



Deputy Kirsten Morel
States Greffe
Scrutiny
Morier House
St Helier
JE1 1DD

14 August 2020

By Email Only

Dear Deputy Morel

Economic and International Affairs Scrutiny Panel – Review of decision making process to demerge CICRA

Thank you for your letter of 29 July. I will respond in the order of the questions provided within your letter.

1. How much will it/has it cost to set up the JCRA? Would it be possible to provide a breakdown?

The total one-off costs relating to setting up a separate organisation include separating IT systems and the website, recruitment costs, and outsourced legal support. These are summarised below:

IT & Website split	£17,502
Recruitment Costs	£26,604
Legal & Consultancy Support	£25,350
Total	£69,456

2. What are the spending plans for the JCRA for 2020 and 2021?

In addition to the one-off costs listed above, additional ongoing costs are forecast for the remainder of 2020 and in future years.

Competition Grant 2020 and 2021

Please find attached details of the Authorities budget requirements, which were sent to Richard Corrigan on 2 July 2020, which we hope addresses your question in detail. **(See Annex A)**

The additional costs are those relating to the separation from Guernsey only. No additional activity is included in this forecast.

3. Are there any resource implications of the demerger? For example, will extra staff be needed and if so, how many and for which roles?

When we were advised of the separation of CICRA, we provided a draft organisation structure to the Government of Jersey for the new JCRA. We have budgeted for a full Board and complement of staff in 2021. **(See Annex B).**

This structure is based upon supporting the existing work programmes. The Authority is undertaking a full strategic review and risk assessment with the Board and staff from 16-18 September 2020. Once we develop our work plans in line with the new strategy for 2021, it will provide a clearer understanding of the long term structural requirements for the Authority.

To date, an Interim CEO has been appointed and the roles of office co-ordinator and economic case officer have been filled. A new Chair has also been appointed. We are currently recruiting for a General Counsel and hope to complete this recruitment process before the end of 2020.

4. In terms of the ongoing investigations which were previously being managed by CICRA, what are the plans for these? How are they being managed with the GCRA?

An MoU has been signed between the JCRA and GCRA which provides a framework for the working relationship between the two regulators. In particular, it establishes a framework for the exchange of relevant information to enable or assist the Authorities to carry out their respective statutory duties.

All priority projects are being managed jointly with minimal long term negative effect. The Chairs of the two Authorities will review and authorise any work that is to be undertaken in parallel. There is currently one active parallel competition law investigation under review by both Authorities under the umbrella of the MoU. I attach the full MoU, signed by the new Chairs of the JCRA and GCRA for your information **(See Annex C)**

5. Is the JCRA working on a new MoU and SLA with the Government of Jersey?

There has been significant work undertaken in relation to developing a new SLA with Government. We have requested that the SLA is completed contemporaneously with a new MoU with Government. We understand that work has commenced on an overarching MoU with the Government of Jersey. As indicated above JCRA is seeking to ensure that these are signed at the same time, which we are aiming to achieve at our next board meeting 16 September 2020. However, we are reliant on the Minister and his team to complete this.

Summary

The Authority has a newly constituted Board and Chair. We are recruiting two additional non-executive members to the Board of the Authority. We are looking forward to developing a new refreshed strategy and approach, focussing upon and supporting the Government of Jersey in developing the economy whilst maintaining its independence and ensuring Jersey is a well regulated environment for an appropriate level of competition across all sectors, including those sectors over which we have specific responsibility, including ports, post and telecoms.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tim Ringsdore', with a large, stylized flourish above the name.

Tim Ringsdore
CEO
Jersey Competition Regulatory Authority

Enclosed:

Annex A: Letter to Richard Corrigan grant request 2020/21

Annex B: JCRA 2021 structure

Annex C: Signed JCRA/GCRA MoU

Annex A

Richard Corrigan
Group Director Financial Services and Digital Economy
Government of Jersey
19-21 Broad Street
St Helier
JE2 3RR

2 July 2020

By Email Only

Dear Richard

Competition Regulatory Authority (Jersey) Law 2001, Article 13 Grants to Authority

In response to various email correspondence, and in Colin's absence, I am writing to provide a more detailed request for the additional funding required by the JCRA as a result of the Minister's decision to separate the joint operation of the JCRA and GCRA.

As you are aware, as a direct result of this decision, the costs associated with the administration of the JCRA will increase for 2020 and in future years. We have now had the opportunity to review the budget for the second half of 2020 and 2021, and would like to request the following increased grant from the States of Jersey for 2020 and total grant for 2021, pursuant to Article 13 of the Competition Regulatory Authority (Jersey) Law (the **Law**).

The Law provides that the grant shall be determined by the Minister for Treasury and Resources on the recommendation of the Minister for Economic Development, Tourism, Sport and Culture, made after consultation with the Authority. In determining that amount, the Minister for Treasury and Resources shall have regard to the actual financial position and the projected financial position of the Authority. This position is outlined below.

Grant Payment for 2020

The additional costs associated with the separation from Guernsey means the JCRA has a total deficit of £133,000 in 2020. £89K can be covered by deferred income, however this leaves a shortfall for the year of approximately £50,000. The Authority is requesting that the 2020 grant is increased from £300,000 to £350,000.

The 2020 budget assumes the payment of the total agreed grant of £300,000. To date, only £75,000 of the 2020 grant has been paid to the Authority.

The additional amount required is to cover the normal running costs of the Authority in Jersey. The additional costs are outlined in the attachments to this letter, and result from an increase in staff costs.

We do not believe it would be appropriate for these additional costs to be recovered from licence fees because we believe it could be seen to be anti-competitive to increase the telecoms licence fees beyond RPI in 2021. As JT is owned by the Government of Jersey other operators would find themselves effectively subsidising the state entity due to the Minister's decision to separate CICRA

The additional costs have been tentatively (subject to sector specific requirements that may arise) allocated across the sectors administered by the JCRA as follows:

Competition	45%
Telecoms	45%
Ports	8%
Post	2%

Grant Request for 2021

In previous years, the grant has been provided for work relating to the competition sector only. In reporting on the competition grant the JCRA has not included the fees derived for M&A activity (£50,000), which are variable year on year. In this budget the M&A income and costs are included. The costs, including the increases arising from the separation have been spread (consistent with normal practice) across the sectors and the impact is as follows. We understand that this may need to be reflected in the new Service Level Agreement under discussion to ensure that the requirements of the Public Finance Law are met.

2021

SUMMARY	<u>Telecoms</u>	<u>Post</u>	<u>Ports</u>	<u>Comp'n</u>	<u>Total</u>
Total income	699,595	22,000	180,000	350,000	1,251,595
Total expenses	704,663	18,920	169,330	627,175	1,520,089
Net result	-5,068	3,080	10,670	-277,175	-268,494

Previous Service Level Agreements have required the JCRA to formally apply for its annual grant in writing by the end of July each year. By way of this letter, the Authority is requesting the annual grant for 2021 be increased up to £577,000 which assumes a normal budget of £300,000 grant, which has already been included above. The additional costs are those relating to the separation from Guernsey only. No additional activity is included in this forecast.

Following more detailed discussions with the Department on an expanded role for the Authority, including additional market reviews, may require additional funding which can be agreed on an individual project basis. Discussion on this work continues. We look forward to more detailed discussion with the Minister and the Department in due course to develop this area of the work programme.

Given that it is now halfway through the year, and the February meeting was cancelled, this may be an ideal opportunity to arrange the next half-yearly meeting between the Minister and the new Chair. It would be helpful if this meeting could also cover more detailed reasons for the separation of the two Authorities so we can ensure that we can plan for 2021 in a way which aligns with the Minister's expectations for the JCRA in an appropriate way.

We will provide in a separate cover a detailed work programme once this meeting has taken place and the Authority has identified its priorities.

For your background, the Chief Economic Advisor will be joining our July board meeting to help our understanding of the economic pressures being faced by businesses and the Island and help guide the 2021 work programme accordingly. Additionally, we have a Senior Economic Officer joining on 1 August which will help support this area of work.

Yours sincerely



Tim Ringsdore
Interim CEO
Jersey Competition Regulatory Authority

CC: Lukas Ament, Colin Gibaut

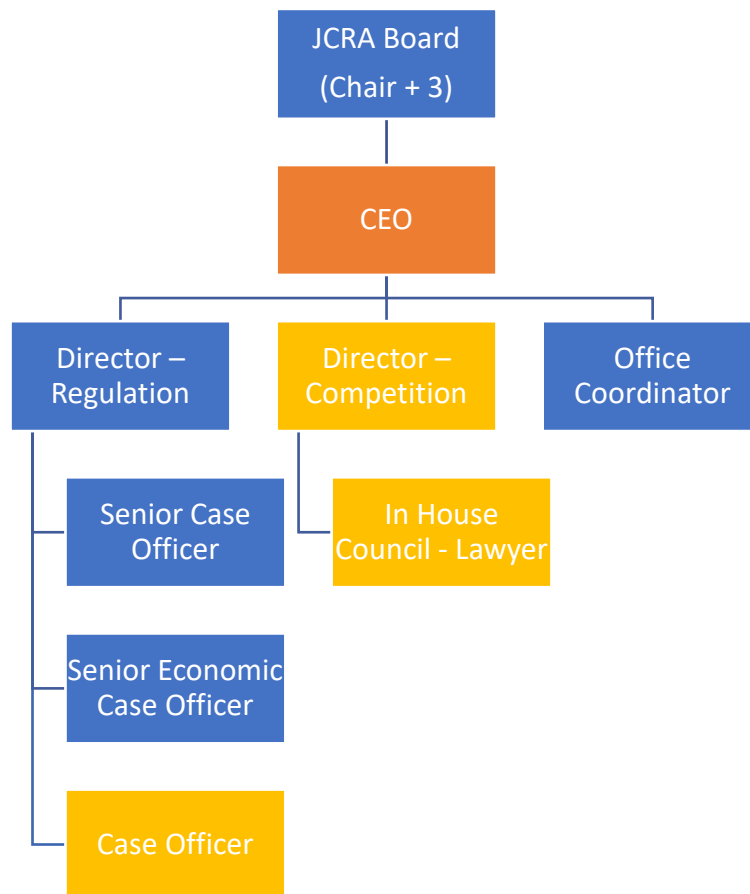
Attached:

Appendix: Financial allocation of costs for the total grant required for 2021

REPORTING	<u>Telecoms</u>	<u>Post</u>	<u>Ports</u>	<u>Comp'n</u>	<u>Total</u>
Total income	699,595	22,000	180,000	350,000	1,251,595
Expenditure					
- People and overheads	481,583	14,653	76,658	439,474	1,012,368
- Consultancy and legal	121,200	800	58,000	110,000	290,000
- Other	101,880	3,467	34,672	77,702	217,721
Total expenditure	704,663	18,920	169,330	627,175	1,520,089
Result for the year	-5,068	3,080	10,670	-277,175	-268,494

Annex B

Budgeted 2021 structure:



Director of Regulation is also interim CEO.

Blue are current posts, yellow are vacancies.

Annex C

See separate attached MoU document