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THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* ECONOMIC DEVELOPMENT

THE GUERNSEY COMPETITION AND REGULATORY AUTHORITY:
ACCOUNTS AND AUDITORS' REPORT FOR THE YEAR ENDING 31st DECEMBER 2018

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled "The Guernsey Competition and Regulatory Authority: Accounts and Auditors' Report for the year ending 31st December 2018" dated 25th June 2019, they are of the opinion:-

1. To note the accounts of the Guernsey Competition and Regulatory Authority and auditors' report for the year ended 31st December 2018.

The above Proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

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THE GUERNSEY COMPETITION AND REGULATORY AUTHORITY:
ACCOUNTS AND AUDITORS' REPORT FOR THE YEAR ENDING 31st DECEMBER 2018

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

25th June 2019

Dear Sir

1 Executive Summary

1.1 The 2018 annual accounts of the Guernsey Competition and Regulatory Authority ("**GCRA**") and auditors' report are hereby presented to the States in accordance with section 13(5) of the Guernsey Competition and Regulatory Authority Ordinance, 2012.

2 Proposition

2.1 The States are asked to note the accounts of the GCRA and auditors' report for the year ended 31st December 2018.

3 Compliance with Rule 4

3.1 Rule 4 of the Rules of Procedure of the States and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

3.2 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the proposition above has the unanimous support of the Committee *for* Economic Development.

Yours faithfully

C Parkinson
President

A C Dudley-Owen
Vice-President

J I Mooney
D de Lisle
N R Inder



ANNUAL REPORT 2018

ABOUT THIS DOCUMENT

This document sets out our annual report and accounts for the period 1 January 2018 to 31 December 2018. It is presented to Guernsey's Committee for Economic Development and Jersey's Chief Minister pursuant to Section 13 of The Guernsey Competition and Regulatory Authority Ordinance, 2012 and Articles 17 and 18 of the Competition Regulatory Authority (Jersey) Law 2001. It also fulfils the obligations on CICRA as set out in the Islands' competition laws and sector-specific legislation, by including a description of the work we carried out during the year to fulfil our statutory responsibilities.

Further information about our work is available on our website www.cicra.gg or www.cicra.je.

CONTENTS

4 Chair's message

5 Chief Executive's report

7 Our year at a glance

8 Performance Report

9 Our powers and duties

10 Progress on delivering against our Annual Work Programme

19 Who we work with and how we work

22 Financial Review

24 Accountability Report

25 The CICRA Board

27 The CICRA Team

28 Governance statement

30 Remuneration report

32 Financial Statements

33 Members' Report for the Financial Statements

35 Financial Statements – Guernsey Competition and Regulatory Authority

36 Independent Auditor's Report

38 Statement of comprehensive income

39 Statement of cash flows

40 Statement of financial position

41 Notes to the financial statements

47 Financial Statements – Jersey Competition Regulatory Authority

48 Independent Auditor's Report

50 Statement of comprehensive income

51 Statement of cash flows

52 Statement of financial position

53 Notes to the financial statements

CHAIR'S MESSAGE



Making markets work is an accurate description of CICRA's purpose.

In small island economies, this purpose needs to be interpreted pragmatically, since the nature of the economies means that competition — the natural means of making markets work — will often be limited and that, in some cases, such as the supply of airports, there will be natural monopolies. In such cases regulation can be used in order to protect consumer interests from monopoly power.

During the past year, we have worked effectively with the islands' telecom companies, both in overseeing their normal operations and in working with them and government bodies to consider the pathways towards 5G technology. It is in the interests of islanders, and the economies of the islands, that the deployment of such technologies is carried out in a way that is both economically efficient, e.g. avoiding unnecessary duplication of infrastructure expenditure, but also gives a commercial return to the operators. As technology cycles become ever shorter, ensuring both investment and return becomes correspondingly more difficult. Our focus has, therefore, been on anticipating the issues and seeking solutions, rather than trying to sort them out afterwards, when it is likely to be too late. I am grateful to the telecom operators for the constructive way in which they have engaged with us in these discussions.

We have also worked intensively with Ports of Jersey Ltd (PoJ), including significant Board-level participation on both sides, on devising a price control mechanism that enables PoJ to undertake necessary investment, while protecting airport and seaport users and building incentives for efficiency improvements by those running the ports. This engagement has been time-consuming and not without its difficulties, but I am pleased that we have conducted our first public consultation. We are on target to conclude the process mid-2019.

In Guernsey, it was decided several years ago to remove the regulation of postal services and electricity from our remit. This decision was, however, never formally passed into law, leaving us still as *de jure* regulators. In the electricity sector, this began to come to a head in August 2017 as a competitor firm appeared in the market and we had to make a number of decisions about access, despite the 2015 decision. We now understand that our role in electricity market regulation will be formally restored, which will facilitate our taking a more active role in this space.

As I wrote last year, we lost a case in the Royal Court of Jersey concerning ATF and fuel supply. The then Chief Minister commissioned a review, conducted by a senior Queen's Counsel, Kassie Smith, into both our handling of the case and the implications for the application of competition law in Jersey. I am delighted that the review found that CICRA acted correctly throughout, both on the substance of the issue and in the application of its processes. This validation of the professionalism of our staff is greatly welcomed. We are in discussion with relevant officials about the review's recommendations in respect of the application of competition law.

During the year, Philip Marsden and Peter Neville retired from the Board, Philip after eight years and Peter after two separate terms. I would like to thank them for their wise counsel and commitment. John Curran, formerly a chief executive of one of our predecessor bodies, has joined the Board and we welcome the knowledge and experience, as well as the island presence that he brings.

Michael O'Higgins

CHIEF EXECUTIVE'S REPORT



As an economic regulator and competition law enforcement body the overarching aim of the Channel Islands Competition and Regulatory Authorities is to make markets work. What this means in practice varies with the structure and dynamics of these different markets as well as the duties given to us set out in law. Our strategic objectives documents set out our ambitions in greater detail for each of our areas of responsibility.

Markets exist to serve consumers and thriving, efficient markets are in their interests as well as businesses and society.

Investment in next-generation connectivity, supporting policy ambitions to maintain the pace of innovation, improving the quality of services available to islanders, and facilitating productivity gains through efficient competitive markets are just some of the factors we weigh up in our decisions that aim to make markets work.

The island economies of Jersey and Guernsey are continuously subject to the force of technological advances. The policy and strategic direction to harness the benefits of that are provided by both the States of Jersey and the States of Guernsey in the telecoms sector. These have been a major contribution to this key sector of our work over 2018, guiding CICRA's own regulatory framework and priorities. Progress in the development of policy in the energy sector is also underway, which will provide similar benefits.

CICRA's processes and the manner in which we approach our decision making reflect the complexity and scale of a number of areas of our work over 2018 as well as a wish to draw from a wide pool of stakeholders who can support us in making the right decisions. Over 2018 we held a series of open workshops and summits engaging those who have a stake in the outcome of our decisions. This approach has been strongly endorsed by industry groups, attracting a wide range of participation across our key stakeholders and we are grateful for their role.

In the telecommunications sector, we facilitated 'summit events' covering 5G and Broadband. These have supported open discussions on key issues and provided perspectives from a wide group of stakeholders, making for a constructive process and significantly enhancing our decision-making process. In particular, it has allowed us to bring in contributions from parties that would otherwise not participate in formal 'document based' consultation processes. Government executives and Ministers have also played a key role in the success of these events.

A similar process was undertaken to assist consideration of Ports of Jersey's (PoJ) long term regulatory pricing framework, with a wide representation of stakeholders present at the public event. As key 'gateways' of the island, the importance of the airport and harbours for Jersey are plain. We all share the ambition to have a safe, secure and efficient airport and harbour. As the monopoly provider, PoJ has a significant responsibility to demonstrate its commitment to those imperatives to ports users while CICRA as the economic regulator has a key role in balancing the needs of customers, shareholders, PoJ and the wider interests of Jersey. Transparency is also key and to that end CICRA has put in place a framework for PoJ to report on its quality of service performance.

Our competition law enforcement work is largely in response to events and issues that arise, including merger transactions. We have carefully looked at a number of notified merger transactions over 2018, focussing on those where a risk of market concentration might not serve consumers well.

A review commissioned by the Jersey Chief Minister of a decision made by the Competition Authority was carried out over 2018 by a leading Queen's Counsel. The conclusions from that review are a significant validation of our approach and an endorsement of the professionalism of our staff in a case that went to appeal in the Jersey Royal Court. Our processes, the measured way the case was developed and reasons for defending its decision in the Royal Court were considered carefully and emphatically endorsed by that review. However, the recommendations

also identify a need for a significant rethink in key areas of the appeals framework and we strongly support the recommendations in that report. It is our hope that they will be rapidly acted upon.

Another area of focus of our competition work has been to improve the understanding of the scope and purpose of the competition law through a number of education seminars targeted at the particular needs of businesses, policy-makers and civil servants. In common with other jurisdictions, small and medium businesses have limited capacity to invest in this area of law so the Authority has hosted a series of educational programmes with law firms, who are in regular contact with and advise such clients. Given the importance of public procurement projects we then rolled out a programme of bespoke education events for public service procurement officials who rely on the market to deliver public projects. The benefits of fair competition are important in this area and the designers of public sector bidding processes should be as alive to the risks of anti-competitive behaviour as any commercial business. The ongoing levels of attendance and feedback from those events have been positive and we will continue to develop them as long as a demand exists.

Over 2018 we have also been involved in settling a dispute between Guernsey Electricity Ltd and International Energy Group Ltd in the energy sector where market changes pose new challenges and opportunities. This sector is changing quickly and new questions are posed for incumbents, alternative providers as well as policy makers. As consideration is given to energy policy in Guernsey and Jersey and given the decision by the Guernsey Committee for Economic Development for us to continue to carry out our statutory duties in the electricity sector, an energy policy that guides economic regulation will serve the interests of islanders well and we will support that process.

2019 promises to be a year with a number of significant regulatory projects culminating in decisions that deliver against our legal duties. The quality and commitment from a small team is the foundation on which the success of the Authority relies. The high standard they hold themselves to is apparent in the quality of their work in a context where the volume and scope of areas they cover is considerable. Validation of their high standard of professionalism from a Queen's Counsel with significant expertise in the field of competition law and regulation is something they can be justifiably proud of.

Finally, the extent to which key participants in the sectors we regulate have been willing to invest their time and energy in the work we do not only underlines the importance to them to these areas but is also very much appreciated by us. I therefore want to thank those who have participated in the new approach to engagement by us over the year and look forward to continuing that into 2019.

Michael Byrne

OUR YEAR AT A GLANCE

16.4 DAYS

The average number of days we took to clear the 11 phase I merger applications received during 2018.

27

During 2018 we publically consulted on 27 occasions across both islands, all regulated sectors and in relation to competition law matters.

5G

CICRA facilitated two 5G summits designed to bring together key stakeholders in support of the policy objectives of the States of Jersey and States of Guernsey.

80

We ran eight training sessions across the Channel Islands attended by 80 local advocates focussed on the roles of CICRA, competition policy and compliance with competition law.

Separately competition law procurement training was well received by States of Guernsey employees.

SMITH REVIEW

In December we welcomed the outcome of the review by Kassie Smith QC of an appeal to the decision that competition law had been breached in Jersey.

The review confirmed that CICRA asked the right questions, focussed on the correct issues, acted properly from a legal and professional viewpoint and its decision based on the evidence before it was wholly justified.

NED APPOINTMENT



We welcomed John Curran to the Board

SPECTRUM

We completed a reorganisation of the 2.1GHz and 2.6GHz spectrum bands to ensure efficient allocations for the current market and technological context.

PRICING

We started the process (that will conclude in 2019) to introduce a longer term pricing framework for Ports of Jersey Ltd, focussing on the needs of consumers in the short and longer term.

TRANSPARENCY

We introduced quality of service reporting in the ports sector and repeated our customer satisfaction and quality of service reporting in the telecoms and post sectors. Transparency is key to ensuring consumer can make informed choices.

PERFORMANCE REPORT

PERFORMANCE REPORT - OUR POWERS AND DUTIES

What we do

We are responsible for administering competition law and regulating the telecoms sector across the Channel Islands together with regulating the ports and postal sectors in Jersey.

We are one of a number of agencies that work together to help Channel Islands businesses and consumers get the best from services they receive and to protect them from unfair practices. We can also be called on to advise government on matters of economic regulation and competition.

Where appropriate, we support competition as the basis for delivering good consumer outcomes.

We are an independent public authority, accountable to the States Assemblies in Jersey and Guernsey.

We operate as CICRA but were established as two separate entities, the Guernsey Competition and Regulatory Authority (GCRA) under the Guernsey Competition and Regulatory Authority Ordinance, 2012 and the Jersey Competition Regulatory Authority (JCRA) under the Competition Regulatory Authority (Jersey) Law 2001.

Our functions and legal duties guide the direction of our work and are set out in legislation passed by the States Assemblies in each island, to whom we are accountable.

Our principal duty is to ensure markets work

In competition law, we ensure businesses compete fairly with each other by working in a way that generates the positive, defined benefits associated with free markets, has a positive impact on the Channel Islands economies as a whole, and delivers outcomes that are trusted, respected and as far as reasonable consistent with international norms.

In the telecoms sector, we carry out our functions in a way that maintains well-regulated Channel Islands telecoms markets, supports retail competition and the path to next generation connectivity (5G) and co-ordinates spectrum and number management with Ofcom (the UK telecoms regulator).

In the postal sector, we provide oversight of Jersey Post's behaviour and charges, as well as ensuring quality of service provision and USO obligations are met.

In the ports sector, we provide oversight that ensures charges for services and facilities are reasonable as well as protecting consumers through a transparent and relevant range of quality of service standards.

PERFORMANCE REPORT - PROGRESS ON DELIVERING AGAINST OUR ANNUAL WORK PROGRAMME

1. Competition Law



Competition law came into force in 2005 in Jersey and in 2012 in Guernsey. The policy reasons for putting in place a system of competition law were virtually identical across both jurisdictions and are consistent with international best practice.

Competition law enforcement is a role that generally responds to market events such as mergers, acquisitions or concerns about anti-competitive behaviour. It may however also look at whether markets are working as well as they should by carrying out market reviews. The three overarching strategic objectives for Jersey and Guernsey by CICRA in this area of its responsibilities are:

Generate positive, defined benefits for Channel Islands businesses and consumers associated with free markets.

Have a beneficial impact on their respective economies as a whole.

Deliver outcomes that are trusted and respected, and as far as reasonable, consistent with international norms.

Given our experience over the past few years, particularly from investigating matters brought to our attention, it is apparent that the level of competition law awareness among key stakeholder groups in the Channel Islands is underdeveloped. CICRA came to a view that if the above aims are to be achieved a concerted effort is needed to address this.

Low levels of awareness are by no means unique to the Channel Islands or confined to jurisdictions where competition law is relatively new. However, CICRA recognises that these low awareness levels may prevent the full realisation of the benefits to the Channel Islands' economies, businesses and consumers that the States of Guernsey and the States of Jersey intended to flow from the introduction of competition law. It may, in fact, contribute to a more expensive competition law oversight regime since addressing behaviour arising from not fully understanding what is required under the law can lead to greater cost in terms of resources needed to address any failings after the fact. CICRA has identified two ambitions in this area:

- Raise the awareness and understanding of competition law within public bodies so that measures taken by those public bodies are informed by the need to promote (or take account of the aims of) competition law where possible;
- Increase key stakeholders' awareness of the benefits of competition and the role that competition law and its aims can play in promoting and protecting welfare enhancing competition as well as the risks from non-compliance. If businesses are more aware of the law and have better compliance processes there is less likelihood that they will break the law.

A series of competition law training sessions targeted at public procurement personnel have already taken place and proven successful. CICRA will expand on this and advance its strategic priorities through a number of targeted advocacy projects.

Investigate, and where appropriate remedy, contraventions of the competition law consistent with CICRA's prioritisation principles

This is an ongoing work-stream.

CICRA investigates cases on the basis of its prioritisation principles, and may use less formal methods of engagement, including education, to address any potential contraventions. The work is largely reactive.

CICRA receives numerous informal complaints from a range of complainants. Where complaints disclose a potential genuine competition law issue, officers will assess whether these meet CICRA's prioritisation principles for investigation before undertaking a formal "reasonable cause to suspect" analysis. Of the cases reported to it, CICRA progressed one to the formal "reasonable cause to suspect" stage during 2018. One further case remains open at year end and may result in further action in due course.

As a result of the Smith Review of the ATF appeal, we will, where it is appropriate, publish how we have assessed cases against our prioritisation principles.

Support the States of Jersey and Guernsey to bring block exemptions into effect

Following the recommendation made, supported by Oxera in its 2015 report[1], and further discussion during 2016, CICRA remains available to progress this work with the States of Jersey and Guernsey.

Support the States of Jersey and Guernsey to bring into effect recommendations for changes in the merger and acquisition framework prescribed by Jersey and Guernsey competition law

In Jersey, following the recommendation made by Oxera in its 2015 report, CICRA consulted on changes to the merger control rules in 2015 and made recommendations to the government departments in 2016. In addition, CICRA has proposed an amendment to the Jersey Order, which if accepted would mean that transactions approved by the European Commission would not also require clearance by CICRA in Jersey. This would partly address some of the issues this work stream has sought to resolve prior to law changes

Officers remain available to progress this work with the States of Jersey on which CICRA must rely to achieve this objective. This matter continues to be raised at meetings with senior government officials.

In Guernsey, officers have held meetings with the Law Officers department and civil servants to progress this work and have undertaken further work on particular aspects of CICRA's recommendations. CICRA officers remain available to undertake any further work required by the States of Guernsey in this area.

[1] https://www.oxera.com/Latest-Thinking/Publications/Reports/2015/A-review-of-the-Jersey-regulatory-and-competition.aspx

Work with consumer bodies to support consumer interests in a manner that is joined-up and focussed on priority areas

CICRA remains available to work with consumer bodies to support consumer interests when it is appropriate to do so.

Scrutinise proposed mergers and acquisitions where they are subject to notification

During 2018, CICRA reviewed 14 mergers. 2 were withdrawn, 11 were cleared at the end of the first detailed review period (Phase 1) and 1 was cleared at the end of the second detailed review period (Phase 2). Clearance in Phase 1 took an average of 16.4 days against an administrative target of 25 days.

Evaluate the merits of exemption applications received

1 clearance application was received during 2018, and is being progressed by officers.

A series of seminars, through the legal community, for businesses on the benefits of competition law and practical strategies for compliance

During 2018, CICRA officers ran eight training sessions for advocates in Guernsey and Jersey, attended by approximately eighty advocates across the two jurisdictions. The sessions, which focused on the role of CICRA, the role of competition policy and practical compliance with competition law, were well received. In particular, feedback forms indicate uplifts of the following order:

- Understanding of CICRA's role +27%
- Understanding of competition policy +25%
- Application of competition law to work +18%
- Ability to spot issues +31%

A competition and procurement law training programme was delivered to States of Guernsey employees. This consisted of ten sessions, each one attended by a maximum of twelve participants. Feedback on these sessions has been very positive with a marked improvement in attendees' understanding of CICRA's role and of competition law. Officers will meet with senior civil servants in Jersey in early 2019 to explore whether similar training could be offered in Jersey.

Assessing levels of awareness of competition law amongst Channel Islands businesses to identify whether any specific sectors may be at particular risk of non-compliance with proactive engagement where this is found to be the case

Officers have engaged with a number of business organisations, such as Jersey Business, Digital Greenhouse and Chamber of Commerce, and have been working to put together practical support for their members to help them comply with and derive the benefits from competition law.

Engaging with competition law specialists from other jurisdictions (EU / UK) to facilitate one or more "round table" forums for law officers and/or judiciary to exchange ideas and best practice on key competition law considerations

Given the ongoing review of the ATF appeal (which was published in December), CICRA decided to deprioritise this area of work in 2018.

Putting in place a series of meetings with States members to raise awareness and understanding of competition law, its place in the wider policy context and how it can support those priorities – both generally and in specific instances

A presentation was given to the new States of Jersey members in July. Follow-up discussions were offered to those who attended and an open invitation issued to those who were not able to attend. CICRA and senior politicians and civil servants in both Bailiwicks have discussed a range of wider strategic States priorities including the role competition law may or may not play in those. Those discussions have informed the recently announced review, 'Evaluation of the Guernsey Competition and Regulatory Framework'.

2. Telecoms



Three high-level objectives have been identified by CICRA. Telecoms law came into force in 2002 in Jersey and in 2001 in Guernsey. There are currently three main operators across the Channel Islands with the two full service operators being the incumbent / entrant in each island respectively. The third Channel Islands operator offers mobile services only. A fourth operator offers broadband services in Jersey only.

Consumer protection supporting attainment of customer satisfaction levels comparable to the UK

A retail / downstream market where access to upstream inputs ensures new services and innovations can be made available to consumers in time-frames comparable to neighbouring jurisdictions

Provision of wholesale network infrastructure services where charges are set at sustainable and equitable levels

Following the publication of its decision in 2017 relating to the market definition and dominance on the market for Mobile Termination Rates (MTRs), consider an impact analysis of existing mobile traffic and its associated MTRs before reviewing and assessing whether any further changes to existing remedies or the introduction of new remedies are required on this market

CICRA is considering potential regulatory interventions, including the option of setting the local MTR at a rate equivalent to that of the UK rate by using, for example, a glide-path over two to three years.

The local rate is currently 4.11pence per minute (ppm) compared with under 1ppm in UK/EU. 4.11ppm is both significantly higher than many other countries and, given studies elsewhere, may be in excess of the long run incremental cost to mobile network operators of providing those services. An appropriate level of MTRs in the Channel Islands is important because a potential failure to assess the level of MTRs in the Channel Islands could result in customers who are subject to existing MTR rates, which are set by a dominant operator and where customers are not able to express any choice of who provides that service, are potentially cross-subsidising the retail mobile services that are being provided in a competitive environment.

In December 2018, CICRA issued a Call for Information consulting on the need for reassessment of the current MTR and if so on what basis. Once the information from stakeholders has been assessed by officers a decision will be taken by the board as to how to proceed.

Develop a regulatory framework for the delivery of 5G that supports the policy objectives of the States of Jersey and Guernsey, including the review of existing spectrum allocations to ensure efficient use of spectrum and the development and management of a forward-looking spectrum strategy to ensure future spectrum needs are met

Developing a regulatory framework for the delivery of 5G is important because the States of Jersey and the States of Guernsey have both stated their intent to support the implementation of 5G.

CICRA has placed significant emphasis on encouraging early engagement by all key stakeholders given the complexities around this multi-dimensional project, facilitating two stakeholder summits during 2018. The first summit, held in July, included a key-note speech by McKinsey and provided a clear framework to progress this project alongside policy aspirations. The second summit, held in October, provided an overview of challenges and opportunities with this technology and a time-line for implementation.

Following liaison with Ofcom, in August CICRA announced the availability of innovation and trial spectrum licenses for 5G for the Channel Islands.

The 2018 telecoms action plan to review existing spectrum allocation to ensure efficient use of spectrum which included the 2.1GHz band is complete. The recommendation made to Ofcom for additional spectrum for operators in the 2.6GHz band has been accepted and Ofcom is coordinating this transition.

Officers also commenced work on reviewing fair and reasonable non-discriminatory access to fibre backhaul solutions for mobile sites for all mobile providers, and this will continue in 2019.

Work with Ofcom to ensure that strategic aims are taken into account in spectrum harmonisation and allocation

A good working relationship with Ofcom is important because they manage both number ranges and spectrum on our behalf and it is fundamental to enabling fair competition across the Channel Islands.

CICRA and Ofcom have agreed a working process document that will be used to manage the working relationship. It formalises the respective roles of CICRA and Ofcom with regard to spectrum management, numbering and amendments to UK legislation extended to the Channel Islands.

Through our own initiatives as well as in co-ordination with other consumer bodies, seek to improve the ability of consumers to make informed choices in the mobile markets in Jersey and Guernsey and ensure the benefits are seen across society

Provide telecoms customers with meaningful information on telecom operator performance where the market does not meet this need

Consumers need to have access to reliable independent information in order to make informed choices.

The results of the 2018 customer satisfaction survey were published in September and showed that most Channel Islanders are happy with their landline, mobile and broadband services. The survey followed the approach used by Ofcom to allow for local results to be benchmarked against those achieved in the UK. To provide an opportunity for both CICRA and operators to develop a more detailed understanding of the results, a series of focus groups was also undertaken.

Review the licensing framework in light of developments and if appropriate modify or establish a new licensing framework that best meets the future needs of Jersey and Guernsey

The licensing framework needs revision because the telecoms market has changed dramatically since the current licences were introduced. Undertaking this work in conjunction with the future introduction of 5G services is considered a more efficient use of resources and has been planned accordingly.

Work has commenced on the new 5G licensing framework, which is aligning with the UK (i.e. general conditions). Once this new framework has been agreed current licences will be adjusted to align with this approach.

Ensure service quality standards by telecom providers with market power are demonstrably aligned with the interests of consumers

Seek to improve transparency of commitments and standards of all telecom licensees

Ensuring service quality standards are aligned with the interests of consumers is key so that telecom provider efforts are focussed appropriately.

Following the consultation carried out during 2017, operators have voluntarily

- published details of their retail service standards & compensation (under the heading Code of Practice) and
- met the UK standard for dispute handling.

CICRA will continue to monitor service standards. Wholesale service standards are being considered as part of the broadband consultation process.

Identify access products that lower switching costs and improve the prospects for retail competition

Lowering switching costs and improving the prospects for retail competition are important because this enables fair, reasonable competition.

The broadband consultation process will address this issue with a key area being the introduction of bit stream or new wholesale solutions for competitors to enable them to differentiate not just on price but products, speed and quality.

Ensuring the availability of correct backhaul products will be a focus for 2019 as will a potential review of leased lines.

Work with consumer bodies to support consumer interests in a manner that is joined-up and focused on priority areas

Working with consumer bodies to support consumer interests in a manner that is coordinated and focused on priority areas is important to deliver the best outcomes and avoid duplication of effort.

CICRA has worked through the Consumer Protection Network with the Jersey Consumer Council to raise awareness of two telecoms issues during the year: the new ASA advertising standards for broadband services and the need to review mobile phone packages prior to travelling abroad to avoid potential bill shock.

In both cases the issues have been highlighted in local media to ensure that there is awareness among islanders, who are better able to make informed choices as a result.

Review the minimum quality of service standards for wholesale broadband services to ensure they are aligned with the priorities of downstream service providers and consumers

Appropriate minimum quality of service standards for wholesale broadband services, aligned with the priorities of downstream service providers and consumers, are important because they ensure that the dominant supplier provides a reasonable service, which enables the retail providers to compete on a par with the incumbent.

This is being looked into as part of the broadband consultation process and officers are aiming to complete this by the end of 2019.

Address any structural or behavioural constraints in wholesale service provision that inhibits innovation by downstream service providers

Ensure that wholesale services support the promotion of effective retail competition

Addressing structural or behavioural constraints in wholesale service provision that inhibits innovation is important because it enables retail competition.

There have been complaints from competitors regarding their ability to retain or develop wholesale products for their requirements.

As a result of the feedback from the broadband consultation process officers are looking into bit stream or obliging the introduction of new wholesale solutions as a way of allowing competitors to offer more competitive retail options. Should commercial discussions between parties fail, CICRA may either direct the introduction of either bit stream or new wholesale solutions, or introduce a new licence condition that would provide the necessary powers to deal with the specific issues arising.

Ensuring fair, reasonable and non-discriminatory access to backhaul for mobile sites for all mobile operators

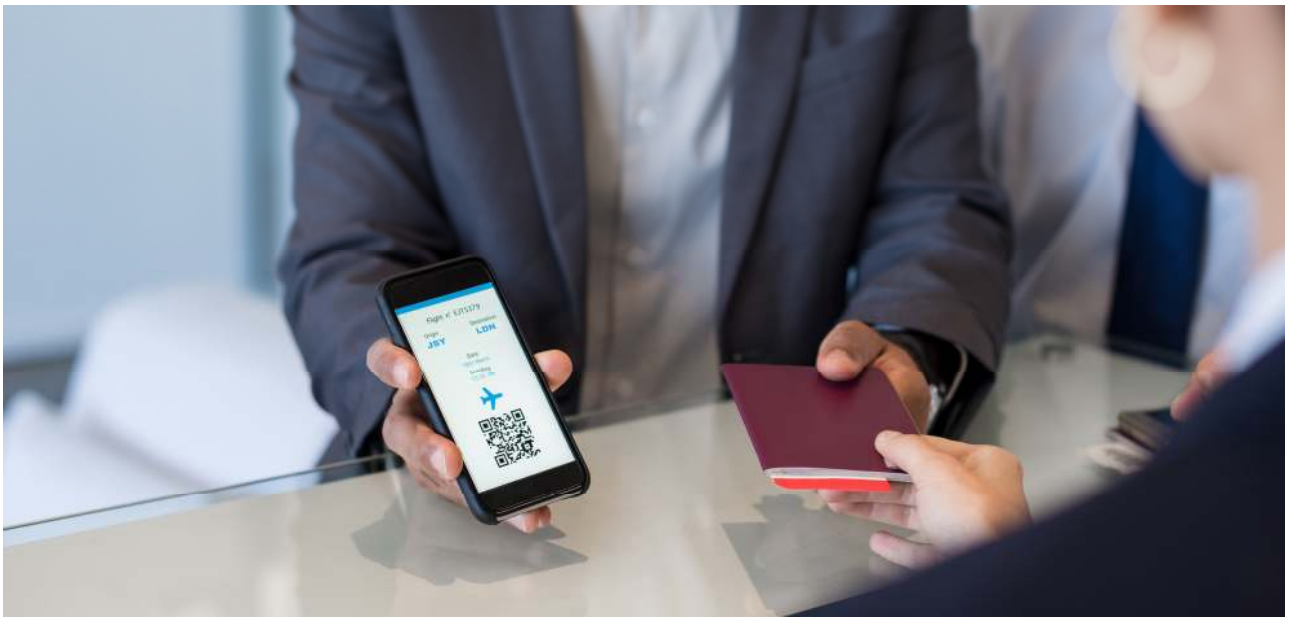
Ensuring fair, reasonable and non-discriminatory access to backhaul for mobile sites for all mobile operators is important to delivering a competitive, vibrant mobile market in the longer term. Consumers benefit as a result of greater choice, better quality and more innovative services.

As a result of a complaint in Jersey and looking at future challenges for supporting 5G, officers are actively looking at backhaul solutions that are cost effective and meet the needs of the market. This may result in CICRA requiring dominant providers / incumbents to develop a new mobile backhaul-only product that provides the technical quality required along with a cost effective price.

Review of wholesale charging for broadband services by network operators to ensure that charges are set at sustainable and equitable levels including the consideration of reporting requirements and other regulatory tools to enforce this requirement

This is being addressed as part of the broadband consultation process.

3. Ports



Regulation of Jersey's airport and sea ports commenced in 2015. All port facilities in Jersey are owned and operated by Ports of Jersey Ltd (PoJ) which, in turn, is 100% owned by the States of Jersey. Two high level objectives have been set in this area.

Protection of consumers of port operation services and facilities through a transparent and relevant range of quality of service standards

A principles-based level of oversight that ensures charges are reasonable

Development of a transparent set of measures that ports users value which will be monitored over time and, where feasible, compared to other port operators

Quality of service measures for PoJ were confirmed in May. The first reporting period was 1 July to 30 September 2018 with first publication of those results on 13 November 2018. Results for the second reporting period ending 31 December are due during quarter 1, 2019.

Recognising that a longer term price control will not be in place for 2018, consider submissions from PoJ for interim pricing adjustments

On 15 March 2018 CICRA issued a Final Notice withdrawing its proposal to allow PoJ to increase its prices effective from 2018 following new information and detail provided by PoJ.

No further submission was received from PoJ during 2018.

Development of a longer term price control framework that ensures a fair sharing of risk and incentives between PoJ and ports users

Following a successful stakeholder seminar in September 2018, in October 2018 CICRA began the process to develop a longer term price control framework for PoJ. A draft decision was issued in December 2018 with the intention that the statutory process will be complete by end of quarter 2, 2019.

4. Post



Regulation of Jersey's postal sector commenced in 2004. The main postal operator is Jersey Post Ltd which is 100% owned by the States of Jersey.

Activities in this area are based on ongoing monitoring and surveillance, in line with our strategic objectives which are to provide oversight of Jersey Post's behaviour and charges based on reliance on competition law by default and economic regulation by exception, as well as to ensure quality of service provision and USO obligations are met.

Post - Ensure the efficiency provision of postal services, including the universal service obligation (USO), that delivers value and quality to postal users and the economy

No issues arising.

Post - Monitoring of quality of service performance and targets for postal operators, to ensure that customers' needs are effectively met

CICRA has continued to monitor compliance with quality of service performance and targets. No significant issues have been identified.

In February 2018, following a request from Jersey Post, CICRA began the statutory process to change Jersey Post's quality of service targets as a result of changes to Royal Mail's processes in the UK. The statutory process was withdrawn when confirmation was received from Royal Mail that the relevant changes would no longer be made.

PERFORMANCE REPORT - WHO WE WORK WITH AND HOW WE WORK

Engagement with stakeholders - Industry and Government

We engage with a wide range of stakeholders across the Channel Islands, including States members, government officials, companies and industry bodies, consumer associations, and fellow regulatory bodies both locally-based and further afield.

An advantage of regulating in the Channel Islands is the relative proximity of key stakeholders. In particular, support the introduction of 5G and provide a longer term pricing framework for the ports sector have benefited from significant 'round table' engagement with industry and government, in conjunction with formal regulatory process.

Our advocacy programme targeted at local law firms has delivered training to 80 lawyers across the Channel Islands. This well-received programme will continue into 2019. We also ran a programme of competition law and procurement training sessions for the States of Guernsey.

Engagement with stakeholders - Consumers and Islanders

Understanding consumers' and Islanders' interests and behaviour is vital to our work. Our offices in Guernsey and Jersey provide us with insights into the particular challenges faced in each jurisdiction, although it is often the case that the challenges faced are common across the Channel Islands.

We undertake research to better understand what matters to consumers and tailor our work accordingly. Our annual Telecommunication Statistics Market Report provides specific insight into the trends in the telecoms sector. And our oversight of quality of service in the telecoms, ports and postal sectors is targeted to identify and focus on those areas that matter most to consumers.

As a result of our intervention, local telecoms operators have voluntarily published details of their retail service standards and compensation and have met the UK standard for dispute resolution.

CICRA receives calls, emails and letters directly from consumers. The information that consumers provide and the issues they highlight help us to prioritise our work. Our contact details are available on our website www.cicra.gg or www.cicra.je.

Engagement with stakeholders - Co-regulators and other bodies

As a founding member of Jersey's Consumer Protection Network, we engage with various regulatory and consumer bodies on a regular basis.

We work alongside Ofcom (the UK telecoms regulator) to support our work in regulating the telecoms sector. This includes collaborative working on cross-border issues and making recommendations for the effective allocation of spectrum, through issuance of wireless telegraphy licences.

When assessing applications for the approval of certain mergers and acquisitions we work alongside colleagues in the UK's Competition and Markets Authority and the European Commission to avoid duplication of effort both on our part and that of the parties to the transaction.

When we regulate

We operate with a bias against intervention, but with a willingness to intervene promptly and effectively where required.

We have choices to make in deciding where to focus our resources and the appropriate approach to take. Our published prioritisation principles support how we decide which matters to focus on, considering whether matters are Actionable (whether we have the power to effect change), Realistic (whether we have the capacity and capability to effect the change to the required legal standard), and Meaningful (the extent of the likely benefit to consumers).

As a consumer-focussed rather than consumer-facing organisation we encourage consumers with complaints to seek to resolve these, in the first instance, with their service provider, through that provider's complaints procedure. We also refer consumers to other consumer organisations such as Trading Standards, Citizen's Advice and Jersey's Consumer Council where these organisations are better placed to provide the consumer with the support they need. We only seek to broker a resolution on an individual consumer's behalf as a last resort.

How we regulate

When available, we regulate in accordance with the policies and frameworks provided by government, such as the telecoms policies published during 2018 by the States of Guernsey and Jersey. Where such policies and frameworks have not yet been developed, we base our work on established best practice elsewhere, having discussed our proposed plans and strategic direction with government.

We will always seek the least intrusive regulatory method of achieving our objective. We refer to this approach as principled pragmatism.

We focus on reducing regulation where it is appropriate to do so and believe that principled pragmatism means ensuring our work is properly targeted and does not impose undue burdens on stakeholders.

Across all areas of work we have regard to the principles of better regulation; that regulation should be transparent, proportionate, consistent, accountable and targeted only at cases where action is needed.

We regulate with a clearly articulated and publicly reviewed strategic objectives and annual work programme that has been the subject of consultation prior to being finalized.

Public consultation is a key way in which stakeholders are able to comment on and respond to our proposals before any final decisions are made. While we consider each consultation on its merits, we generally consult for four weeks to allow stakeholders time to prepare their responses. During 2018 we publicly consulted on 27 occasions (including 14 for competition law matters, 7 for telecoms, 3 for ports, 1 for post, and 1 for electricity and 1 for regulation in general).

During 2018, we reviewed our regulatory consultation process which has resulted in an amended process that allows stakeholders to comment and respond at an early, informal, pre-statutory stage allowing us to deal with such responses flexibly and thoroughly before beginning the statutory process. The amended process also reduces the administrative burden on us and stakeholders through running a Channel Islands process rather than island-specific consultations, which is of particular benefit to the telecoms sector.

Openness, Integrity and Accountability

We abide by the principles of openness, integrity and accountability – and those standards which are widely recognised as being applicable to public service, and to the conduct of all involved in public life. In the discharge of our duties, we will ensure that:

- subject to the appropriate level of confidentiality, we maintain an openness in our public affairs, in order that the islanders can have confidence in the our actions and decision-making processes, in the management of our activities, and in the Members and staff of CICRA itself;
- we maintain, at all times, an appropriate degree of integrity in the conduct of our affairs. Integrity comprises both straightforward dealing and completeness. We base our integrity upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of our funds and management of our affairs;
- we are fully accountable in the application of the fees and grant monies entrusted to us and that these are properly safeguarded, and are used economically, efficiently and effectively.

The three fundamental principles have been refined to include the findings and recommendations of the Nolan Committee on Standards in Public Life. We will make our best efforts to abide by Nolan's seven general principles that underpin public life, namely: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.

Summary

We are a not-for-profit organisation. Where we receive more funding (from grants or licence fees) than we require for any particular year, the surplus income is deferred to the next year. Each of the bodies of which CICRA is comprised therefore has a surplus of £1 for 2018. All of the activities we undertake are separately funded, by island and by sector: cross-subsidisation is not permitted, and common costs are shared between sectors. A working capital balance and an appropriate level of reserves are maintained at all times.

We set a budget for CICRA of £1,872k for 2018, which covered our regulatory and competition law activities across the Channel Islands.

Delivering our duties and value for money

The work we undertake each year varies significantly and is dependent on a range of factors, but we always aim to ensure that we work efficiently both in time and expenditure.

For 2018, the income needed to cover our costs was £1,784k, 5% below budget, of which £779k related to Guernsey and £1,005k related to Jersey. The surplus of the grants and licence fees we received will be retained for future use, or refunded as appropriate, in order to allow us to maintain appropriate working capital and reserves.

Expenditure is closely controlled through maintaining strict internal guidelines for purchasing including tendering for services which, combined with appropriate best practice corporate governance, helps to ensure that CICRA is run as an effective and efficient organisation. Independent internal auditors audit policies and procedures annually, to ensure that high standards are maintained and that appropriate processes are in place.

Grant funding

Grant funding is received from the Committee for Economic Development in Guernsey and the Chief Minister's Department in Jersey to cover the costs of administering and enforcing the Channel Islands' competition laws. Basic funding has remained at £300k per annum in Jersey and £140k per annum in Guernsey since 2011 and 2013 respectively. In Jersey, we only drew down £209k of cash during 2018.

We recognise the financial constraints faced by both islands' governments and have continued to take active measures to reduce our fixed and administrative overheads, rather than restrict our work administering and enforcing competition law.

In addition to grant funding, we receive fees from parties making applications for approval of notifiable mergers and acquisitions. During 2018, these fees amounted to £94k in Jersey and £22k in Guernsey. These applications and costs are by their nature unpredictable. Any costs in excess of fees received are funded through the competition law grant.

In total, the costs for all competition law activity during 2018 was £523k, £158k in Guernsey and £365K in Jersey. Grant income in excess of costs is, with the agreement of the relevant States department, either returned to that department after the year end or held to fund future work.

While we will continue to seek further efficiencies, in the near term, when faced with continued grant freezes, there will be a direct impact on our effectiveness and the impact we can have as the islands' competition body. We will continue engagement with government officials in both islands in this regard.

Licence fees

Sector-specific regulation is funded through licence fees paid by licensed operators in each of the telecoms, postal and ports sectors.[2] The licence fees are calculated based on the forecasted cost of regulating the sector for the year in question.

Any surplus licence fees above costs are either returned to operators after the year end or held to fund future work.

A breakdown of the licence fees charged, the cost of regulating the sector and the surplus for the year is provided below. Amounts returned to licensees are also shown.

£'000	Telecoms				Ports	
	GCRA		JCRA		JCRA	
	2018	2017	2018	2017	2018	2017
Licence and application fees						
- charged in year	596	594	641	619	180	180
- released from reserves	0	0	0	0	0	0
Total	596	594	641	619	180	180
Costs	595	534	477	521	149	143
Surplus for the year	1	60	164	98	31	37
Returned to licensees	117	0	90	0	37	55

£'000	Postal				Electricity	
	GCRA		JCRA		GCRA	
	2018	2017	2018	2017	2018	2017
Licence and application fees						
- charged in year	0	0	22	22	61	0
- released from reserves	0	0	0	0	0	11
Total	0	0	22	22	61	11
Costs	0	0	14	11	26	11
Surplus for the year	0	0	8	11	35	0
Returned to licensees	0	0	11	17	0	0

[2] The electricity sector in Guernsey has also required some work recently, notwithstanding an extant decision of the States of Deliberation to remove electricity from regulation by CICRA.

ACCOUNTABILITY REPORT

ACCOUNTABILITY REPORT – THE CICRA BOARD



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1 Michael O'Higgins - Chair

Michael is Chair of the Local Pensions Partnership and of Calculus VCT, and a non-executive Director of the pensions company Hedgehog. He became the 'Independent Person' for Tunbridge Wells Borough Council in October 2015.

Michael chaired The Pensions Regulator from 2011 to 2014, the Audit Commission from 2006 until 2012 and the NHS Confederation from 2012 to 2015. He was also a non-executive Director of HM Treasury and Chair of the Treasury Group Audit Committee from 2008 to 2014, and a non-executive director of Network Rail from 2012 to 2018. Previously Michael chaired the youth homelessness charity Centrepoint, was a managing partner with PA Consulting (leading its Government and IT Consulting Groups), was a partner at Price Waterhouse, worked at the OECD, and has held several academic posts.

2 Michael Byrne - Chief Executive

Michael has extensive experience applying regulation and competition law in the UK energy, media and telecoms sectors.

Michael holds a diploma in Company Direction from the IoD, an MBA, a post graduate qualification in European Competition Law, and a BSc Honours degree in Mathematical Statistics.

3 Paul Masterton – Senior Independent Director

Paul, a resident of Jersey, joined CICRA as a Non-Executive Board Member in February 2017. He has spent most of his career in the printing and communications industry in the UK, USA and Asia.

From 2008 to 2013, Paul was the Chief Executive of the Durrell Wildlife Conservation Trust, an international wildlife charity.

Paul has a number of directorships in finance, insurance and property development and in 2012 was appointed as the founding Chair of Digital Jersey, a partnership between the States of Jersey and the digital sector to represent and promote the industry. Paul stood down as their Non-Executive Chair in June 2017.

4 Hannah Nixon - Non-Executive Director

Hannah has extensive experience in economic regulation and competition issues, working across a range of industries in the public and private sectors.

She is currently Managing Director of the UK Payment Systems Regulator. Hannah was previously a Senior Partner at Ofgem, the UK gas and electricity regulator; she was also Ofgem's Head of Profession for Economics.

5 John Curran – Non-Executive Director

John is a former Chief Executive of CICRA and led the integration of the Guernsey and Jersey regulators in 2010. He was Director General of the Guernsey Office of Utility Regulation from January 2005 before being asked to also head up the JCRA in 2010.

John is currently a Non-Executive Director of the Channel Islands Financial Ombudsman and of the Guernsey Data Protection Authority. He is a non-voting member of the States of Guernsey Transport Licensing Authority and is Chair of Guernsey Mind.

Before moving to Guernsey in 2003, John worked with the largest telecoms provider in Australia, Telstra, and the Irish telecoms regulator, Comreg, where he was involved with the introduction of competition to the communications market there.

6 Louise Read – Director

Louise is a chartered accountant, with extensive experience of managing finance, personnel and operational aspects of business. She is the Board and Audit and Risk Committee secretary.

Louise is a Chartered Director of the IoD, a fellow of the Institute of Chartered Accountants in England and Wales and holds a BSc in Accounting and Management Sciences from the University of Southampton.

7 Philip Marsden - Non-Executive Director

Philip is a competition lawyer with a particular interest in abuse of dominance, consumer welfare, innovation incentives and international competition issues.

Philip's terms of office for both the JCRA and GCRA ended on 31 August 2018.

8 Peter Neville – Non-Executive Director

Peter, a resident of Guernsey, has more than 36 years' experience in the financial services and financial services regulatory sectors in the UK and overseas including serving as the Director General of the Guernsey Financial Services Commission from 2001 to 2009.

Peter resigned his position effective from 27 July 2018.

ACCOUNTABILITY REPORT – THE CICRA TEAM



Matthew Harrison – Management Accountant and Analyst

Accounting, ports regulation, telecoms analytics

Anna Johnson – In-house Counsel

Competition and regulatory laws, legal practice and procedure





Jill Perkins – Office Manager

Office administration, event co-ordination

Sarah Livestro – Legal Director

Competition law





Sarah Price – Project manager

Mergers and acquisitions, competition law and telecoms regulation

Tim Ringsdore – Director

Telecoms regulation





Kevin Werry – Telecoms Regulatory Manager

Telecoms and postal regulation

ACCOUNTABILITY REPORT – GOVERNANCE STATEMENT

The governance structure

While CICRA is not subject to the UK Corporate Governance Code, the Board is committed to maintaining a high standard of corporate governance. The Board follows the Corporate Governance Handbook which is based on the best practice principles of the UK Corporate Governance Code, issued by the Financial Reporting Council, where it is appropriate and practical to do so.

CICRA

CICRA consists of two separate statutory bodies corporate, the Jersey Competition Regulatory Authority under Article 2 of the Competition Regulatory Authority (Jersey) Law 2001 and the Guernsey Competition and Regulatory Authority under Section 1 of the Guernsey Competition and Regulatory Authority Ordinance, 2012.

The Board

CICRA is led by a joint Board. Legislation requires CICRA to comprise, as a minimum, three Members, with one as Chair. As at 31 December 2018, the Board consisted of a Chair, three non-executive directors and two executive directors. The Board leads the organisation. Its core activities include:

- Establishing and maintain CICRA's vision, mission and values
- Setting and monitoring the overall strategy and structure
- Acting as the decision-making authority as established in law
- Board and executive management and succession planning
- Defining CICRA's appetite for risk
- Obtaining assurance that material risks to CICRA are identified and that appropriate systems of risk management and control exist to mitigate such risks

The Board believes that Members have, between them, a wide range of experience which ensures an effective Board to lead and control CICRA.

The non-executive members comprise a majority of the board. Paul Masterton holds the position of the senior non-executive member.

The Board considers all the non-executive members to be independent of management and free of any business or other relationship which could materially interfere with the exercise of their judgment. However, should circumstances arise which suggest an actual or perceived conflict of interest, appropriate action is taken to ensure that independence is maintained.

Appointments to the Board

The Chair is appointed concurrently as Chair of the GCRA by the States of Deliberation in Guernsey on the recommendation of the Committee for Economic Development and Chair of the JCRA by the States of Jersey on the recommendation of the Chief Minister. Members are appointed to the Boards of the GCRA and JCRA by the Committee for Economic Development and the Chief Minister respectively after consultation with the Chair. Vacancies which arise are filled through an open and transparent process, consistent with the procedures recommended by the Jersey Appointments Commission. Customarily, appointments are for periods of three years although periods of up to five years are provided for in legislation and shorter appointments may be made when appropriate.

The Chair

The Board is led by the Chair, who manages the Board to ensure that

- CICRA has appropriate strategic objectives and an effective forward work programme
- The Executive directors and senior management are able to deliver against the strategic objectives and forward work programme
- Procedures are in place to inform the Board of performance against the strategic objectives and forward work programme
- A structure is in place to allow the effective contribution of all Members
- The Audit and Risk Committee is properly established, composed and operated
- CICRA is operating in accordance with the highest standards of corporate governance

Board Assessment

During 2018, the Board commissioned an independent effectiveness review. The main recommendations from the review were around strategic focus and stakeholder engagement.

Meetings

The Board meets regularly. Customarily, there are eight scheduled meetings each year with additional meetings when circumstances require it. During 2018, the GCRA board met on 11 occasions and the JCRA board met on 12 occasions. The table below details meetings and attendances for 2018.

Member	GCRA		JCRA	
	Board	*Audit and Risk*	*Board*	*Audit and Risk*
Michael O'Higgins	9/9	-	10/10	-
Philip Marsden	7/8	0/1	8/9	0/1
Hannah Nixon	9/10	3/3	10/12	3/3
Peter Neville	5/6	1/1	6/7	1/1
Paul Masterton	10/10	3/3	12/12	3/3
John Curran	3/3	2/2	3/3	2/2
Michael Byrne	9/10	3*/3	11/12	3*/3
Louise Read	10/10	3*/3	12/12	3*/3

* in attendance only

Board Committees

Legislation allows CICRA to established committees, which it has done through the establishment of an Audit and Risk Committee. The members of this committee are the non-executive members, excluding the Chair; they are appointed by the Board. Hannah Nixon succeeded Philip Marsden as committee Chair in September 2018. Executive members attend Committee meetings in an advisory capacity. The key duties of the Committee are to

- consider certain matters relating to the external audit, including reviewing the financial statements prior to their consideration by the board
- review the mechanisms for ensuring the effectiveness of internal controls
- review and agree the internal auditor's work plan, monitor and review the effectiveness of internal audit work, and review all reports produced, monitoring the response to the findings and recommendations
- meet with the internal and external auditors at least once per year without the presence of the Executive
- review annually the application of corporate governance best practice

ACCOUNTABILITY REPORT – REMUNERATION REPORT

In preparing the remuneration report the Board has given consideration to, and adopts the provisions of, the UK Corporate Governance Code where it considers it is appropriate, proportionate and applicable.

General policy

The Board believes that CICRA should, within the constraints of being a public body, provide rewards that will attract and retain the high-calibre management necessary for CICRA to fulfil its statutory remit and responsibilities. This overall approach is not expected to change in the coming year.

The remuneration paid to Executive Members and the fees paid to non-executive Members are set with the agreement of the Committee of Economic Development in Guernsey and the Chief Minister in Jersey.

Components of remuneration

The main components of Executive Members' remuneration are salary and other benefits.

Executive Members are members of each authority and employees of either the JCRA or GCRA.

Executive Members receive no fees as members of the Authorities.

The basic salary for Executive Members is determined by taking into account each individual's responsibilities, performance and experience together with market trends. All basic salaries are reviewed annually, effective 1 January, by the non-executive members. Recommended changes are notified to the Committee for Economic Development in Guernsey and the Chief Minister in Jersey for approval.

In addition to salary, Jersey based Executive Members receive certain benefits; specifically private medical insurance, life insurance, critical illness insurance and a contributory pension scheme. These benefits are not disclosed in the remuneration tables below because they are not taxable as benefits in kind.

Non-executive Members' remuneration

Fees are determined by the Chief Minister in Jersey and the Committee for Economic Development in Guernsey. Customarily, each member's fees are split equally between the GCRA and JCRA.

During 2018, the Chief Minister in Jersey reached an agreement with the Chair to increase the number of days which he worked for the JCRA for 2018 only. The objective was to use the time to improve relations with leaders in the business community, including regulated entities and those affected by competition issues. In total the Chair spent an additional 8 days on JCRA matters.

Remuneration schedules

Details of the remuneration received for the Board are set out in the following tables. The tables reflect the remuneration for that part of the year during which individuals were members of the Board.

CICRA EXECUTIVE MEMBER REMUNERATION 2018

Executive Member	GCRA		JCRA	
	2018 £	2017 £	2018 £	2017 £
Michael Byrne	82,500	82,500	82,500	82,500
Louise Read	54,641	54,641	54,641	54,641
Total	137,141	137,141	137,141	137,141

CICRA NON-EXECUTIVE MEMBER REMUNERATION 2018

Member	GCRA		JCRA		Shared expenses	
	2018 £	2017 £	2018 £	2017 £	2018 £	2017 £
Michael O'Higgins	25,000	25,000	38,333[++]	25,000	7,108	5,151
Hannah Nixon	10,000	10,391	10,000	10,391	2,073	2,364
Paul Masterton	10,000	8,833[+]	10,000	8,833[+]	634	742[+]
John Curran	3,333[+]	-	3,333[+]	-	710	-
Peter Neville	5,758[+]	9,042[+]	5,758[+]	9,042[+]	320[+]	1,143[+]
Philip Marsden	8,000[+]	12,000	8,000[+]	12,000	1,219[+]	1,779
Total	62,091	65,266	75,424	65,266	12,064	11,179

+part year only ++ includes additional work commissioned by Jersey's Chief Minister's Department

FINANCIAL STATEMENTS

MEMBERS' REPORT FOR THE FINANCIAL STATEMENTS

Members

The Members in office during the year are shown on pages 25 to 26.

Events after the end of the reporting period

There have been no events between the statement of financial position date and the date when the financial statements were authorised for issue that need to be disclosed or recognised in the financial statements.

Likely future developments in the activities of CICRA

No significant change in the activities of the GCRA or JCRA is currently foreseen.

Independent auditor

The auditor, BDO Limited, which was appointed in accordance with Section 13(4)(a) of The Guernsey Competition and Regulatory Authority Ordinance, 2012, and Article 17 of the Competition Regulatory Authority (Jersey) Law 2001, has indicated its willingness to continue in office as auditor.

Members' disclosure

As far as the members are aware, there is no relevant audit information of which the auditor has not been made aware. All reasonable steps have been taken by the members in order to make themselves aware of any relevant audit information to establish that the auditor is aware of this information.

Members' responsibilities

The Members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The Guernsey Competition and Regulatory Authority Ordinance, 2012, and the Competition Regulatory Authority (Jersey) Law 2001 require Members to keep proper accounts and proper records in relation to those accounts. The Members therefore consider themselves responsible for keeping adequate accounting records that are sufficient to show and explain the GCRA's and JCRA's transactions and disclose with reasonable accuracy, at any time, the financial position of the GCRA and JCRA and which enable them to ensure that these financial statements comply with the Ordinance and the Law. They also consider that they are responsible for safeguarding the assets of the GCRA and JCRA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Ordinance also requires Members to prepare accounts in respect of each financial year, and once audited by auditors appointed by the States of Guernsey on the recommendation of the Public Accounts Committee, to submit to the Committee for Economic Development, a statement of account giving a true and fair review of the state of the GCRA's affairs together with the auditor's report. The Committee for Economic Development, in turn, must submit the accounts and the auditor's report thereon to the States of Guernsey.

The Law also requires Members to prepare accounts in respect of each financial year, and once audited by auditors appointed by the Auditor and Comptroller General, to submit to the Chief Minister's Department the accounts together with the auditor's report. The Chief Minister's Department, in turn, must submit the accounts and auditor's report thereon to the States of Jersey.

The Members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing the financial statements the Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the GCRA and JCRA will continue in operation.

The Members confirm that these financial statements comply with these requirements.

[Signed on Original]

Louise Read

Secretary

11 March 2019

FINANCIAL STATEMENTS

GUERNSEY COMPETITION AND REGULATORY AUTHORITY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GUERNSEY COMPETITION AND REGULATORY AUTHORITY

Opinion

We have audited the financial statements of Guernsey Competition and Regulatory Authority ("the Authority") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice').

In our opinion, the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Guernsey Competition and Regulatory Authority Ordinance, 2012.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a

material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Members

As explained more fully in the Statement of Members' Responsibilities, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Authority's members, as a body, in accordance with Section 13 of The Guernsey Competition and Regulatory Authority Ordinance, 2012. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signed on Original]

BDO Limited
Chartered Accountants
Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date

GUERNSEY COMPETITION AND REGULATORY AUTHORITY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018		2017
		£		£
INCOME				
Telecommunications licence and application fees		594,485		534,135
Electricity licence and application fees		26,474		10,849
Postal licence fees		-		-
Competition law grant		136,208		124,154
Mergers and acquisitions fees		21,500		10,500
		778,667		679,638
EXPENDITURE				
Salaries and staff costs		522,211		408,219
Consultancy fees		53,351		97,554
Operating lease rentals		61,070		57,157
Travel and entertainment		30,909		20,095
Conference and course fees		7,928		18,434
Depreciation	3	14,122		9,802
Administration expenses		10,316		10,050
Legal and professional fees		8,643		1,288
Audit and accountancy fees		16,906		10,107
Advertising and publicity		14,218		16,531
Repairs and maintenance		22,774		18,541
Heat, light and water		2,489		2,480
Recruitment		3,479		1,348
General expenses		10,250		8,031
		778,666		679,637
SURPLUS FOR THE FINANCIAL YEAR	6	1		1

Where the GCRA receives more funding than it spends on its activities, the surplus income is deferred. Any shortfall in the year is released from deferred income. The GCRA therefore has a surplus of £1 for 2017 and 2018.

STATEMENT OF TOTAL COMPREHENSIVE INCOME

There are no differences between the surpluses for the financial years stated above and total comprehensive income.

The notes on pages 41 to 46 form an integral part of these financial statements.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018		2017
		£		£
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus for the financial year		1		1
Adjustments for:				
Depreciation of fixed assets	3	14,122		9,802
Decrease in debtors and prepayments	4	2,713		16,073
(Decrease) / Increase in creditors	5	(52,823)		72,882
Net cash (used in) / generated from operating activities		(35,987)		98,758
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of fixed assets	3	(11,595)		(14,625)
Net cash used in investing activities		(11,595)		(14,625)
Net (decrease) / increase in cash and cash equivalents		(47,582)		84,133
Cash and Cash Equivalents at the Beginning of the Year		461,476		377,343
CASH AND CASH EQUIVALENTS AT THE YEAR END		413,894		461,476

The notes on pages 41 to 46 form an integral part of these financial statements.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	2018		2017
		£		£
FIXED ASSETS				
Fixed assets	3	37,483		40,010
CURRENT ASSETS				
Debtors and prepayments	4	21,927		24,640
Cash and cash equivalents		413,894		461,476
		435,821		486,116
CURRENT LIABILITIES				
Creditors: amounts falling due within one year	5	273,302		326,125
Net Current Assets		162,519		159,991
TOTAL ASSETS LESS CURRENT LIABILITIES		200,002		200,001
RETAINED SURPLUS	6	200,002		200,001

The financial statements on pages 38 to 46 were approved on 11 March 2019 and authorised for issue by the Members, and signed on their behalf by:

[Signed on Original]

Michael O'Higgins

Chair

The notes on pages 41 to 46 form an integral part of these financial statements.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The presentation currency of these financial statements is sterling with all amounts rounded to the nearest whole pound.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires members to exercise judgement in applying the accounting policies.

The following principal accounting policies have been consistently applied:

a) Income

Income is received from a government grant and other charges raised in respect of the GCRA's responsibilities as the administrator and enforcer of Guernsey's competition law, as well as through fees raised through the licensing regime in place for certain sectors. Further details are given below:

i) Grants and other charges

Grants received are of a revenue nature and are recognised in the statement of comprehensive income in the same period as the related expenditure. The grant received for 2018 was £140,000 (2017:£140,000). £136,208 is reflected in the statement of comprehensive income in order to match the expenditure incurred in relation to competition law matters during 2018. 'Mergers and acquisitions fees' comprises fees received for the assessment of certain notifiable mergers and acquisitions. These fees are recognised in the statement of comprehensive income once the proposed transaction has been formally registered with the GCRA. Fees received in 2018 were £21,500 (2017: £10,500) with £21,205 (2017:£13,903) reflected in the statement of comprehensive income to recognise the expenditure incurred. Any unused funds at the financial year end are either deferred or repaid to the Committee for Economic Development. Any deficits are funded from agreed releases of deferred income or recovered from future grants. The surplus grant income deferred for the year amounted to £3,792 (2017: £15,846).

ii) Licence fees

Licence fees across regulated sectors are set on the basis of cost recovery in accordance with sector-specific legislation and are recognised in the period to which they relate. The GCRA's costs are estimated on an annual basis and these are recovered either by applying a percentage to the licensed revenue of each licensed operator (in the case of telecoms) or through charging an annual fee (in the cases of post and electricity). If fee income exceeds costs the balance is transferred to deferred income. License fee percentages / charges and deferred income balances are set out overleaf:

	2018		2017	
	Licence fee % / charge	*Deferred income balance*	*Licence fee % / charge*	*Deferred income balance*
Telecoms	1.1% of relevant turnover	£62,392	1.1% of relevant turnover	£179,110
Post	-	£20,988	-	£20,988
Electricity	£60,500	£50,121	-	£16,095

b) Expenditure

Expenditure is accounted for on an accruals basis and is measured at its transaction price.

c) Fixed assets

Fixed assets are stated at cost less depreciation. Depreciation is provided on all fixed assets at rates calculated to write down their cost on a straight line basis to their estimated residual values over their expected useful economic lives. The depreciation rates used are as follows:

Office equipment	20% per annum
Fixtures and fittings	20% per annum
Computer equipment	20% per annum
Website costs	33% per annum
Leasehold improvements	shorter of remaining length of lease or expected useful life

Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

d) Leasing commitments

All leases entered into by the GCRA are operating leases. Rentals payable under operating leases are charged in the statement of comprehensive income on a straight line basis over the lease term.

e) Taxation

Under section 12 of The Guernsey Competition and Regulatory Authority Ordinance, 2012 the GCRA is exempt from Guernsey income tax.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the GCRA's accounting policies, which are described in note 1, the Members are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. The critical judgements made by management that have a significant effect on the amounts recognised in the financial statements are described below:

- Determined whether leases entered into by the GCRA as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the GCRA's fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future performance of the asset.
- Determined the split of general expenses incurred for work undertaken under the aegis of the Channel Islands Competition and Regulatory Authorities. These decisions depend on an assessment of resource allocation, including that of staff time.
- Determining the appropriate treatment for the costs incurred in developing a new website. Factors taken into consideration in reaching the decision include: the ability to separate the asset from the GCRA; the benefit of an improved website internally and externally; the intention to complete the project and bring the website into use, noting that it has the resources so to do; and the ability to reliably measure the expenditure incurred on developing the website during the development phase.

Key sources of estimation uncertainty:

- Fixed assets (see note 3) are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3. FIXED ASSETS

	Leasehold Improvements	Computer Equipment	Website	Fixtures & Fittings	Office Equipment	Total
	£	£	£	£	£	£
Cost						
As at 1 January 2018	33,494	13,497	15,376	20,093	497	82,957
Additions	1,267	8,703	1,625	-	-	11,595
Disposals	-	(1,581)	-	-	-	(1,581)
As at 31 December 2018	34,761	20,619	17,001	20,093	497	92,971
Depreciation						
As at 1 January 2018	13,300	10,587	2,114	16,449	497	42,947
Provided for the year	5,871	1,708	5,556	987	-	14,122
Disposals	-	(1,581)	-	-	-	(1,581)
As at 31 December 2018	19,171	10,714	7,670	17,436	497	55,488
Net Book Value						
As at 31 December 2018	15,590	9,905	9,331	2,657	-	37,483
As at 31 December 2017	20,194	2,910	13,262	3,644	-	40,010

4. DEBTORS AND PREPAYMENTS

	2018		2017
	£		£
Prepayments	20,802		17,598
Amount due from the Jersey Competition Regulatory Authority	937		3,818
Other debtors	188		3,224
	21,927		24,640

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018		2017
	£		£
Accruals	29,170		20,158
Deferred licence fee and grant income	222,078		300,978
Trade creditors	3,202		1,785
Amounts due to the Jersey Competition and Regulatory Authority	18,852		3,204
	273,302		326,125

6. MOVEMENT ON RETAINED SURPLUS

	2018		2017
	£		£
At 1 January	200,001		200,000
Surplus for the year	1		1
	200,002		200,001

7. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018 the GCRA had commitments under non-cancellable operating leases as set out below:

	Buildings 2018		2017
	£		£
Amounts payable under operating leases:			
Not later than one year	58,150		57,445
In more than one year but less than five years	86,030		144,339
	144,180		201,784

In February 2015, with the consent of the CfED, the GCRA entered into a six and a half-year lease at a cost of £54,000 per annum, including service charge and parking for office accommodation at La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey. The rental amount increased to £58,150 per annum in February 2018.

8. RELATED PARTY DISCLOSURES

a) The GCRA and the Committee for Economic Development (CfED)

The GCRA acts independently of the States of Guernsey, but is accountable to the States of Guernsey through the CfED for funding received to administer and enforce Guernsey's competition law, which is also covered by a service level agreement. The CfED acts as a conduit for requests from other States departments which may request the GCRA to carry out projects. The GCRA reports formally to the States of Guernsey through the CfED on an annual basis.

In 2018, the CfED provided £140,000 (2017: £140,000) in funding to the GCRA to finance the administration and enforcement of The Competition (Guernsey) Ordinance, 2012 under the provisions contained within that legislation. The funding surplus for the year ended 31 December 2018, which has been notified to CfED as required under the service level agreement, amounted to £3,792 (2017: £15,846). The accumulated balance of deferred grant income at the year-end was £88,577 (2017: £84,785).

b) The GCRA and the Jersey Competition Regulatory Authority (JCRA)

The GCRA and the JCRA work together under the aegis of CICRA, sharing a board, resources and expertise between the islands, whilst retaining their own separate legal identities. Recharges are made for expenses incurred (including staff costs) on a no gain no loss basis.

During 2018, £72,636 (2017: £249,500) was invoiced by the GCRA to the JCRA and £123,966 (2017: £84,501) was invoiced by the JCRA to the GCRA. At the statement of financial position date the amount owed by the GCRA to the JCRA was £18,852 (2017: £3,204) and the amount owed by the JCRA to the GCRA was £937 (2017: £3,818).

c) Key management personnel

Key management personnel include all members of the GCRA who together have authority and responsibility for planning, directing and controlling the Authority's activities. The total compensation paid to key management personnel for services provided to the GCRA was £210,207 (2017: £213,049).

9. EVENT AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

A consultant which undertook a piece of work during 2018 decided during 2019 not to charge for the services provided, resulting in the cancellation of a liability of £7,300. This amount will be recognised in the financial year ending 31 December 2019.

FINANCIAL STATEMENTS

JERSEY COMPETITION REGULATORY AUTHORITY

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF JERSEY COMPETITION AND REGULATORY AUTHORITY

Opinion

We have audited the financial statements of Jersey Competition and Regulatory Authority ("the Authority") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice').

In our opinion, the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Competition Regulatory Authority (Jersey) Law, 2001.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the

work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Members

As explained more fully in the Statement of Members' Responsibilities, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Authority's members, as a body, in accordance with Article 17 of the Competition Regulatory Authority (Jersey) Law, 2001. Our audit work has been undertaken so that we might state to Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signed on Original]

BDO Limited
Chartered Accountants
Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date

JERSEY COMPETITION REGULATORY AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018		2017
		£		£
INCOME				
Telecommunications licence fees		476,805		521,342
Postal licence fees		13,770		10,810
Ports of Jersey incorporation grant and licence fees		149,458		142,547
Competition law grant and other competition law funding		271,412		507,059
Mergers and acquisitions fees		94,000		85,482
		1,005,445		1,267,240
EXPENDITURE				
Salaries and staff costs		636,322		578,554
Consultancy fees		82,488		147,688
Operating lease rentals		58,996		60,527
Travel and entertainment		30,282		23,800
Conference and course fees		8,416		17,607
Depreciation	3	7,772		5,826
Administration expenses		7,731		8,847
Legal and professional fees		87,965		352,128
Audit and accountancy fees		19,521		10,593
Advertising and publicity		14,218		16,354
Repairs and maintenance		22,842		19,481
Heat, light and water		2,836		2,094
Recruitment		3,479		3,936
General expenses		22,576		19,804
		1,005,444		1,267,239
SURPLUS FOR THE FINANCIAL YEAR	6	1		1

Where the JCRA receives more funding than it spends on its activities, the surplus income is deferred. Any shortfall in the year is released from deferred income. The JCRA therefore has a surplus of £1 for 2017 and 2018.

STATEMENT OF TOTAL COMPREHENSIVE INCOME

There are no differences between the surpluses for the financial years stated above and total comprehensive income.

The notes on pages 53 to 58 form an integral part of these financial statements.

JERSEY COMPETITION REGULATORY AUTHORITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018		2017
		£		£
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus for the financial year		1		1
Adjustments for:				
Depreciation of fixed assets	3	7,772		5,826
(Increase) / Decrease in debtors and prepayments	4	(15,124)		196,000
Increase / (Decrease) in creditors	5	7,896		(102,717)
Net cash generated from operating activities		545		99,110
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of fixed assets	3	(3,553)		(9,471)
Net cash used in investing activities		(3,553)		(9,471)
Net (decrease) / increase in cash and cash equivalents		(3,008)		89,639
Cash and cash equivalents at beginning of the year		552,859		463,220
CASH AND CASH EQUIVALENTS AT THE YEAR END		549,851		552,859

The notes on pages 53 to 58 form an integral part of these financial statements.

JERSEY COMPETITION REGULATORY AUTHORITY
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	2018		2017
		£		£
FIXED ASSETS				
Fixed assets	3	15,359		19,578
CURRENT ASSETS				
Debtors and prepayments	4	49,733		34,609
Cash and cash equivalents		549,851		552,859
		599,584		587,468
CURRENT LIABILITIES				
Creditors: amounts falling due within one year	5	489,486		481,590
Net Current Assets		110,098		105,878
TOTAL ASSETS LESS CURRENT LIABILITIES		125,457		125,456
RETAINED SURPLUS	6	125,457		125,456

The financial statements on pages 50 to 58 were approved on 11 March 2019 and authorised for issue by the Members and signed on their behalf by:

[Signed on Original]

Michael O'Higgins

Chair

The notes on pages 53 to 58 form an integral part of these financial statements.

JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The presentation currency of these financial statements is sterling with all amounts rounded to the nearest whole pound.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Members to exercise judgement in applying the accounting policies.

The following principal accounting policies have been consistently applied:

a) Income

Income is received from government grant and other charges raised in respect of the JCRA's responsibilities as the administrator and enforcer of Jersey's competition law and through fees raised through the licensing regime in place for certain sectors. Further details are given below:

i) Grants and other charges

Grants received are of a revenue nature and are recognised in the statement of comprehensive income in the same period as the related expenditure. The grant received for 2018 was £209,000 (2017:£300,000), and £62,412 was released from deferred income. No additional cash funding was provided (2017: Additional cash funding of £315,331 was also provided for specific expenses, although income of £108,271 was deferred). 'Mergers and acquisitions fees' comprises fees received for the assessment of certain notifiable mergers and acquisitions. They are recognised in the statement of comprehensive income once the proposed transaction has been formally registered with the JCRA, with partial deferral of fees where the work has not yet been completed at the year end. Fees recognised in 2018 were £94,000 (2017: £85,482) with expenditure of £91,031 (2017:£55,419) reflected in the statement of comprehensive income. Any unused funds at the financial year end are either deferred or repaid to the Chief Minister's Department. Any deficits are funded from agreed releases of deferred income or recovered from future grants. Total deferred grant income as at 31 December amounted to £128,087 (2017: £190,499).

ii) Licence fees

Licence fees across all regulated sectors are set on the basis of cost recovery in accordance with sector-specific legislation and are recognised in the period to which they relate. The JCRA's costs are estimated on an annual basis and these are recovered either by applying a percentage to the licensed revenue of each licensed operator (in the case of telecoms) or through charging an annual fee (in the cases of post and ports). If fee income exceeds costs, the balance is transferred to deferred income. Licence fee percentages / charges and deferred income are set out overleaf:

1. ACCOUNTING POLICIES (CONTINUED)

	2018		2017	
	Licence fee % / charge	Deferred income balance	Licence fee % / charge	Deferred income balance
Telecoms	0.75% relevant turnover	£262,352	0.75% relevant turnover	£187,455
Post	Class II £20,000 Class I £1,000	£9,730	Class II £20,000 Class I £1,000	£12,690
Ports	£180,000	£30,542	£180,000	£37,453

b) Expenditure

Expenditure is accounted for on an accruals basis and is measured at its transaction price.

c) Fixed assets

Fixed assets are stated at cost less depreciation. Depreciation is provided on all fixed assets at rates calculated to write down their cost on a straight line basis to their estimated residual values over their expected useful economic lives. The depreciation rates used are as follows:

Other equipment	20% per annum
Fixtures and fittings	10% per annum
Computer equipment	33% per annum
Website costs	33% per annum
Leasehold improvements	shorter of remaining length of lease or expected useful life

Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

d) Leasing commitments

All leases entered into by the JCRA are operating leases. Rentals payable under operating leases are charged in the statement of comprehensive income on a straight line basis over the lease term.

e) Pensions

The JCRA provides a defined contribution pension scheme to some of its employees. Contributions are charged in the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

f) Taxation

Article 16 of the Competition Regulatory Authority (Jersey) Law 2001 provides that the income of the JCRA shall not be liable to income tax under the Income Tax (Jersey) Law 1961.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the JCRA's accounting policies, which are described in note 1, the Members are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. The critical judgements made by management that have a significant effect on the amounts recognised in the financial statements are described below:

- Determined whether leases entered into by the JCRA as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the JCRA's fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future performance of the asset.
- Determined the split of expenses incurred for work undertaken under the aegis of the Channel Islands Competition and Regulatory Authorities. These decisions depend on an assessment of resource allocation, including that of staff time.
- Determining the appropriate treatment for the costs incurred in developing a new website. Factors taken into consideration in reaching the decision include: the ability to separate the asset from the JCRA, the benefit of an improved website internally and externally, the intention to complete the project and bring the website into use, noting that it considers that it has the resources so to do, and the ability to reliably measure the expenditure incurred on developing the website during the development phase.

Key sources of estimation uncertainty:

- The liability arising from an order of costs against the Authority by the Royal Court has not yet been determined (see note 10). The Authority has considered the likely amount of the costs to be reimbursed, taking into account available sources of information and the advice of its lawyers.
- Tangible fixed assets (see note 3) are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3. FIXED ASSETS

	Leasehold Improvements	Computer Equipment	Website	Fixtures & Fittings	Equipment	Total
	£	£	£	£	£	£
Cost						
As at 1 January 2018	38,570	35,476	15,376	22,266	989	112,677
Additions	-	1,928	1,625	-	-	3,553
Disposals	-	-	-	-	-	-
As at 31 December 2018	38,570	37,404	17,001	22,266	989	116,230
Depreciation						
As at 1 January 2018	36,650	34,358	2,114	18,988	989	93,099
Provided for the year	563	1,130	5,557	522	-	7,772
Disposals	-	-	-	-	-	-
As at 31 December 2018	37,213	35,488	7,671	19,510	989	100,871
Net Book Value						
As at 31 December 2018	1,357	1,916	9,330	2,756	-	15,359
As at 31 December 2017	1,920	1,118	13,262	3,278	-	19,578

4. DEBTORS AND PREPAYMENTS

	2018		2017
	£		£
Prepayments	22,886		27,072
Amounts due from the Guernsey Competition and Regulatory Authority	18,852		3,204
Trade and other debtors	7,995		4,333
	49,733		34,609

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018		2017
	£		£
Accruals	49,367		30,015
Deferred grant income	128,087		190,499
Deferred licence fee income and amounts paid in advance	302,624		240,292
Deferred mergers and acquisitions fee income	-		9,000
Trade and other creditors (see also note 10)	8,471		7,966
Amounts due to the Guernsey Competition and Regulatory Authority	937		3,818
	489,486		481,590

6. MOVEMENT ON RETAINED SURPLUS

	2018		2017
	£		£
At 1 January	125,456		125,455
Surplus for the year	1		1
At 31 December	125,457		125,456

7. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018 the JCRA had commitments under non-cancellable operating leases as set out below:

	Buildings 2018		2017
	£		£
Amounts payable under operating leases:			
Not later than one year	58,263		56,906
In more than one year but less than five years	84,202		26,660
	142,465		83,566

The amount shown above relates to a five year lease which had an option to break at the end of year three for the JCRA's office in Salisbury House, Union Street, St. Helier. The lease expires in June 2021.

8. PENSION COMMITMENTS

The JCRA provides a defined contribution pension scheme (the Public Employees Contributory Retirement Scheme) to some of its employees. The assets of the scheme are held separately from those of the JCRA in an independently administered fund. Contributions of £20,326 (2017: £20,326) were paid across in the year. There were no unpaid contributions at the year end.

9. RELATED PARTY DISCLOSURES

a) The JCRA and the Chief Minister

The JCRA acts independently of the States of Jersey, but is accountable to the States of Jersey through the Chief Minister for the funding it receives to administer and enforce Jersey's competition law, and the funding is covered by a service level agreement. The Chief Minister acts as a conduit for requests from other Ministers who may request the JCRA to carry out projects. The JCRA reports formally to the States of Jersey through the Chief Minister on an annual basis.

In 2018, the Chief Minister's Department provided £209,000 (2017: £300,000) in funding to the JCRA to finance the administration and enforcement of the Competition (Jersey) Law 2005. No additional funding was provided (2017: £315,331). As at the year end the balance of deferred grant income due to the Chief Minister's Department was £128,087 (2017: £190,499).

b) The JCRA and the Guernsey Competition and Regulatory Authority (GCRA)

The JCRA and the GCRA work together under the aegis of CICRA, sharing a board, resources and expertise between the islands, whilst retaining their own separate legal identities. Recharges are made for expenses incurred (including staff costs) on a no gain no loss basis.

During 2018, £123,966 (2017: £84,501) was invoiced by the JCRA to the GCRA and £72,636 (2017: £249,500) was invoiced by the GCRA to the JCRA. At the statement of financial position date the amount owed by the JCRA to the GCRA was £937 (2017: £3,818) and the amount owed by the GCRA to the JCRA was £18,852 (2017: £3,204).

c) Key management personnel

Key management personnel includes all members of the JCRA who together have authority and responsibility for planning, directing and controlling the activities of the JCRA. The total compensation paid to key management personnel for services provided to the JCRA was £223,540 (2017: £213,049).

10. CONTINGENT LIABILITY

In January 2018, the Royal Court issued a judgment overturning a decision of the JCRA on appeal. Costs on a standard basis were subsequently awarded to the appellant, although the cost to the JCRA has not yet been determined. The probable amount of the resultant liability has been considered and the Authority is confident that it will be able to meet the liability from available sources of funding and continue its other competition-related activities. Competition law grant funding or other sources of funding specifically designated for the purpose were required to finance the cost of defending the appeal, and this will apply to the amount payable to the appellant. During 2018, no additional funding (2017: £315,331) was agreed in relation to the JCRA's costs of defending the appeal.

11. EVENT AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

A consultant which undertook a piece of work during 2018 decided during 2019 not to charge for the services provided, resulting in the cancellation of a liability of £7,300. This amount will be recognised in the financial year ending 31 December 2019.