are small and not up to speed. I think the evidence we have is that people that are interested in investing in the Island have a high level of expertise and a high level of resource and a high level of interest.

**Deputy G.C.L. Baudains:**

But you cannot build infrastructure overnight, you cannot lay a new fibre optic cable because the competition owns theirs and you have only got one but you need 3. You cannot do that sort of thing. It takes months, maybe a couple of years. The finance industry, as I understand it, waits for about 24 hours not 24 months. That is my concern.

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

It is a concern but I do not think it is a real concern when the Regulator even now has the power to regulate and control the infrastructure and access to it.

**Deputy G.C.L. Baudains:**

But would you not agree that the Regulator is quite limited because if it wanted to take on a multinational company, and this subject has been broached previously, and was not happy with what a multinational company was doing, issued instructions that were ignored or not fully complied with ultimately it will end up in court. We did not exactly shine over the Les Pas deal, what would we do taking on a multinational company in court? The point is it could cost a fortune. Would we have the stomach to spend that type of money? Secondly, what about the delay because court cases are not normally resolved inside a week?

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

There seems to be, as I say, this fixation that one would deal with it through litigation. It may well be that competition would deal with it far more effectively. If I could perhaps turn that on its head for a moment, in Guernsey Cable and Wireless were the incumbent and Wave Telecom came in as the little

predator, nowhere near the capitalisation of Cable and Wireless but delivering a service, delivering a product that was what the market wanted and it is taking a fair share and providing good competition. So, the same would presumably apply in reverse. Whether it was those particular incumbents or any other company. All I am trying to say is the competition actually works in this respect and it works if the market is buoyant and if those companies have a desire to be in that market.

**Deputy G.C.L. Baudains:**

Surely the theory relies upon the fact that the competition that will exist in the future would be able to take up the slack of any lack of investment or performance by a major operator, assuming that we end up with one major operator and with one, maybe 2, smaller competitors with them. Is it not unreasonable to expect a small operator to be able to build large infrastructure in a short period of time, which is basically the crux of my concern?

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

This is unsubstantiated, just a gut feeling, but I suspect you are going to see greater emphasis on larger companies and less on small companies on a worldwide basis because of the nature of the market. There will be niche players in certain areas but in terms of providing a basic telecom network I think that will increasingly be done by large, well capitalised global players.

**Deputy G.C.L. Baudains:**

Yes, but nevertheless they will not have the infrastructure. We have already seen with the plethora of masts going up that it is either not easy or unacceptable to the companies to be sharing each other's masts. So, as I said before, Jersey Telecom has several undersea cables, Cable and Wireless I believe are about to put in a cable, the infrastructure required in order to take up the slack from another company you will not be able to take over the infrastructure that the existing company has. You would have to create your own. I simply cannot see it being done in time. So that takes me back to the situation I am concerned about, the ability - not the intention but the ability - of the JCRA to regulate a major player. At the present time the major player is Jersey Telecom and if the Regulator cannot regulate it at least we have some ability to achieve what the Island needs. When that company is owned by somebody else with a lot of clout I believe our tools for dealing with it will be fairly ineffective.

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

That is a point of view and I do not believe that the JCRA are unable to regulate Jersey Telecom or Cable and Wireless or anybody else. I think they do it in a way in which tries to ensure what I might call a relatively light touch, although whether the companies themselves would consider that, I do not know.

**Deputy G.P. Southern:**

It is interesting to hear you talk about the success of Jersey Telecom as currently constituted, State-owned and yet very nimble on its feet and competing effectively in Guernsey, and yet you seem absolutely obsessed with the fact that it should not be State-owned. Jersey Telecom is competing and competing quite successfully. It certainly has an infrastructure and a telecoms service that is excellent. Would you not agree?

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

Yes.

**Deputy G.P. Southern:**

What about the idea of some sort of partnership arrangement with one of the large operators? Is that - without necessarily a significant sell-off of our share - a possible way forward?

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

It is a possible way forward and certainly one which I have not discounted totally but I think it is perhaps less likely. I think, again, it is really balancing what sort of stake they might like and depends on what sort of degree of interest they would show this operation. If you have that sort of situation where a third party comes in like that to support Jersey Telecom it will often be on the presumption that in the fullness of time they would acquire the balance of the company as well. We are talking here about possibilities which at this stage have not been firmed up.

**Deputy G.P. Southern:**

Could I return this back then to your absolute confidence in the robustness of the regulatory system we have got in place. One thing is that we are, again, a small jurisdiction. We are talking about, perhaps, some 8 staff who are doing the regulating and they are regulating a wide range of things. If we look at what they are involved in at the moment we are talking about they are investigating block exemptions on competition law, acquisition of de Gruchy, ongoing JT disputes, we have mentioned the mobile charges; 21-day advance advertising, Jersey protection marketing acquisitions, shipping and port services, out of hours medical and GP (General Practitioner) services, they are investigating BA (British Airways) - Flybe acquisition and they are examining efficiencies at postal. It is quite a lot to be taking on. Is there not a case for instituting a separate regulator specifically for Jersey Telecom? For example, if one examines other small jurisdictions, Jamaica comes to mind, we are talking about something like 28-30 staff there. We are dealing with 8 and a terrible workload. It has come to our notice that often reports that they produce are woefully late. There is obviously a load on them. Is there a case for better or more specific separate regulation, would you feel?

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

There is a case. I do not know if it is a very strong case because it seems that there is a steady and

ongoing workload that the telecom industry in the Island will need to be permanently regulated on an ongoing basis at a constant level. I would have thought that a regulatory authority regulating all aspects of Island infrastructure would be more flexible and able to devote resources into areas where needed. Whether that was in the JCRA or as an 'OFTEL' or something like that you can have as much regulation as you like and that simply adds to the cost, adds to the bottom line of those businesses, and you have to say: "Well, to what extent is that additional cost, which ultimately gets passed to the consumer, to what extent is that offset by the benefits which those consumers receive as a result of that?" It comes down to the philosophical question about the degree of regulation you want to get into, and that is an issue which is not unique to the sale or otherwise of Jersey Telecom. "Is regulation a good thing? Discuss." It might be a nice academic paper but to what extent are we going to get involved in that level of philosophical discussion? I want a regulatory authority which is able to ensure that there is a good telecommunications infrastructure now and in the future.

**Deputy G.P. Southern:**

It seems to me, yes, I can see where you are going. It took the best part of 20 years before the regulator was able in the UK to say to BT it looks like we have got a reasonable market there, it is working by itself, we will take the need for heavy regulation off you - 20 years. So I do not expect the demise of the regulator and the need for regulation in the short term by any means. Would you like to come in, James?

**The Deputy of St. Ouen:**

Just taking you on to your decision with regard to the sale of Jersey Telecom, you seem to cite the belief that net receipts from a sale could be invested in considerably more than where it is currently -- could be that the future income invested from Jersey Telecom.

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

Sorry. I am not suggesting that I could invest the sale proceeds of Jersey Telecom to get a higher yield than Jersey Telecom currently generates. That may be the case but high yields tend to come at the expense of high risks.

**Deputy G.C.L. Baudains:**

What is the point of selling Jersey Telecom then?

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

Because you look at the investment profile with your investment strategy and say: "Do I want to be involved in this sort of investment or should I be diversifying into something which has got a lower global risk even if in so doing I get a lower annual return?"



**The Deputy of St. Ouen:**

Is it not the case that if government is, if you like, well placed and required, perhaps, to take risks in the knowledge that obviously it is for the broader benefit, whether it be the consumers or the Island's prosperity, and as such one could quite properly argue that maintaining an investment such as Jersey Telecom is quite prudent?

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

Retaining investment in Jersey Telecom might be prudent if one were looking at it purely on a short-term income-generating point of view. I think from a strategic point of view should States' assets necessarily be invested in, for example, on Island-based companies given that if your strategic investment is there to protect you against a shock to the Island's economy then presumably any investment which is a company with an Island base for his activities is going to be seriously detrimentally affected in the event of that downturn; and that is not limited to Jersey Telecom.

**The Deputy of St. Ouen:**

I would like to explore that view because you said that it is important to sell Jersey Telecom because if there was an economic recession the States' assets would suffer a downturn, as you have just stated. I would like you to expand on your view on why would the sale of Jersey Telecom avoid that outcome as surely economic recessions are usually international and would be reflected in the value, for argument's sake, of the Strategic Reserve? But can you just explain why, in particular, selling Jersey Telecom, converting it to cash, replacing it in a strategic reserve would give us some protection?

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

Because a strategic reserve is there against unforeseen catastrophes, not against downturns in the global economic cycle. The sort of things you would be thinking of would be, I suppose in extremis, tidal waves, accidents at Cape La Hague, the disappearance of the finance industry, things which could be far more localised to Jersey than global, and in that situation an investment strategy which has your investments on a global basis would give you some measure of protection.

**The Deputy of St. Ouen:**

Would you not agree that we talk about economic recessions, economic downturns, the Island has experienced relatively recently economic downturn, recession, but it has been international/global and are we not misleading ourselves in believing that we are able, as a smaller island, to have any major influence on that economic aspect?

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

I am not naïve enough to believe that Jersey could immunise itself from global economic downturn any more than widen the benefit of global economic growth. Jersey has no power in that respect. What

Jersey can do is try to insulate itself against shocks of a more localised nature, and that is what I was trying to explain in terms of its policy for strategic reserve. It is to guard against a localised catastrophe, not a worldwide catastrophe.

**The Deputy of St. Ouen:**

It seems as though, just putting that through the train of thought though, that on the one hand you are saying that the Government, the States, should not retain ownership of Jersey Telecom and in a letter you speak of the fact that ownership on the Island of a large company, of an Island company on the scale of Jersey Telecom, in investment terms, are relatively high risk and it is better to dispose of it. Yet, on the other hand, we, in fairness, have other companies probably of a similar value in private ownership and equally encouraging investment within and on our Island and in our Island economy. I mean, what messages are we giving here? We are saying on the one hand: “Sorry, no this is a bit dodgy for us. We have introduced competition and now we are worried about the effects.” Yet, on the other hand, we are telling private investors: “Come to our Island, we have got a strong economy, we want you to invest.”

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

I think there may be some misunderstanding here. The reason for disposing, or thinking of disposing, of Jersey Telecom is not because of competition, it is because of the strategic nature of the company. The same argument could be applied, although I hate to set hares running at this stage because there is no intention to do so, but you could make the same comment about other utilities in which there is no competition. Although it is not my intention at this stage to look at disposing of any of those because there is not the right regulatory framework, the same strategic reason applies that you are talking about investments on an Island-based company which is going to be vulnerable in the event of a localised catastrophe to the Island. So it is for those reasons that you want to have a strategic investment portfolio which is diversified and global. Turning to the other half of your question; why would multinational companies want to invest in Jersey? The answer is they probably will not want to invest the whole of their investment portfolio in Jersey, they would invest a proportion in Jersey which is commensurate with the risks and the prospects which they think that Jersey will provide. Jersey is providing a thriving economy with good economic prospects and that is probably going to encourage them to invest. But they will have that facility and ability to move the geographical shape of their portfolio as economic situations may change relative to one country or another around the world. That would be the same of any investment fund, that you will tend to invest where you see good prospects.

**Deputy G.C.L. Baudains:**

I have to say I am getting more concerned as things go along. I keep hearing about this localised catastrophe, I hope I can deal with it and survive it. But seriously, what does concern me is clearly the main user of Jersey’s telecommunications infrastructure is the finance industry and if it is that we are concerned about the future viability of our present incumbent, which presumably can only be the major

reason for selling it, surely that implies a concern for the future of our finance industry; is that the possible catastrophe that you are referring to, Minister?

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

No, I am not. Firstly, I am not trying to predict any future catastrophes. The trouble is with catastrophes you generally cannot predict them. I am certainly not suggesting an imminent collapse of the finance industry. I am saying that as an investor, investing the Strategic Reserve, I have the obligation to look at potential risks. Now risks of a tidal wave washing Jersey away are probably 7 million to one, but if that were to occur you would want to have an investment policy - if you are still alive - which would be able to cope with the aftermath of those sorts of activities. You would not want to have a good investment portfolio entirely composed of shops which were no longer in existence in Jersey. I may be being slightly facetious there but I am saying that this is a question of balancing out unusual and extreme risks. Saying: "What is the purpose of strategic reserve?" It is there to guard against extreme risks; it is not there to guard against any ups and downs of the economy.

**Deputy G.C.L. Baudains:**

Then presumably that would also apply to all the other utilities?

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

It would. But at the present stage, as I say, I am not contemplating a sale of those for various reasons.

**Senator B.E. Shenton:**

At a political level I was disappointed that this privatisation was not announced as a cornerstone part of the Strategic Plan; that it seemed to be slipped in afterwards. Why was it not announced as part of the Strategic Plan?

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

It is in the Strategic Plan. The Strategic Plan puts an obligation on me to review the ownership of all State's utilities and potential for continuing to hold them.

**Senator B.E. Shenton:**

But I think at the time of the Strategic Plan you knew what road you were going to go down. I think you just held back from the announcement in the Strategic Plan debate.

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

Certainly at the time of the Strategic Plan debate there was no specific mention of Jersey Telecom as, if you like, the leading light in that respect. So I was not in a position to make an informed statement at that stage and simply to run a rumour around "Telecom looks a possibility" might simply have set hares

running. I think in issuing a proper consultation document at the appropriate time we did it in a far more responsible way.

**Senator B.E. Shenton:**

But you did that shortly after the Strategic Plan and you put quite a short timeframe on it, which could have given the impression that it was becoming almost like a panic measure.

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

It certainly is not a panic measure. I think timescales are peculiar. I mean the Strategic Plan first saw the light of day in January this year but it was not debated until June or July. But things move on and things move in parallel directions or slightly -- maybe not parallel but in different directions at different speeds. Once I was in a position to indicate a potential way ahead for Telecom I issued the consultation document to that effect.

**Senator B.E. Shenton:**

The Council of Ministers are unanimous that it should be sold?

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

The Council of Ministers are unanimous that we need to get proper advice. They are unanimous in the desire to sell subject to favourable advice being received.

**Deputy J.A. Martin:**

On the advice, I forgot to mention someone earlier. We have got all these reports. Could you tell me whether the board of Jersey Telecom's views will be taken on board on the type of sale or even who it is going to be sold to, as I would say they would probably -- the people in the company would be the experts on the Island?

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

The board of Telecom fully appreciate and support my reasons for wanting to sell Jersey Telecom. They will express a view on a better way or the best form of purchaser, and they will do that clearly with a view to what they believe is in the best interests of the company. I believe that I have to ensure that what is in the best interests of the company also matches what is in the best interests of the Island.

**Deputy J.A. Martin:**

So will their view be taken into consideration?

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

Yes.

**Deputy G.P. Southern:**

We can build in a certain amount of protection through the JCRA currently. Where do you see them sitting in the bidding process? At what stage would JCRA be involved in the winnowing down to a suitable purchaser?

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

That is a matter of process which -- we have not got to that stage yet. But I would, just off the cuff, suggest that the involvement of JCRA will depend considerably on what form of disposal exactly is finally decided upon. If the form of disposal was an accelerated IPO (Initial Public Offering) then it may well be that the views of the JCRA would be relatively easily acquired and their comments might not take a great deal of time. Equally if the decision was merely to sell 10 per cent of Jersey Telecom then the JCRA's involvement again might be relatively small. Without knowing the precise nature of the disposal arrangements it is hard to comment on how long the JCRA might take or any degree of involvement they might or might not want.

**Deputy G.P. Southern:**

Let us suppose then that you do decide to sell off the whole company and you use a trade sale, as you recommended; that is the way to maximise the return we are told. In that case, it might well be that the highest bidder is, for example, Cable and Wireless.

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

Yes.

**Deputy G.P. Southern:**

They would be rather miffed if JCRA came along, I think, and said: "Ah, but you cannot purchase it because effectively that is a reduction in competition." They must be involved before that otherwise you will have a legitimate expectation on behalf of, say, Cable and Wireless or Bharti, that they are in a fair contest when they are not.

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

I think there are 2 answers to that one. Firstly, yes, there needs to be dialogue between potential purchasers and the JCRA at an early stage once those potential purchasers have been identified. We have not at this stage because we are not that far down the process, it could be we are talking about 3 parties, we could be talking about 15 parties. Whoever were in the frame would no doubt want to talk to JCRA. I would also imagine if their lawyers are competent that they will have clauses in there to say that this bid is conditional on certain terms within the regulator's comments or so on. The purchasers of these sort of companies are not naïve and they employ highly respected professionals to advise them on

how to make sure that they do not dig themselves into a hole they cannot get out of. So I am sure there is going to be an ongoing process in that respect and that no respective purchaser is going to say: "Oh, if only I had known that we would not have gone that way." They are canny enough to meet that one before it starts.

**Deputy G.P. Southern:**

Can I take you to another scenario? Again, I am not saying this per se but I think we have to consider all sorts of scenarios. While we might have some control over who purchases as the first purchaser, once we have got a privatised telecoms company in the Island it can always be taken over or sold on in future. For example, recently Macquarie Bank from Australia bought out Thames Water; nothing to do with a utility company, and Macquarie is a renowned asset stripper. Short term investment, boom, strip it out and on your way. Not concerned with supply of water to London residents at all in a sense of keeping that going. What is to prevent any asset stripper some way down the line, 2 years, 5 years down the line, coming along and just picking up Jersey Telecom? Is there anything to stop it?

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

I think the longer you go down the line, no, the less control you can have over it. In the short term you can impose contractual arrangements and controls and clearly the extent to which those restrictions are built into the contract will have some effect on the potential sale price. To restrict a purchaser to say: "And in purchasing Jersey Telecom you undertake not to restructure or change it whatsoever for the next 50 years" I suspect you will get a level of interest relatively small.

**Deputy G.P. Southern:**

Approximately nil.

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

Approximately nil. But equally you may want, and I possibly will want to build in certain contractual constraints which may well diminish the share price.

**Deputy G.P. Southern:**

I want to move on to the main asset of Jersey Telecom, which is its staff, I believe, shortly but I think Gerard is twitching.

**Deputy G.C.L. Baudains:**

Just building on what the Chairman was asking there; in order to avoid possible future problems how seriously are you considering the possibility of including a special share which might enable the Government to veto possible future changes in ownership?

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

I think golden shares were a tool of the 19th and 20th centuries. I see them as being pretty tarnished these days. Golden shares are on their way out.

**Deputy G.C.L. Baudains:**

It does not make them any less appropriate a tool.

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

Even if they were not on their way out what they would do is diminish the value of the company considerably. Any purchaser expects to have some degree of authority or control over the company. If your golden share denies him that he pitches his price accordingly. What does a golden share achieve for us that we cannot achieve by other means? The answer is probably very little. So, no, I would not --

**Deputy G.C.L. Baudains:**

Obviously it would affect the sale price but on the other hand surely it is a question of compromise as to how we achieve what is best for Jersey?

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

If I thought what was in Jersey's interest was best achieved by retaining a golden share then I would be recommending it. I suspect it is unlikely that I will go down that particular route.

**Deputy G.P. Southern:**

You are quoted in 2 places here as offering guarantees to the employees' terms and conditions, including pensions. I believe I quote the 2 sets of words you have said, once at a public meeting and once in the States: "I believe that we can bring into that contract for the sale sufficient safeguards at a sufficient level equally as good as would be under TUPE (Transfer of Undertakings (Protection of Employment)). If I cannot do that I will not bring the proposition." Then elsewhere, at a scrutiny meeting I think: "I am willing to guarantee that I will not bring the proposal to the States to sell Jersey Telecom unless employment benefits at the current level are protected." Those statements were made some time ago. Can you tell us what progress you have made towards ensuring any of these guarantees?

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

The progress I have made is to indicate to my advisers in their terms of reference that I would expect the potential contract of sale to honour those sorts of commitments to the extent that they are necessary, and that they are fully aware then of my commitment which exists at the present time. I wanted to ensure, and I believe that we can ensure, that the contract provides the same level of security as the staff currently have.

**Senator B.E. Shenton:**

Would that include redundancy conditions?

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

That would include redundancy conditions. I mean the redundancy conditions exist now, I believe, as part of the Jersey Telecom employer's contract of employment.

**Senator B.E. Shenton:**

There would be no change?

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

There is no change. We are talking about a share sale but the contract remains unchanged.

**Deputy G.P. Southern:**

My understanding is that given it is a share sale and not a transfer of undertakings technically as such, that TUPE is not relevant to this particular sale - TUPE as constituted in the UK.

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

No, and it would not be in the UK either.

**Deputy G.P. Southern:**

Have you taken legal advice as to how you can ensure any guarantees that you give to contracts or in pension terms?

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

Yes. As I was saying, we had instructed Citigroup's legal advisers, who are part of the team, who are aware of this obligation and we will ensure that it is built into the contractual arrangements to the extent it is necessary.

**Deputy G.P. Southern:**

Have you taken advice from the Attorney General at all over the Jersey contract law?

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

At this stage the answer is no. I think this is a commercial contractual activity. My requirement, I think here, will be to satisfy the needs of the employees. It would probably more in terms of negotiations between my advisers and Amicus, the union representing the employers, to ensure that those parties are content with the wording of the contract and understand the wording of the contract. I can certainly get advice from the Attorney General on the interpretation of the law.



**Deputy G.P. Southern:**

But it seems to me that the contract of sale is between you, as Treasury Minister for the States, and the new purchaser.

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

Yes.

**Deputy G.P. Southern:**

Enforcement of that contract, somewhere down the line, should the purchaser wish to vary the terms of that contract, is down not necessarily to the union or to Amicus but to you to because of privacy of contract; that it is down to the Treasury Minister.

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

Yes. Granted, and once I get to the stage of having a draft contract of sale then I would no doubt, want to obtain the advice of the Attorney General as to what things he may well have on that contract and its future. At this stage, until that contract is drafted, I see no point in involving the Attorney General on broad questions.

**Senator B.E. Shenton:**

If we went down the Ozouf route of selling off parts of the company then it would become much more relevant, wouldn't it? Because you are not selling off the shareholding?

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

Yes.

**Deputy G.P. Southern:**

That would be a transfer of undertaking.

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

Yes.

**Deputy G.P. Southern:**

Can I return to that again? You have said that you will not bring it to the States unless you can guarantee terms and conditions and yet you are saying you will not ask the advice of the Attorney General over privity of contract under which the people who are concerned, who have the right to enforce a contract, are only the people who signed that contract. So it is you as Treasury Minister, as the States, and it is the purchaser and no one else is going to deal with that because of privity of contract.

Yet you are saying you will not examine whether that is a problem until you are at the point of signing a contract. That seems to me you are saying: "We will go ahead anyway."

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

Oh no, I think contracts can be quite long in legislation and having got heads of agreement that will no doubt be the time in which I will discuss that with the Attorney General. All I am saying is it would be premature at this stage to go into those sort of things. Insofar as privacy of contract is concerned, that is an issue which we need to discuss once we are clearer of the way ahead. If, to take Senator Shenton's point, we went for a partial sale or sale of assets we might be talking about a totally different animal and I see no point in obtaining legal advice on things of that nature until I am clear on the way forward that I expect to go.

**Deputy G.P. Southern:**

That may well take some time. Perhaps you might like to know that I have asked a series of questions over contracts and the enforceability of that situation and the answer I have received from the Attorney General - I do not think I give away anything here - says: "I think it would be better if the Scrutiny Panel took external advice here. The subject is a big one and will engage a good deal of work. I am not sure we are resourced to assist with it at the present time." So we are talking about a substantial level of work to examine some of the questions around contract law and the guarantees that you say you can provide to employees.

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

And we are doing a similar level of work with lawyers employed both locally and internationally.

**Deputy G.P. Southern:**

Nonetheless, I would put to you that your statement: "Unless I can guarantee employment benefits at a current level are protected" -- you said you will not bring it to the States, it seems to me you do not know whether you are doing that and you are going to bring it to the States anyway and examine the solidity of the guarantee you gave afterwards.

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

My instructions to my legal advisers are to ensure that any potential contract of sale does provide the undertaking that the employees will continue to receive the same level of protection as they currently have.

**Deputy G.P. Southern:**

Do you accept that, of course, you cannot bind the hands of the next Treasury and Resources Minister or the next States at all in any way?

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

The contract of sale is an ongoing contract of sale. A contract does not become void because of the death or a change in Treasury Minister.

**Deputy G.P. Southern:**

But your promise to guarantee terms and conditions can only be held by you. It cannot bind the next Treasury and Resources Minister to do so.

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

I would expect the undertakings that you are talking about to be contained within the contract of sale, not by way of any letter of undertaking from me. I do not think that that would be probably sufficient to satisfy you.

**Deputy G.P. Southern:**

A purchaser can, at any stage, return to the court and say: "Circumstances have changed, finances have changed, the economic situation has changed. I wish to vary the terms of my contract" and, of course, the person involved in that would not necessarily be the employees but it would be the Treasury and Resources Minister as representative of the States who would be required to insist and negotiate on their behalf.

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

I think, again, we are talking in hypothesis here.

**Deputy G.P. Southern:**

You have given the guarantees.

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

Yes. I think if having put that undertaking in the contract a purchaser came back to the court 3 months later and said: "Oh, we think the economic situation has changed, we want our money back or we want to do a change" the court will tend to use the principle of *caveat emptor*, let the purchaser beware. If in 5 years time the economic situation has changed the court may well take a different view, but I would have thought in the short term the court will expect both parties to honour the contract in the form that was cited. As time goes on I suppose it is possible it might come back to the court for variations and there is no guarantee that the court will not entertain it, so I do not think we are pursuing a very meaningful line of argument here.

**Deputy G.P. Southern:**

Even TUPE regulations contain those sorts of exemptions for the purchaser to come back, or the contractor to come back and say: “Change of economic circumstances”, change of whatever. In that case, at least equivalent to TUPE it could be guaranteed, I accept that. I have just come to the end of that logical street. But following on a subsequent sale, 2 years, 3 years down the line, whoever buys it sells on, it is taken over, no guarantees can be made.

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

Except by that stage presumably TUPE will be in place in Jersey or TUPE-style arrangements will be in place.

**Deputy G.P. Southern:**

TUPE will be in place by then?

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

I said presumably.

**Deputy G.P. Southern:**

Are you proposing to bring them? Or is it down to me again? It would only apply in the circumstances of a transfer of undertaking like a partial sell-off in parts. You have been quiet for a bit, James. Would you like a go?

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

Is that a crime?

**Deputy G.P. Southern:**

It is in Scrutiny, yes.

**The Deputy of St. Ouen:**

I would like to just explore a little bit about the what if we sell aspect, and that is that what work have you carried out to consider the issue of whether or not there could be a negative benefit to both the consumer and also the Treasury as a result of the sale in the medium to long term?

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

Are you talking about from financial returns to ...?

**The Deputy of St. Ouen:**

You are telling us that it is better to sell Jersey Telecom and put the cash in the bank, it is a better investment. What I am saying is that obviously we are all well aware Jersey Telecom currently provides

us with, and has been providing us with, reasonable income, they have also been investing considerably in the business.

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

Yes.

**The Deputy of St. Ouen:**

And they have a high reputation in fairness for provision of service; so I am asking what work have you done to consider whether or not there will be a negative impact or negative benefit generated from that sale?

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

That really, I suppose, comes down to general investment policy of a strategic reserve; the extent to which you want to incur risks and the extent to which you require income. That is not just confined to telecoms. That is a feature of investment policy generally. The existing investment policy in the Strategic Reserve is one for making sure it keeps pace with inflation and provides a buffer. It may well be that the sum involved in the disposal of Jersey Telecom would cause us to review that policy and maybe vary it to some extent. We might decide, for example, to take a higher level of risk over part of it. That is something which at this stage is a separate issue from whether or not you sell Jersey Telecom. The risk profile of the Strategic Reserve, or indeed any other States' fund, will depend on its purpose and its size and its nature.

**The Deputy of St. Ouen:**

Is it not true to say that in the past our Strategic Reserve and performance of cash in the bank generally has struggled to maintain its value due to inflation, the return on the investment, whereas alongside of that we have a company with capital assets, which not only has had an increase in value because of those capital assets or that part of it, but equally has been giving us a very reasonable return, both on dividend, income tax, and a percentage related to its assets that it had. So, you know, I hear what you are saying about we have got to minimise our risk but how do you answer the argument that you are actually increasing our risk?

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

Not minimising the risk. You are balancing the risk against your reward and you see what your investments' intentions of the fund are.

**The Deputy of St. Ouen:**

Sorry. You are trying to disassociate --

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

I accept that we will probably get a lower return on the re-investment of these funds than we are getting at the current stage. I cannot be certain of that until I know what sort of capital value the company will -  
-

**The Deputy of St. Ouen:**

So therefore, one could probably argue that there is going to be a negative benefit that will be gained or received by both Treasury and ultimately the consumer / taxpayer because with competition obviously the consumer sees price reductions, that is great, that is without selling Jersey Telecom. However, the consumer resident, local taxpayer, is also benefiting from an annual income, a capital appreciation --

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

Maybe.

**The Deputy of St. Ouen:**

Well, I mean, I have yet to see property prices go down and comparing the 2 accounts.

**Deputy G.C.L. Baudains:**

Come a disaster, I mean property prices may well go down.

**The Deputy of St. Ouen:**

Can you just clarify why you believe that, in fact, it is in the best interest, as you totally claim that it is, for the Island that we should sell?

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

I thought I had already done that. It is primarily to diversify away from an Island-based asset. Doing that in a way which still gives me a return, which I think would be comparable but with a lower level of risk. At the moment we are getting a dividend in total from Telecom --

**Deputy G.P. Southern:**

I think he is right. He has had 2 goes at justifying why he thinks it is in the best interest. Can I just come back to that? Part of that return is tax on the company which you will assume will go on *ad infinitum*.

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

To the extent the company makes a profit, yes.

**Deputy G.P. Southern:**

Exactly. Apart from second buyer down the line who purchases it with a leveraged buy-out and the profits disappear because they are going to finance their debt and in fact your tax returns go zoom, and that is a reality. It happens all over the world. It happened to Telecom Italia, the best performing company in Italy 20 years ago is now producing no return to the taxpayer because it was a leveraged buy-out and all its profits are going to servicing its debt. It is now one of the lamest looking lame ducks around in telecoms. It is a possibility, is it not? Once you let go of your utility that is always a possibility.

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

That is a possibility, I cannot deny that.

**Deputy G.P. Southern:**

The added disadvantage of that is because it is in such a lamentable state, Telecom Italia has actually captured its regulator because it is able to say: “Do not put a squeeze on us, we will go under and we will pull our resource and you will have to find somebody else to produce your infrastructure.” It has captured the regulator, it has got it trapped: “You squeeze us, we will go under, we will pull the plug” and no regulator and no government can afford to lose its telecoms provider. That is the reality and that is a risk. Have you considered that risk?

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

I have considered the risk, I have also considered the commercial reality of running a telecoms operation and shareholders in the business of investing in a telecoms company in order to generate returns from it. So I think while they can see the prospect of good and improved returns they are less likely to simply want to gear up the company to confuse the regulator.

**Deputy G.P. Southern:**

No short-term investor for short-term gain is ever likely to cast their eye over Jersey Telecom. Do you have anything crossed? Your fingers?

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

No, I think provided we have an economy which we encourage investment in telecoms infrastructure we will have a good level of competition. Were the economy to go into decline that level of competition would also no doubt go into decline, but conversely so would the existing value of the asset whether we retained it or not.

**Deputy G.P. Southern:**

In such a decline, would not the owner of the telecoms infrastructure simply turn round and say: “I cannot make this go anymore; here, have it back”?

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

That may be. If in 5 years time I can buy it back less for which I have sold, 100 million for 10 million then maybe it would be worthwhile doing.

**Deputy G.P. Southern:**

I accept you are you, yes. James? You usually have got a little itch you want to scratch.

**The Deputy of St. Ouen:**

The privatisation of telecoms in Guernsey which obviously we have known about has been criticised in part by a number of individuals, not least I suppose the Guernsey residents. There have been complaints about, since the purchase, the level of service and pricing and so on and so forth. In your view, what are the lessons for Jersey from the experience of privatisation of telecoms in Guernsey?

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

Some of the lessons are particular to Guernsey, some of them are more general. Firstly, if you are going to sell or privatise a company you make sure it is in a good state to be sold. It is just like selling a used car. If you sell a used car in a tatty state you will not get much money for it. If you give it a good polish and service it you are more likely to get more money for it. I am not sure that Guernsey Telecom necessarily put all the polish on to their asset that they should have done. Secondly, you sell when you think the market is interested, not at any time. There have been ups and downs in telecoms market over the years; at the present time I would say it is a relatively buoyant market; a good time to sell. But if you sell in a weak market you can expect to get a poor price. Thirdly, if you - now going back on to some of Guernsey's constraints - if you put so many constraints on who can or cannot buy it, that you eliminate most of the purchasers, you end up with a very low field and the risk, as happened, of a very low price. There were other purchasers prepared to pay more money for Guernsey Telecom. Guernsey did not particularly want them. They, if you like, put their support, if you want, behind one particular bidder who I think, putting it politely, capitalised on their weakness.

**The Deputy of St. Ouen:**

Have there been any discussions with Guernsey regarding the proposed or suggested disposal of Jersey Telecom and what effect that may or may not have on the telecommunication services currently provided?

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

Guernsey are certainly aware of our discussion document and from their point of view I think it is relatively neutral unless the purchaser of Jersey Telecom was going to be Cable and Wireless, in which case Guernsey might have a monopoly situation to deal with. Clearly, in that sort of situation, just as



Jersey got involved on the BA - Flybe situation, although it is a wider issue, Guernsey might well take that view were Cable and Wireless to be the preferred purchaser. I cannot speak for Guernsey but clearly that might be a concern for them. Other than that I think Guernsey appreciated the competition which Wave Telecom provided and I think Guernsey have learned a few lessons from the way in which they went about things in the first place.

**The Deputy of St. Ouen:**

Are you promoting dialogue to happen between our regulatory authority and the Guernsey regulatory authority in this area?

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

I am not promoting it. That is not my job. I would encourage uniformity of view between the 2 regulatory authorities. I would probably go a stage further and say maybe there ought to be one common regulator for both Islands, not just for telecoms but for all sorts of other activities as well. But that is a political issue which is far wider than the sale of Jersey Telecom.

**Deputy G.P. Southern:**

Do not hold your breath. If Citigroup were to come back, because it seemed to have this impression that we are talking about a full auction sale with lots of potential buyers --

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

If I gave that impression that was not necessarily the case. I do not think a full auction is likely to happen.

**Deputy G.P. Southern:**

If Citigroup were to come to you with a negotiated sale with only 2 or 3 potential buyers would you think that is going to maximise your return?

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

I would ask that question of them. The answer is probably not as much as it would with a slightly more competitive process, but it can do. I have seen negotiated sales been very successful so long as the parties understand the full transparent process. It can work very well that way. I am not at this stage discounting it but it is probably unlikely or less likely.

**Deputy G.P. Southern:**

Have you or do you expect Citibank to be in contact with Collins Stewart over their idea about an accelerated IPO public offering?

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

I would be disappointed if Citigroup did not provide a full service and certainly give it the interest which Collins Stewart have demonstrated. I have no doubt that they would want to look at it.

**Deputy G.P. Southern:**

In terms of getting the sale right, if we come to the sale, it is often the case that the purchasers of privatised companies make large capital gains through rationalised use of space and property and selling it off. Do you intend to include a claw back term in the contract should that be the case?

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

I think the reality of the situation is the capital assets of Jersey Telecom are not primarily in property. I do not think that any prospective purchaser would be buying it with a view of making a quick capital gain on the sale of property assets.

**Deputy G.P. Southern:**

We have asked what the property portfolio looked like, we have not yet received it. But my understanding is that it is relatively small, yes. Gerard, any last -- have we hit all bases, gentlemen? Anything you think you would like to add, Senator Le Sueur, at this stage?

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

All I can do is thank the Panel for going into this in the degree of interest and --

**Deputy G.P. Southern:**

Rigour, I think the word you are looking for. Rigour.

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

Detail - or rigour, that you are. I just remind you that you did say to me 21 weeks ago that you thought it might take 20 weeks to come up with your report and it has taken a little bit longer than anticipated, but I like to think your Panel can come to a conclusion --

**Deputy G.P. Southern:**

Our report is dependent on the other 3 reports being made because I certainly see the Scrutiny process as being *the* form of holding to account and assessing what the options are. So certainly we are dependent on JCRA producing their report in time, we are dependent on Citigroup producing their report with their options, and on the Economic Adviser to a certain extent of filling in what he sees are the gaps. So it is a rolling target. But certainly I will be endeavouring to produce my report before the end of January, hopefully by the middle of January but I believe we still have to talk to the Economic Adviser and I think in terms of the overall strategic importance of doing, what we are proposing to do, I think we also

need to talk to the Chief Minister.

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

I understand that and agree that with the slight proviso that Citigroup, of course, report to me, but clearly as they are entitled to, and I am sure they will, give you all the advice that they can, I am their client.

**Deputy G.P. Southern:**

I am sure you are, and you do realise the powers of subpoena that we have for any documentation that you might be reliant on.

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

Absolutely.

**Deputy G.P. Southern:**

Thank you very much. Thanks for your time.

**ADJOURNMENT**