

2.16 Deputy G.C.L. Baudains of the Minister for Treasury and Resources regarding the appointment of the members to the Board of JT:

Following the incorporation of Jersey Telecom, would the Minister explain the procedure, including those involved in the process, for appointing Members to the company's board?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

The constitution of Jersey Telecom Limited and the appointment of Members is governed by the relevant articles of Jersey Company Law. In addition, the appointment specifically of J.T. (Jersey Telecom) directors is covered in a memorandum of understanding between the Jersey Telecom board and the Treasury. It states: "The directors of Jersey Telecom shall be persons who, in the opinion of those appointing them, will assist Jersey Telecom to achieve its objectives. 2. The directors shall be appointed in accordance to the Companies (Jersey) Law 1991 and its articles of association. 3. All decisions relating to the operation of Jersey Telecom shall be made by or in pursuance to the authority of the board in accordance with the strategic plan. 4. The board shall be accountable to the Minister in the manner set out in the memorandum of understanding." So J.T. is 100 per cent owned by the public. As directors are appointed at the A.G.M. (Annual General Meeting) such appointments would also require the ratification by the shareholder when they vote. As with other matters the board would extend to me the courtesy, normally, of informing me of any significant changes to their composition and it is my practice, upon advice, that I allow the board to operate without undue political interference.

2.16.1 Deputy G.C.L. Baudains:

At the start of the Minister's explanation of the memorandum of understanding, I believe he said "in opinion of those appointing them". Could he further expand on who they may be?

Senator P.F.C. Ozouf:

The normal process is that the boards themselves will come forward with nominations by 4 directors. But in the normal course of events, under the M.O.U.s that I have established with all the utilities, we will discuss those potential appointments prior to them being made. In particular reference to the Chairman, that is obviously an important issue. It is a board appointment but I would expect the Treasury, and indeed, in the case with J.T. currently discussions are being held with the board about the kind of candidate that we are looking at in order to drive the company forward on behalf of the shareholder, which we represent.

[11:30]

2.16.2 Deputy R.G. Le Hérissier:

I notice from the earlier answer and I notice in the restructuring, in order to achieve greater rates of connections, there appears to have been another J.T. company formed, what one might call a subsidiary. Would the Minister comment on whether there is indeed a board governing this new body who are handling the people who have moved, for example, to the zero contracts in order to speed up connections?

Senator P.F.C. Ozouf:

All of the utilities have a number of subsidiary companies, which are special purpose vehicles owning property, or particular lines. For example, J.T. has a number of subsidiaries owning their expanded overseas acquisitions in Guernsey, and indeed the internet company they bought in the U.K. So there are a number of subsidiaries which is perfectly normal in terms of a group operation. Where they are 100 per cent owned, they are obviously controlled by the board, and that is a perfectly normal issue. We appoint the Group J.T. board and the subsidiaries are therefore subservient to the overall board and the wishes of the board in the same manner as with normal corporate governance.

2.16.3 Deputy R.G. Le Hérissier:

Just on a point of clarification, does this subsidiary, who are handling the connection work in replacement of a company that allegedly could not meet the targets, have a board of its own?

Senator P.F.C. Ozouf:

Under company law, all boards have directors in the normal way. J.T. is no special case. All companies must have boards of directors as set out in the 1991 Company Law and the associated regulations.

2.16.4 Deputy G.P. Southern:

Does the Minister not consider that as the employer, it sets a bad example that we are so reliant on issuing this number of zero hours contracts?

Senator P.F.C. Ozouf:

We are not the employer. We are the shareholder. The employer is the board of J.T.

Deputy G.P. Southern:

The word I think I used was the owner.

Senator P.F.C. Ozouf:

As the owner, no, I think that we have moved J.T. from being a States department, a Government department into a standalone entity. We have rehearsed on many occasions the important role that we have in safeguarding shareholder issues and not, effectively, overly politically controlling or attempting to control the standalone entities which are set up in order to drive better economy, better efficiency, better services and ultimately, a better value to the people of Jersey.

2.16.5 Deputy G.C.L. Baudains:

As a previous member of the committee that ran Jersey Telecom under Senator Routier I thought we had more information in those days. Does the Minister recognise that there is frustration in trying to influence a board that controls public assets? Just recently we had an example where one utility said that it was no longer going to accept cheques, and the Minister said it was an issue for the board. Now we have concerns about rolling out fibre. Does the Minister recognise there is an issue to be dealt with regarding all arms-at-length entities?

Senator P.F.C. Ozouf:

I agree that there are sensitivities and there is rightful challenge by States Members in relation to the overall governance and strategy of these entities. I know the Deputy was a board member of J.T. at the time and the committee structure served that purpose well. But in a week where we are discussing internationally Thatcherism and what happened, a world in 1970 that ran Pickfords, British Airways, a rail network, a water company. The world has moved on. The complex world of company structures and markets and competition means that you need different structures. We cannot turn the clock back. J.T. is better as a company but what is different to privatisation, is it is 100 per cent States owned and we can put some influence, but we have set up a company and we set the board of directors up and we hold that board accountable for running that entity on our behalf and on behalf of the people of Jersey.