



Economic Affairs Scrutiny Panel Ports of Jersey Incorporation

WEDNESDAY, 22nd APRIL 2015

Panel:

Connétable J.E. Le Maistre of Grouville (Chairman)

Deputy S.M. Brée of St. Clement

Deputy D. Johnson of St. Mary

Connétable M.J. Paddock of St. Ouen

Witnesses:

Group Chief Executive Officer, Ports of Jersey

Deputy Chief Executive Officer and Director of Resources, Ports of Jersey

Other:

Ms. L. Congdon, adviser

[11:00]

Connétable J.E. Le Maistre of Grouville (Chairman):

Thank you for coming. I hope you do not mind if our adviser asks questions as well.

Group Chief Executive Officer:

Please.

The Connétable of Grouville:

If that is okay. We will go straight down to it. Some of the questions we asked of the board earlier and we have indeed probably asked them of you before. If we can start off with the business case and we will revisit the commercial projects. As you have heard earlier, we have our doubts as to whether the first 9 projects will generate the income that you have proposed. I wonder if you have got any comments on that.

Group Chief Executive Officer:

Is it read into the commercial project?

The Connétable of Grouville:

Yes.

Group Chief Executive Officer:

Okay. I think it is probably important to take a step up on what the case for incorporation is and what it is not. It is not an investment proposal. It is not an acquisition proposal. It is a presentation of scenarios. It was built off of a set of assumptions from a 2013 set of accounts and if you vary any of those assumptions it is going to have some changes in the model. The material ones that are in there are, the Long Term Capital Programme, which we have had independently validated, £420 million over the life of the model. Just to keep the ports open to their current levels and not to do any interesting stuff. The growth projections, which have been independently produced by RDC Aviation and Fisher Maritime, those 2 things are the primary things that will move the output of the model combined with the commercial projects. There is one thing about the financial model that I absolutely guarantee and that is after 25 years we will not have £15,107,000 in the bank account. We will not have that, right? It is a projection based on a series of things so it is going to be a bit higher than that, it is going to be a bit lower than that. What we have done with the commercial projects; we started with a long list of 30 or so commercial projects and quite unsurprisingly some of the big tickets ones that are things like a new cruise terminal or extending the runway at the airport. Now, we know that these are substantial and the probability of these things occurring requires a lot of planning and a lot of backing from the States and different departments and that sort of stuff so they may never happen. When we went through the review to crystallise this long list of projects down to the 9 that we put into the case for incorporation. We felt that these projects were ones that were deliverable within the first 3 to 5 years of incorporation. Now, some of them, as were in there, was the waste from Guernsey and that we put in because it was an assumption in the States of Jersey Medium Term Financial Plan

right across the States so we brought it into ours. I think that was a natural thing to do and whether it happens or not is still sort of ... if it does happen, happy days. If it does not happen then we have got to find something else. I think for us almost the one thing that I could also say with very high confidence, the likelihood of any of the projects being delivered without incorporation is low so that is where the risk is.

The Connétable of Grouville:

I think the question we are trying to get at is, the first 9 will not generate £60 million, the projects on the table at the moment.

Group Chief Executive Officer:

For the level of analysis that we did and they all have their own separate sort of mini business cases for each one of those. Those that are underway we have had a business case and an investment proposal done; they have been through the board, they have been through the Minister, that sort of stuff, Cargo Centre being the example of that. Those that are still sort of ideas, that had an initial sort of stage gate process of analysis; so it has been at a high level of assessment. A very good example of that might be the La Folie Project and the La Folie Project, from memory, was about nearly £3 million of investment. I think it was £2.6 million or £2.9 million of investment and that was an idea to bring the pub back to life, open up some of the accommodation for a heritage holiday let, invest in some of the marine leisure activities such as boat storage, ship chandlery and that sort of stuff, back into it. Now, we know. We have done some more analysis around what the architecture of that might look like and when we showcased the project around a dozen people they say: "Yes, that is really good". But we have not done the detailed analysis yet on that because we have not brought it forward as an investment proposal and we have not sought board approval for it nor ministerial approval. I think the likelihood of doing ... let us put it this way, 10 years ago that site was cleared for an imminent development 10 years ago, cleared for an imminent development, 10 years, right? The track record of delivering anything on that site is low, non-existent. Whereas, a commercial business would not have allowed that site to sit how it is. It would not have done it. Our opportunities across our entire estate are vast for improvements. So whether it is going to be these initial 9 projects or if this something does not happen we will get another one, we will find another one, we will develop something else. There are huge opportunities.

Deputy Chief Executive Officer and Director of Resources:

I think also something like La Folie is indicative of the balance the Ports of Jersey strike in terms of what needs to be developed, in terms of what the shareholder requires. Because, again, in terms if people start talking about commercialisation the proposal that was put forward may not be, from a straight bottom line point of view, the most commercial proposal that could be put there but I

think it is incumbent on the Ports of Jersey, understanding its situation as is stated under the law what its objective is. So at the moment that is an indicative project that can be put forward and that would go through the appropriate requirements. It would still be required to go through planning; all the normal things that you would expect but what we would say with an incorporated entity, the likelihood of the ability of moving it forward to a position where people can make a decision is much higher than under the current arrangements.

The Connétable of Grouville:

If we accept that point. What we are trying to say is that you are not guaranteeing. We are just saying £60 million is going to be generated with these 9 projects and a further £30 million in the medium term over a whole range of others which have not been costed. What we are putting to you is that that there is a high risk of that not happening.

Deputy Chief Executive Officer and Director of Resources:

And what I would say on the basis, for example of La Folie, if La Folie could make more money than is currently in the policy but that would be a decision that would need to be made and that would be depending on what you wanted to develop on there and what the shareholder wanted.

The Connétable of Grouville:

Because a number of the projects rely on planning permission and that is very difficult to get and the Port Galots saga is an example of that. The Port Galots site will be part of your portfolio. Have you got any ideas of what you will be doing with that site?

Group Chief Executive Officer:

Yes, absolutely. The challenges and the public opinion that occurred around the development that was proposed for the Port Galots site. What we did is, as Ports, because we are the long-run landlord within the States, we took a decision that Ports should lead the future development of the site because we will be the long-term landlord for the site and we passed responsibility, only just recently, about 3 weeks ago, 4 weeks ago, from Jersey Property Holdings to the Ports. What we have done now is we have set up a development group comprising, perhaps unsurprisingly, the Sea Cadets, the Rowing Club, Jersey Property Holdings, the Ports and Fresh Fish. We are meeting again this week to evaluate proposals. We are talking with the Sea Cadets of what they might want to do. The focus of attention is not around getting a capital gain out of the site. The focus is finding a solution for the Sea Cadets so then that becomes our focus for the delivery of something that might go on that site. We have not absolutely locked down that it is going to Port Galots for the Sea Cadets and they have done a very good job of researching, reviewing of all of the analysis around other sites that had been considered. They have analysed those and refreshed them to see whether or not any of the other sites around the Island or around the

harbour in fact could be appropriate and it comes back to Port Galots is the most appropriate place so that is what we are focusing attention on.

The Connétable of Grouville:

Are you under an obligation to provide facilities for the Sea Cadets?

Group Chief Executive Officer:

We have undertaken that obligation. Nobody has insisted that we do this. We have undertaken the obligation and we will abide by it.

The Connétable of Grouville:

So that project is unlikely to generate income because you will be providing a facility at below market value?

Group Chief Executive Officer:

That project is unlikely to generate income. However, what I have said in the development group is, if we can find a way to better utilise the asset once it is there ... so the primary thing is to get the Sea Cadets a home. If we can find another way ... because the Sea Cadets use it in the evenings and on the weekends. So if during the day there is opportunity to work with that asset a bit more and one of the guys on the committee for the Sea Cadets is the Constable of St. John and he has been engaging other States departments on what other things they could be doing with that and there is some good progress there. Now, whether we get to it or not we do not know, right? But in terms of the ability of offsetting the development cost through other means then there is a lot of activity going on around it.

The Connétable of Grouville:

One of the other projects at the airport is to increase the plane parking facility which may or may not encroach on the football field and that amenity site. That will be very difficult to get through planning. Would you agree?

Group Chief Executive Officer:

What we have done specifically with the airport playing field is ... and we have been in discussion with the Constable of St. Brelade about this. In the Property Transport Regulations we have put a restrictive covenant in there, because it is a draft, right? We have put a restriction covenant in there saying that those playing fields will only be used as playing fields in perpetuity, for ever. So our intention is not to do anything with those playing fields. They represent something of strategic importance to the airport because we are constrained on development to the east, to the west and to the north. The only capacity for any development at the airport is to the south, including the

playing fields. What we would not want to see is housing built there, used for other purposes, in the event that because of a national imperative you could imagine that if Jersey needed an air force; where are we going to put it? Well, we do not have any room for it. The airport. It is the only place where that sort of strategic development can go. So we put a restrictive covenant in there that it will only be used as a playing field. The second thing is we have got a firm letter of comfort from our chairman to the Constable of St. Brelade drafted up, ready to go, that says: "My interpretation of this restrictive covenant is that it is not going to be used for any other purpose." The Constable of St. Brelade has said that he is comfortable with those 2 restrictions on the development of that. So specifically how that then equates to the project on our commercial project list of increased general aviation hangarage and aircraft parking; we do have capacity to be able to deliver that elsewhere on the estate. It does not need to go down that way. So certainly we have got 2 potential areas. One is we have got a good chunk of property where we could develop hangarage next to the Jersey Aviator Limited hangar. So that is one site. There is ability to deliver that. Down by the aero club we can improve the parking down there and we have had some initial thinking around doing some smaller hangarage down there so that people can store their aircraft out of the elements. Then, of course, where the existing Aviation Beauport and Cargo Centre is now that acreage provides quite a lot of capacity potentially, also into where the staff car park is. We could do something there as well. The delivery of that project is not isolated to building something on a playing field. We have already said it is only going to be a playing field.

The Connétable of Grouville:

Some of the longer term projects which are not funded obviously seem very ambitious, like extension of the runway. That seems an amazing project. I cannot see that it would ever be viable but ...

Group Chief Executive Officer:

I do not think it would be but it would be really strange if we did not have it on our list. So we do think long term about things. I mean some of the projects that are on the list that did not make it into the short list that we have spent a bit of time thinking about, nationally we would think about extending the runway and that would be there probably for ever until such time as a technological evolution occurs whereby we can land larger aircraft under the existing the existing footprint, right? I think that that is likely to be more the case that happens. We have also been giving some thought over the years on a cruise terminal. I think that that is something for the future as something that would be very powerful but that is a huge investment. Whether we can get it off the ground; I do not know. But then also on the long list of projects there are things on there that did not make it to the immediate list that are doable if we want to do them such as a pet hotel up at the airport for people travelling, right? I have got no idea whether that would be interesting, whether there would be a demand for it or whatever but some of the more creative ideas are still

on the list. Parking is a good example too. We could do a lot more with our parking, put better products in place for people. That is on the list, the long list. It did not make it to the short list because we need to think about it a bit more. So I think it is important that the 9 commercial projects are not commitments as much as they are illustrations of the nature of activity that we would undertake and the opportunities that are asset based presents to us to develop.

The Connétable of Grouville:

I think where we are coming from is that we see that you are going to be striving to bring forward commercial projects but we think you may be ambitious in what you think you are going to generate by those projects because the ones you have suggested, some of them are happening but others are not likely to happen. The Guernsey Waste is certainly in the balance.

Group Chief Executive Officer:

And then we will come up with more. I mean the real ...

Deputy Chief Executive Officer and Director of Resources:

I was going to say in terms of the overall feel of it but what we are talking about; we are talking about £90 million over 25 years on a business that already turns over, in today's money, £43 million. Now, for some people maybe it sounds like an extraordinary large figure. I suspect in most commercial businesses if you went there and challenged that, they would say: "That does not sound like an awfully big figure". It is a judgment call. That is the nature of what we are talking about. It is £90 million over 25 years on a business that already is turning over £43 million.

The Connétable of Grouville:

That is right. On the other hand you are forecasting giving a dividend to the States in tax. If you do not achieve that £90 million it does reduce the amount of money that will come back to the States.

Deputy Chief Executive Officer and Director of Resources:

Absolutely. I mean from today's starting point, zero, so in terms of the amount of money that we are talking about. The whole point of this in terms of incorporation, I think was talked to earlier, this is not a guarantee of the next 25 years as nobody would expect.

[11:15]

What it is, is positioning for success and the ability that I think that comes down, which the States will need to decide or the States Members will need to form a view is, are we best positioned for success as a government department. You can base that on the knowledge of what has

happened over the last 20 years since the creation of the trading funds or do we think with the challenges that will come up, challenges that we know about and the challenges that we do not know about in the future, will it be better positioned as an incorporated entity? That, I think, is the fundamental question.

The Connétable of Grouville:

Any more questions on this subject?

Deputy S.M. Brée:

I mean obviously the commercial projects that you have shown us and are included in the business plan, as the chairman states, we have concerns over whether or not they will yield the returns that you are projecting bearing in mind that the whole basis of the operation is that you will be effectively self-funding. As the incorporated body you will cover all expenditure, all costs, all maintenance, all repairs, everything, out of your commercial projects effectively and the revenue you earn from footfall or freight charges.

Group Chief Executive Officer:

By the way, just like any other business.

Deputy S.M. Brée:

Yes. No, I am not saying that.

Deputy Chief Executive Officer and Director of Resources:

And also that is currently the position as well.

Deputy S.M. Brée:

Yes, but the projections that you have made, should you not be incorporated, are catastrophic basically. The projections you are making post-incorporation are wonderful. Our concerns are, until we see a strategic business plan from you that details what you will be doing post-incorporation, the commercial projects that you have shown us are, how can I put it, ideas, fleshed out ideas, but just ideas and a question we asked of the shadow board is, where are you on the production of the strategic business plan?

Group Chief Executive Officer:

Just before I get on to the production of the strategic business plan, if I may, there is a whole range of activity that we are doing today that are demonstrating some real green shoots of commercialisation, right? I think it is important to state these because it is not as if we are just waiting for some magic light switch to go on and all of a sudden we are in an incorporated space

and the birds will sing, the sun will shine and everything wonderful will happen. We are making some progress now. So at the ports right now we have ... I will take the Duke of Normandy, right? Off their own bat they have gone out and secured commercial contracts. They brought in last year £160,000 of revenue we have never seen before, never touched. The potential to invest in that area of the business for us is high with a really good return, not in the model. Right now technologically we are leading the industry in air traffic control services particularly using electronic flight strips. We are the industry leader in it. We are contracting out guys at £1,000 a day right now as consultants, right? The growth there is enormous. We have been in negotiations with the air space that sits around the Channel Islands control zone to expand the air space. That brings in more revenue from our en-route charges. All this activity is kind of going on right now but it is only at a green shoot level. We have yet to take an active interest and invest in these areas of the business. Once we do the possibilities start growing exponentially from what it is we might do. In terms of the strategic business plan, do you know what the objectives are there? They are the exact same objectives as the Medium Term Financial Plan that was set in 2012 for the period from 2013 to 2015. That is sort of the basis upon which we have been working for the last 3 years. They are not wild objectives. It is keeping the ports open, safe and secure. It is making sure that we have got the proper governances and financial controls around our business in place. Those are the strategic objectives. What we are doing within our strategic business plan is fleshing out the deliverables that we would do to deliver against those objectives and putting in a set of K.P.I.s (key performance indicators) and some measures around it. A lot of it is already based upon the detailed work that has been fed into the case for incorporation document. So a lot of work is already there and we are pulling together something. I think one of the main reasons why you have not seen the strategic business plan yet is because we have not had the debate yet. So if we wrote a strategic business plan for all the times in the past that we have would have scheduled the debate it would have been out of date by now. So we need to get past that point so that we have got some assurance of when the timing is going to take place and then we can deliver something that is much better considered and much more robust.

The Connétable of Grouville:

We will perhaps come back to that subject. I was going to go on to staff and you will be able to confirm some things for us, I suspect, that on incorporation that all staff will be transferred with the same terms and conditions.

Group Chief Executive Officer:

For 3 years I have given personal commitments, backed up by my board, by my shadow board, and backed up by the States to every single member in our organisation. I have done this through a series of 60 meetings, some down to individuals, some big wide team meetings, and these commitments that we have made are enshrined in a document that we have produced collectively

with our trade unions called T.O.P.S.E. (Transfer of Public Sector Employees), right? There is probably going to be some questions around that, the transfer of public sector employees. Those commitments that I have made to people are, everybody has got a job. There will be no redundancies as a result of incorporation. In fact we want everybody to transfer with us. We have been working on developing our organisation to not only cope in a post-incorporation environment but to thrive in it for the last 2 to 3 years. We have already worked on the organisation, the culture change, to be able to get that. The other commitment that I made is, you are going to get paid the same amount of money pre-incorporation to post-incorporation. That is a level of commitment that even the States today is going to be hard pressed to deliver over a period of time given the news from yesterday. Finally, I have said, all you people are going to still be in the States Pension Programme. That is something even by the unions admission is far in advance of the T.U.P.E. (Transfer of Undertakings (Protection of Employment)) protection in the U.K. (United Kingdom), giving that pension commitment. So, absolutely, all employees that are currently under the ports domain will move across to the new entity and they will have these committed protections.

The Connétable of Grouville:

And the protection for redundancies, for example, is for how long?

Group Chief Executive Officer:

We have said nobody is going to be made redundant as a result of incorporation, right? In fact the biggest protection that our employees have over the long run is the commercial freedom to pursue a growth agenda, a growing vibrant business is investing in jobs. It is not taking jobs away. Whereas, right now today we also know that, certainly from across the States of Jersey right now, there is a lot of money to be found out of staffing. So the States cannot make that commitment that we are able to make to our people.

The Connétable of Grouville:

I think you have probably already answered the question to some extent but are you expecting the number of people employed by the Ports to increase or decrease over time?

Group Chief Executive Officer:

I think increase over time, right? If we are doing the right thing we are creating opportunities. First of all, we have taken a tremendous amount of time in working with our people and developing our people and in fact beginning to create the culture change that is necessary to be able to operate in a commercial environment. We have made some excellent progress but we still have a long way to go. In fact right now I would say if you were to ask me, do I feel that I have got the capability around me to deliver against this post-incorporation aspiration; we do not. We have got some very good people and we have started to unleash them. Take a look at the Duke of Normandy, right, 2

or 3 years ago, in my opinion, it was a liability for us. In my opinion. We were considering, thinking at the time, do we put a case together to sell it off and charter it back because it was that much of a liability. Today we are investing in it. We just dumped £70,000 on to the ship so that it could have better capability for doing some of the mooring work that it is doing and the monitoring work it is doing. I want to invest in growth and that is purely down to our people, changing their attitude. We have helped, we have coached and we have guided and that sort of stuff. I think we are able to do that. We are going to be adding jobs. Take a look at the standards that we have set ourselves for customer service and performance. We would need to seriously look at some of the operations that are currently outsourced today and say, would they be better suited bringing them in-house so that we can better control the level of standards that they are providing to our wider customer base and it could be that we take a look at it that way. If we are doing the right thing by people, people will want to join our organisation and want to be a part of the success.

The Connétable of St. Ouen:

Can you give some reassurance to those people? I did make the comment at one of the meetings, do these people know something we do not? Because a lot of people seemed to have faith in yourself and the team around you and this 5 year prediction kept coming up all the time. I think they want some sort of reassurance beyond that. Quite clearly the message I got was; yes, they believe you or listen to you and have faith in you but beyond that.

Group Chief Executive Officer:

Beyond me?

The Connétable of St. Ouen:

Well, yes. Beyond you.

Group Chief Executive Officer:

I wondered if this question was going to come up today and I will try and be as clear as I can. I love Jersey. I have enjoyed my time here. I look at the opportunities that we have as a business post-incorporation and it excites me. I want to be a part of that. I want to lead that transformation. I want to deliver the improvements. Up until now it has been hard work getting to this point, right? In some ways I feel like I have made a career out of trying to incorporate these entities. For me I think that once that happens then the world becomes a really wonderful place. If we take a look at some of the activity that we have had underway around how we are engaged with our clubs and associations, right? How we engage with the wider public. How we engage with our people. My goodness, there is ... I mean this is all green shoot stuff. We have got a lot of good fun to have. So for me this is an entity that I would like to be a part of for the rest of my career, right? Okay, I am 50 years old so I have got a little bit of time left. But I have no intention ... assuming

incorporation happens because if incorporation does not happen then quite honestly it is kind of a dull thing, right? We have got some restructuring that we would need to do to sort out some of the immediate crises in the organisation but, okay, then maybe I will go find something else but with incorporation this is an exciting place. Jersey is a wonderful place to do business. We have got a lot of opportunity for it. Take a look at the ... some of the ideas with Keith Beecham, the new chief executive of Visit Jersey. To be a part of that, be a part of creating that space, that environment; I think it is wonderful so I would like to be here for the long term provided, of course, that the board and the shareholder would like to have me around.

The Connétable of Grouville:

Just coming back to the staff. You have said no redundancies. You said pay and conditions remain the same. The unions would like a guarantee of that over a certain length of time. What would be wrong in doing that?

Group Chief Executive Officer:

You know, I have been pretty clear with this. One of the things that I do is whenever I have a meeting with the unions and whenever I have a meeting with staff I always tell the other guys what I have talked about. I have been really open with it. I have produced all the material for everybody. In fact I have also invited the unions in to some of my staff briefings as well and occasionally they will come along and that sort of stuff. So I have been really clear with this. On this particular point what it comes down to is ... and it is a point where they said what they would like to have is a period of protection that we would guarantee no changes to terms and conditions, right? My response to that is, why? Because if people are worried, pick a date, 1st July this year we incorporate, right? So if people are worried that we are going to dramatically change things on 2nd July, putting in a period of protection for those few people that are worried about it, and there are few as opposed to many. For those few people it only prolongs that period of worry. So instead of 1st July this year it will be 1st July ...”So that is when you are going to do it”, right? I think it is better for us to crack on and demonstrate that we are going to manage and operate in a good productive way and work with our people. What do you think they want, forget about a period of protection? The other thing that it does is it holds back the company. So I want to change terms and conditions, I want to put a remuneration package in there that rewards individuals and teams for their contribution to the success of the company. If we are putting in a period of protection, let us not change it. We have groups within our organisation today that want to move forward. They have put proposals in front of me. I say: “Until we incorporate, guys, I cannot look at this, right? We are a part of the States Employment Board but I am really interested in your ideas, keep them coming.” So it would hold back the rest of the organisation. So for me ...

The Connétable of Grouville:

Well, I do not think the unions are saying that you should stop pay and conditions improving for some but what it wants is a guarantee, the base guarantee, and what they tell us, and I can see the logic of it, maybe you can too, that if you are not prepared to give a 3 year guarantee then they are right to be worried. Now, I accept your point that after 3 years they will then come to the same point but they will know how incorporation is working by then, they will know that you have no intention of changing things or rearranging things. So it would give them confidence in what you are saying.

Group Chief Executive Officer:

Yes. My point is it is this balance and the fairness and it is really important. It is a part of me as a person, right, I believe in fairness. In a way it would be like going to a bank today and getting a mortgage and insisting that the bank guarantees that for 3 years if the interest rate goes down, I will give it to you. If it goes back up then I am going to hold it, right? Banks do not give that guarantee, right? In a similar sort of way I think then what is the guarantee that I would expect off of them? I would expect them to be good, performing people and of course I want to reward them. For me it is a moral thing, right? So if somebody says: "Doug, you have got to do this to get incorporation on the line. You have got to give them a one year pay protection and that sort of thing". To be honest in the first year we are going to be busy doing different things anyway, right? In our medium term strategy, which is our direction in 2015, we have clearly stated in our pillar, in a core part of this, it is about engaging our people. We want to attract, retain and reward talent. I want to keep doing that because we are not going to be a growing private business if we are not doing that. So that is what I want to achieve. I think the difference is, the balance of fairness is if ... and remember this is for few people that are worried, not many people that are worried. But if I put it out to the organisation ... if my organisation came back to me: "We would like to have that."

[11:30]

"We know that our conditions will not improve." That is fine, but they are not going to go down; that's fine. I can put it out to them and if they wanted us to do that then I will consider doing it.

Deputy S.M. Brée:

Sorry, if I could just pick up on that. I think you are misunderstanding the point the chairman was making. The point we are trying to make is that there is does not appear to us to be any valid reason not to guarantee there would be no depreciation in terms and conditions for a period of 3 years. That leaves the fact that terms and conditions could improve open. What the unions are saying is that you are confident in the case for incorporation and the business case that you have put forward then there is no harm to you to provide that protection to existing staff, i.e. their terms

and conditions will not get any worse. It leaves the upside totally open. Now, I cannot see why you are not prepared to make that guarantee.

Group Chief Executive Officer:

Well, we have based our transfer of public sector employees, T.O.P.S.E. policy, off a U.K. T.U.P.E. legislation. By the way I also offer the cabinet office protocols as well because, as you may know, and I think you have heard from the unions, T.U.P.E. does not apply to the public sector in the U.K. so they have come up with their own. By the way it is the same thing. What we have done with our T.O.P.S.E. is essentially the same thing as both T.U.P.E. and the cabinet office in that we protect terms on transfer but only on transfer. We followed the same guidelines, right? We have not dreamt something new and different up.

Deputy S.M. Brée:

Yes, but you still have not given us a valid reason why you are not prepared to guarantee no downside in terms and conditions.

Group Chief Executive Officer:

Well, what I have guaranteed to people is that everybody has got a job. I have guaranteed that they are going to get paid the same amount of money pre-incorporation to post-incorporation, right? If we want to put a period of protection in, right, then I am willing to consider a period of protection but that it is also going to be ... if I want to ... let me step right back. The other thing that we are doing with the trade unions, which is really important, is we are in the process of concluding a collective bargaining agreement, a C.B.A. (collective bargaining agreement). That collective bargaining agreement outlines things that can change and things that cannot change, things that are subject to negotiation and things that are subject to consultation. We have got another meeting on Monday with the trade unions to go through this. Within that, subject to negotiation, is pay terms and conditions. That means from day one nothing can happen unless it is negotiated with the staff and their representatives from day one; forget about 3 years down the road. I think that that is a pretty firm guarantee. Is it not?

Deputy S.M. Brée:

No, it is not a guarantee. It means that it is open to negotiation. Negotiation has 2 sides to it. What I think the unions are saying, and I must admit for me it is a very valid argument, if you are confident in your business case, moving forward, post date of incorporation, there should be nothing stopping you from guaranteeing there will be no deterioration in terms and conditions for a period of 3 years. There can be an upside to it but there will be no deterioration, i.e. suddenly you will not be seeking to change the terms and conditions to make it detrimental to the employees

who have transferred over with you, are making a commitment to you, your business, by going: “Yes, we are going to go and work for you because we believe in you.”

Group Chief Executive Officer:

Yes. Now, I would say, right? So, first of all 3 years is news, right? We have had some earlier dialogue with the trade unions and they are asking for one year. So 3 years is news.

Deputy S.M. Brée:

Well, okay, if we say one year then. It is the same principle. Why will you not give it?

Group Chief Executive Officer:

Yes, okay. So then the point is, get us past the debate, right? And what I mean by this is, we have got confident in our ability to deliver provided everything comes together as it was outlined in the case for incorporation. When the States set up the trading entities, back in the 1990s, they had set them up with the intention that they would be incorporated, so that is, Post, Telecom, airport, harbour; that sort of stuff. They recognised that the trading entities were different than other States departments, such as education, health, home affairs, whatever it may be. So they said: “You have commercial revenues, you need to behave commercially but we are going to put the same policies, controls, restrictions, governances as any other States department over the top of you”, which inhibits the ability to behave commercially and deliver. That is where we are operating today. So provided that those restrictive controls, such as we find with other States departments and trading entities, if they are not replicated or tried to be replicated over the top of incorporation we will have success in which case we could probably make those guarantees. But the moment that we start seeing controls come in that would impact our ability to deliver success we may not be able to make those same guarantees and I do not think you would ask us to.

Deputy Chief Executive Officer and Director of Resources:

I think one of the overriding issues to this on a number of other that we are talking about here, it is about certainty in an uncertain world. The reality is that the States as a whole has exactly that sort of same issue in terms of what the guarantees are, I am sitting here as a civil servant, in terms of what guarantees for what period of time can I have? We all know that sort of environment of a job for life in any kind of business, anywhere now, does not exist; things change and you need to be able to deal with those challenges. The States as a whole has that absolute challenge. Now, if the States wants to make those commitments, I think, for itself or for its wholly owned subsidiaries then it can make that but obviously there is an implication with those kind of decisions. At the moment it is about the agility of the business to be able to deal with challenges that arise. I think that is pretty fundamental as well.

Deputy S.M. Brée:

No. I think you misunderstand. The unions are not asking for an employment guarantee. They are asking for a guarantee on the terms and conditions; that there will not be any deterioration in those terms and conditions. So there is still, the normal employment law applies, the hours of working, days' holiday, basic salary, whatever. You can build on those if your business is successful and build incentives, profit sharing; whatever you decide to come up with. That would be brilliant because it means that the existing staff have the ability to earn more. They invest in the company as well. What they are looking for is ... the answer to question is, why will you not give a guarantee that the terms and conditions on which they are transferred, standard terms and conditions, I am not talking about the necessarily overlying States conditions, but the standard conditions of employment, why will you not guarantee those for a period of one year? That you will not deteriorate them.

Group Chief Executive Officer:

Let us put it this way. In the evaluation of the work that the scrutiny panel is doing on the case for incorporation, if the scrutiny panel were to say to us clearly: "We are all good to go with this and that is all fine but what we need you to do is we need you to guarantee that there will be no degradation in terms and conditions for a period of one year following incorporation", I would do it.

Deputy S.M. Brée:

Okay. Shall we move on?

The Connétable of Grouville:

Not for profit clubs and associations. Have you reached an agreement with all of the clubs, their rents, including ... we heard this morning there was some doubt about St. Catherine's Sailing Club.

Group Chief Executive Officer:

There is not. St. Catherine's Sailing Club have a heads of terms, right? Our deputy chairman said that he is going to write you a letter later today. I think if I step back. The clubs and societies that we do business with first of all are very important for the Ports, right, (a) they provide a critical training, but also (b) interest for the future. You have heard that from our directors as well. So they are things for us to be invested in. I think also given the news of yesterday if there is a high probability in reprioritising finances towards education and health in particular of the States, then those may take precedence over people's hobbies, right, so they could find themselves in a difficult situation. So the best thing that ... which we have been out talking with and you heard from one of our directors who has been out talking to the middle ... along with a range of us have been out talking to them and saying: "Listen, being associated with an incorporated entity that is growing and vibrant and able to invest in these clubs we think is really important." Certainly, we

generate a value into the clubs of £500,000 a year and that is generally on foregone revenue for us. This is not what where we are going to be making our money. We are going to be making our money on the good things that we do, commercial projects and that sort of stuff. So what we have been doing is we have been going around and talking with all of our clubs and societies. Our chairman has also written a letter to all of them laying out what they currently have to date. With St. Catherine's we have spent quite a bit of time, and I think it is important to note that a lot of challenges the clubs and societies are ... they are talking about life in an uncertain world or talking about existing States policies. So existing States policies are, pursue open market rents, right? That level of value and that is happening across the entire State not just with Ports. But then you can discount down off of that for a service level agreement or identification of activity and that is pretty much what we have been pursuing with all of them. With St. Catherine's the open market value ... I think, chairman, this is where you might have got your figure from. I think it is £15,800 or something like that a year. Clearly, in the heads of terms upon which is going for a ministerial decision, because that is a process that we need to go through. It takes a very long time to get these things done in our current structure ... is coming up with the actual lease agreement and what we have clearly said in our heads of terms is, open market value £15,800 or whatever that is, maybe £15,600, but we have discounted it down to £3,500. It is clearly stated in the heads of terms. Clearly stated in the document that they have committed to. We do not have a final lease yet because we have got to go through a lot of process to get there but certainly the heads of terms we have agreed. Now, the challenge that we have with quite a number of our clubs and societies is that these guys are not there to do admin, these guys are not there to do bureaucracy and that sort of stuff; these guys are there for the benefit of the club, the club members and in many cases the youth of the Island that they are bringing through these programmes. So they are a collection of really enthusiastic people that have volunteered their time and energy and they want to focus on doing the things that the club want to do. They do not want to focus on doing the admin stuff around it so we try and make it as easy as possible for them to be able to do that. But what that also means is that in a number of our clubs they lack a really firm structure of committee or response and is a collection of members, all of which will have individual opinions. So depending on who you speak to, if they had not been directly involved in the discussion or the negotiations such as in the case of St. Catherine's, the commodore has been, then it is down to the level of communication that they have within the club to make certain that the terms are known.

Deputy S.M. Brée:

If I could just contradict you there. I am an ex-member of St. Catherine's Sailing Club. They have had a very clearly defined committee system since at least 1975. I was on one of the committees myself. So I would, I am afraid, not state that it is solely the commodore who is running the club. They have very clearly defined committee systems. They have got a sailing committee, a lease

committee, a training committee, what they call the house committee which looks after the facilities. So I think you are being slightly harsh on St. Catherine's by stating that you are only dealing with the commodore; you are not.

Group Chief Executive Officer:

No, and I will tell you what, excellent challenge and I am sorry that it came across that way. That certainly was not my intention. What I meant to say is it depends internally how a club is structured and internally how a club communicates with its members. Some do a much better job than others. St. Catherine's may be one of the better performing ones.

Deputy S.M. Brée:

Now, you say on the case of St. Catherine's that in the heads of terms you have offered a discount down to £3,500. How long is that discount guaranteed for?

Group Chief Executive Officer:

Pass, do not recall. Whatever the term of the lease is probably.

Deputy S.M. Brée:

Well, 9 years?

Group Chief Executive Officer:

I think that it says that it is going to be reviewed after 3 years.

Deputy S.M. Brée:

So it is only a 3 year guarantee of the discount?

Group Chief Executive Officer:

Yes.

The Connétable of Grouville:

If we can ...

Deputy S.M. Brée:

But you are asking them to sign a 9 year lease?

Group Chief Executive Officer:

Yes. But I mean, really? Really? Right, okay. Well, let us put it this way. We have got £420 million to find to fund a capital programme. We are not going to get it out of £7,000 on St.

Catherine's lease, right? It is much more important for us that they are growing a vibrant club to be able to generate boat owners of the future. The other thing I would say is, through the dialogue that we have had with St. Catherine's too, and I do not know whether this came out in your hearing as well, we have presented them with a business opportunity. What we asked them to do was to take on the management of the boat park out at St. Catherine, right? It is in need of a lot of work. And for that they could generate 20 per cent of the revenue. They could retain 20 per cent of the revenue that they generate. I think that that is a wonderful thing.

The Connétable of Grouville:

Is this the boat park that is ...

Group Chief Executive Officer:

On the other side of the road.

The Connétable of Grouville:

Because they are already ...

Group Chief Executive Officer:

For theirs. For their boats. They take care of.

The Connétable of Grouville:

... lease their piece.

Group Chief Executive Officer:

No, no, there is a ...

Deputy S.M. Brée:

There is a large area there that is currently underutilised.

Group Chief Executive Officer:

Spot on, right? So by getting somebody in attention to be able to do that and to be able to generate revenue for their club as a result of doing that we think that that ...

Deputy S.M. Brée:

Well, winter boat parking is a real problem in Jersey for the smaller leisure boats.

Deputy Chief Executive Officer and Director of Resources:

I think in terms of getting of the principles with all clubs what we have actively been doing, certainly over the last few years, is engaging with the clubs in terms of getting a 2-way relationship. I think that is really important and certainly something that did not happen proactively before. There is no intention in terms of sort of driving up rents and to push out clubs if they do right, good and honourable things. However, there also is an expectation of those clubs in what they provide and what they do and that is increasingly becoming, I think, in the modern world, and whether that be around things like child protection, in terms of training, in terms of standards. It is not a case now of somebody saying: "Well, this is a good and honourable thing, I will form a club and the States will provide me with a clubhouse or an area or whatever other resources." I think what we are actively trying to do with those clubs, and again it is about building the relationship and building trust, i.e. that this is not about: "You are going to give me a 3 year subsidy on something; you are going to give me a 9 year thing and then you are going to pull the rug after 3 years." In fact what we are trying to do with the relationship is say: "This is what we provide for you as the ports authority or the harbour or the airport, whatever it is, and what do you provide for the community? While you continue to provide that for the community we are happy to work with you and in fact we would like to expand your club and we would like to have more members and more people going through and you to offer other services."

[11:45]

"If, however, your club which, maybe 15 years ago, had 250 members and now has 3 and they are all from the same family we want to be able to look and say: 'Well, where are those other people that have gone?' because if they have gone off and formed another club somewhere else we would like to engage with that club as well but we are not going to duplicate the facilities twice." I would say as somebody who is involved in clubs and societies outside of the maritime and aviation area I see that all the time. You get clubs who are excellent for a period of years, then they struggle, then they change, then they move and I think the reality from a States point of view and from an incorporated ports point of view, is being able to manage that relationship and to actively engage with them and try and encourage them and give them support and allow them to develop for the good of the Island and the good of the members.

The Connétable of St. Ouen:

One of the submissions that we had from one of the clubs was that they are self-regulating really. I see all the positive side of that which I think was great and clearly this is going on and I think we had some discussion a long time ago where I think, Doug, you have indicated, that is where you would like to go with the clubs. The only drawback with that I see is the potential clash of personalities with certain individuals and without going into that I think we have witnessed an

example of that in one of the north coast bays. Also traders with incorporation, be it marine traders or airport, whoever it is; who do all these people appeal to if something goes wrong? Where would they go?

Group Chief Executive Officer:

Well, it depends on what you mean by whatever that something is. So, for example, marine traders, right now we give them all a break, say 50 per cent on the car parking and that sort of thing because they are around on our estate and that sort of stuff. So if we turn around and all of a sudden quadrupled their parking charges because we could, right, then clearly that is a topic for not only the Consumer Council but also the J.C.R.A. (Jersey Competition Regulatory Authority) and that sort of stuff. There are all kinds of vehicles around doing that and ultimately they can lobby a politician as well as many of them currently do. We have got a lot of politicians who own boats and so, therefore, we get a lot of that and we will continue to; that is alright. I think if it is something regulatory or enforcement ... so if it is criminal then it would be through the courts that they would have to appeal that.

The Connétable of St. Ouen:

But say I want to join the association and I have a beef with the president or something and he says: "No, I am not going to let you have a mooring here because I do not like you"; where would I go and appeal to that and say: "Look I want to put my boat there but I am being prevented from having a mooring because of ..."

Group Chief Executive Officer:

Now, one of the things that we have done very recently is in ... first of all we are ... I mean through incorporation we continue to take on the public service obligation of all the historical harbours, right, so mainly around that. We are in the process of appointing an officer from harbours to be able to have responsibility of all the outlying harbours so that we can get a guy in uniform out wandering around and making sure things are going okay. I think it is important to note that no matter what we put into the hands of various boat owners associations, harbours maintains ultimate control of all the moorings and all of that sort of stuff. Ultimately it is our thing, right? It is our enforcement; the port limits, the speed limits, the restrictions, the health and safety of using the facilities, the cranes and all that sort of stuff. It is ultimately all of our responsibility. In fact each harbour is a bit different and we work with the boat owners associations in those harbours, however they like to best be worked with. Out of all the outlying harbours we have got one that is presenting challenges and we are doing our very best to make certain that anybody, the public using that harbour, continue to have good fair open access to that.

Deputy Chief Executive Officer and Director of Resources:

I think it is having that flexibility and in terms of whether it needs to be the lightness of touch or the more direct involvement and therefore that is the ability in terms of having agreements that are not off into the way distant because once you have done that you have effectively potentially lost control. The other point is in terms of the regular contact and what the needs are. For some it is very much: "We need a very light touch here. We are very happy just to do this in our own thing", and providing everybody who is involved is happy with that I do not think there is a need for us to be sort of sending people in suits or uniforms down there to deal with it on a day-to-day basis. In other areas it is quite clear that perhaps it is more complicated, it requires greater administration and again we have conversations with those associations and say: "No, we need you to provide that" or "We prefer you being the neutral party rather than us trying to sort it ourselves." I think we have locked it in the portfolio a range but the reality, none of those are ... or that is how it is for that association and that is set in stone. Furthermore, that can be looked at. If they start running into difficulties it may require more direct involvement. If it runs very well and everybody has been consulted and everybody is quite happy with that arrangement then from our point of view, other than what is legal, decent and honest and we are required to do, then from our point of view we do not feel the need to interfere on a day-to-day basis in the running of those associations.

The Connétable of Grouville:

Whilst we are on the subject of grievance there has been a case of 2 fishermen, and I do not want to get into the details of that. They had a mechanism by which they could appeal through the States system. Under an incorporated body you would have the last say so they would not have anybody really to appeal to.

Group Chief Executive Officer:

In a way it depends what it is, right? In the incorporation law there is a range of things. It creates Ports of Jersey Limited, a company limited by shares. It handles the property and the staff transfer. It has a wonderful Article 5.2 around the company taking decisions calculated in the best way in ensure economic growth in the Island. Also what it does is it creates 2 things. It creates an airport authority and a harbours authority and it does this quite deliberately in trying to make certain that the regulatory aspects that the harbours and the airport continue to do will be able to be conducted in the future. The intention is for the Ports of Jersey to fulfil those roles although it is not mandatory that they do. So another harbour authority say in one of the outlying harbours or even commercially in St. Helier could be appointed at some point in time for the States. Now, the harbour authority and airport authority; they are directed by the Ministers, right, because they are functions of government rather than functions of commercial entities. So in the case where the harbour authority has designated a facility that requires a permit or an operating agreement, such as under the Harbours (Administration) (Jersey) Law 1961, under regulation 5 or regulation 6

under the Harbours (Administration) (Jersey) Law today, then that is a government issued thing and that is something that is something that is being administered on behalf of government. So the appeal process around that would still be through the normal government channels.

The Connétable of Grouville:

So I am using the 2 fishermen, I do not really know what their case was or anything, but they can still appeal through the same system that they did this time?

Group Chief Executive Officer:

Yes. I think in this specific case, oftentimes, it has been quite difficult to really try and ascertain what the challenges these 2 fishermen are ...

The Connétable of Grouville:

Yes. I am just using ... but I do not want to get into the case.

Group Chief Executive Officer:

One thing they have not said is the price too high, right? So it is not a commercial thing. It is more around an access thing, I think. In which case the access thing has been driven by the harbourmaster/harbours authority in the Harbours (Admin) Law it is embodied in an individual called the harbourmaster. Post-incorporation it will be an authority, harbours authority. They have sought, through the States Greffe, to make an appeal to the complaints board; that was heard recently. The complaints board published their findings. The Minister published what he was intending to do with those findings and we carry on. It would follow the case course post-incorporation as it does pre-incorporation. I mean I cannot imagine an example where it would not follow that; let us put it that way.

The Connétable of Grouville:

You mentioned States policy was to get market value rents for clubs and associations but clearly that has not been happening.

Group Chief Executive Officer:

No.

The Connétable of Grouville:

So there is a change under the incorporation ...

Deputy Chief Executive Officer and Director of Resources:

Sorry, in terms of the policy that we have which certainly originated in harbours many years ago, is that through the Minister was establishing ... because again part of this was also to do with G.A.A.P. (generally accepted accounting principles) accounting and you will recall in the States accounts it was trying to be transparent about what the value that was being provided for them and that is part of the driver that we have had in terms of establishing, what is the value that is being given to clubs and societies. Because previously, especially in relation to land and property, it was regarded as free and, of course, from our point of view it is not free and, therefore, what the establishment has been from our point of view, particularly in relation to looking at clubs and societies, is being clear with them what is the value that they are being provided with. Therefore, it is on an open market value basis in terms of trying to assess it and that is having open market value for in relation to what it is. So, for example, we also have a relationship with Jersey Heritage in regard to the museum. Now, that is in terms of valuing that asset in relation to it being a museum. So what we are trying to do is establish, if we discount off of that, and we are saying in terms of being able to from public transparency, we are saying, "Well, why are you giving that for free?" or "Why are you giving that at a heavy discount?" It has been quite clear that we can say: "Well, it is due to the provision, for example, of training, for safety at sea or something like that." "Well, why on earth would we do that?" "Well, the coastguard sits within our remit as well and we think that this is a good and proper thing. That the more people who are going out on to the water are appropriately trained and in fact if these clubs and societies did not provide that training we would probably look at it ourselves and say, 'Well, we would need to provide that.'" So in fact we can work with them but we are quite transparent then in terms of, well, why are we providing for it, and we can document that and we can say: "This is the value that we have attributed to it." But the point of the open market value is saying: "Well, if we are giving it away at a peppercorn rent of a pound for a house that is clearly not right." It is not worth a pound. It is worth something else and therefore that is what the key driver, which again, people get a little bit worried that we are going to say: "No, you will pay the full open market value." Now, that is, I suspect, highly unlikely or unachievable in the vast majority of cases.

The Connétable of St. Ouen:

But do you feel you have got that message over to the users because I have to say what we got back, it was treated with suspicion. I understand exactly what you have just said and it makes sense to me but the people we listened to thought: "What's going on?" They are very suspicious of it.

Deputy Chief Executive Officer and Director of Resources:

And I think that happens, which again kind of alludes to in terms again of experience, football clubs and societies. When you are dealing with the individual, whoever it may be, on a committee, in a

room, you can generally establish that quite amicably and everybody is very clear. Then it tends to go back to a wider committee or a sub-committee or to a members' meeting or something and then it all gets back and then the person that you have spoken with has finished their 3 year period and they leave and the next person becomes whatever that position is and then you have to go through it again. I have done that on a number of committees on a number of occasions and that is what tends to happen. I also know it from my own experience, communication within some clubs is excellent and with others, it depends who turns up to the meeting and usually they are all volunteers. So it is whoever can be available on that day to come to that meeting and that is fine. But what I can say is, I am not aware of any case where we have thrown any clubs out because we have said, for example: "This is the open market value; take it or leave."

Deputy S.M. Brée:

Sorry, can I just pick up on that point that you are making and I will use the St. Catherine's Sailing Club example because I think it is a very good example of the fears of the other clubs? You advised us that you have signed heads of terms with the club to provide them with, I believe, a 9 year lease at £15,800 per year discounted down to £3,500 per year in recognition of the benefits that they bring to the area, the Island, promoting sailing, et cetera, but you are only prepared to provide that discount for a period of 3 years subject to review after 3 and I believe 6 years. I think generally the fear is that should you decide, in 3 years' time, not to discount any further then that puts the club out of business overnight. Now, you have also said that the rental that you receive from the clubs and societies is, let us face it, immaterial to the overall business case. So in the case of St. Catherine's why will you not provide them with a lease for 9 years at £3,500? They have been in existence for an awfully long time. They provide a huge amount of facilities to the Island in the way of their training and everything else and yet you are not prepared to make that commitment to the club? It seems irresponsible of an incorporated body not to be willing to make that commitment.

Deputy Chief Executive Officer and Director of Resources:

I would say it would be irresponsible to do in the reverse and it has been clear then what States policy is, and it is not for me to decide what that policy is currently. In terms of, from my point of view, what you need to have that relationship is ... so, for example, if you are discounting it down and St. Catherine's ... if you are talking about a specific, fine club, great history, et cetera but again it is being consistent with all clubs and societies, I think, in terms in terms of going through and saying "That is our policy and we apply it consistently across the board." Now, from our point of view, and again this would be experiences of clubs, what you will want to be able to say in that relationship: "If this is the deal that is being done. This is what we are providing as the government currently, even through a wholly owned subsidiary and in return this is what you provide in terms, safe and correct and professional, in inverted commas, placed it to develop

whatever your skill sets, that is fantastic. What you want to have is regular contact with those clubs that they continue to do it and in fact that they are run in a correct and proper manner and that they provide the training that you require. And what will tend to happen is, over 3 years or 6 years or 9 years or 12 years, clubs will ebb and flow.

[12:00]

The people who are on those committees will change, they will come in and they will do voluntary things. What you want to have is a framework where you have got where you can have sensible conversations and say, for example, if the deal is that you are going to run 6 training courses during the course of this year, each year, and then you look back and 3 were only run, you want to have that conversation: "Why is that? Is there lack of interest in it? Is there something the Ports can do to support that? Or is it the club does not really want to do that anymore?" Then the point becomes we really want a vibrant sailing club because these are training the sailors of the future that will go and use marinas. But we want them to be trained so you have got to have that dialogue and that really is the framework for doing it. I think in that, in terms of trying to, which again you get that suspicion and it is building that trust, you are going to look in the small print here and find a reason why you can pull the rug and put us out of business. The whole point would be that would completely go against the whole purpose of whether we are incorporated or not incorporated, which the Ports is all about, it just would not make any sense. But, at the moment, and I would say historically, there has been no or very little of a 2-way relationship; it has been very much no sense of what the value is going in either direction.

Deputy S.M. Brée:

So you are saying that the Ports of Jersey is an incorporated body, which is to be involved in the governance and decision making of the clubs and societies ...

Deputy Chief Executive Officer and Director of Resources:

Absolutely not.

Deputy S.M. Brée:

Well, sorry, that is exactly ...

Group Chief Executive Officer:

No, we want to know that they are going on. We do not want to be involved in it. We want to know that it is happening. I think the important thing with this is we understand people have uncertainty about the future. The future is unknown, right, and certainly a lot of people across the public sector got a very clear view of uncertainty yesterday when the announcements were made.

So bad things can happen, right. For us, we want to be able to continue to conduct our business. A core principle of ours is, whatever we do today, we do tomorrow, right, that has been our philosophy driving through the case for incorporation. Incorporation is not about profit maximisation, it is not about wealth accumulation, it is just being able to carry on doing what we are doing and be able to fund the long-term capital programme. And I think if people are really, really uncertain, right, we are doing whatever we can do to talk with them and engage with them and try to alleviate that uncertainty, as with the people in our organisation, as with the trade unions. But it can be, anybody can still say: "Yes, but you might." Yes, but we might not.

The Connétable of Grouville:

Before I ask you, before you start, and just for openness, I know you are a member of the rowing club, Constable Paddock and I are members of St. Helier Yacht Club and I have got close family involved in St. Catherines and that is why we intend to use it as a ...

Deputy S.M. Brée:

And I am an ex-member of St. Catherines. It is just we happen to know about how it is structured.

The Connétable of Grouville:

So just to put that out there.

The Deputy of St. Mary:

I note your general commitment to clubs and associations, which is an echo what the shadow board says, and I think you for that. My difficulty as a lawyer in a way is that there appears to be a gulf between ... not a gulf ... a lapse between what you are saying now and what is reflected in documentation. The M.O.U. (Memorandum of Understanding) seems to me to be deficient in certain respects and this is what, assuming you would have no objection if the M.O.U. was tightened in the public service obligations referred to in the law, that comes in the M.O.U. as well, there is no specific reference to what you said about commitments to the clubs in the M.O.U. and what I would like to see in fact tightened up, to reflect what you are saying, not putting any extra burden on you, and that again being reflected in the Memorandum of Association, which again is fairly ...

Group Chief Executive Officer:

I do not know that I would go as far as the Memorandum of Association. The M.O.U. first of all, it is not our M.O.U.

The Deputy of St. Mary:

It should be and will be raised with the Ministers more than yourselves.

Group Chief Executive Officer:

Yes, exactly, so it is the Treasury's M.O.U. I would just be a little cautious about trying to put more detail into the M.O.U. and the reason for that is, depending on how you do it or how you would suggest it to be done, then we could find ourselves restricted. So, if it is in there that there are certain commitments made around clubs and societies that inhibits us from adapting the way in which we engage with them, then they could find that ... so, as an example, we had a good dialogue recently with ... I think it was last year ... with one of the clubs and we were saying: "But what can we do? What else can we support you with?" and they said: "Well, you know, maybe you could find a ... well we could use a little bit of money to fund a new pontoon because we could use that money to do that." "Well we will give you one, we have got some spares left over from the boat show, whatever." "You could do that?" "Yes, we could do that." But if you put down, really depending on how you word it or how you would want to see it written in the M.O.U., we may then either have to provide a pontoon to everybody, even if they want it or not, right, so the Air Training Corps, we might give them a pontoon in the field up by the airport because we have to. Or we would be restricted from being able to respond in a more agile manner to the specific needs of an individual club.

The Deputy of St. Mary:

Okay, I accept your need for agility. An M.O.U. in that sense does not even I think recognise the association's fears and what I am saying is that those general fears, you can be happy with that work, I know it is not your problem as such ...

Group Chief Executive Officer:

I would, the reason why we are supporting the clubs and associations, half a million pounds a year, engaging with them quite actively, and all that sort of stuff, the reason why we are doing that is because we want to, not because anybody is telling us to.

The Deputy of St. Mary:

Okay, I accept that again, but I think you have heard of some concerns on behalf of the clubs. You will perhaps go some way, say even if in the mildest form that their concerns are recognised and you have an intent there of fostering their needs and, et cetera, that there are serious obligations on us.

Group Chief Executive Officer:

I think within the M.O.U. there is a clause in there along the lines of the board will take particular notice of those assets, which have been transferred into the company, or something like that. I do not remember exactly how it was written. But certainly in the M.O.U., if it was the shareholder will

take particular notice of the existing terms and conditions of the existing arrangements with the clubs and societies and also have an interest in changes to ...

The Deputy of St. Mary:

Yes that was I believe ... that is not even there now; that is what I am saying.

Group Chief Executive Officer:

Yes, but if it was something along ... I think it is ... I struggle with the clause in the M.O.U., but if it is along those lines that, you know, we could report to the shareholder, we could guide the shareholder or we could discuss with the shareholder, and basically make information known to the shareholder if we were making any changes, I think that is A-okay because we would do that anyway.

The Deputy of St. Mary:

Okay, something like that in, I think that probably would help the clubs if it was ...

Group Chief Executive Officer:

Yes, yes, we ... but ... yes.

The Connétable of Grouville:

We had the clubs in last week and there seems to be quite a variation in the amount of rebate or subsidy that they get. The rowing club at the moment get very little but that is being seen to. Do you have some kind of formula or mechanism by which that happens or is it just by arrangement?

Deputy Chief Executive Officer and Director of Resources:

No. All of the ... I mean I think this is again in terms of States of Jersey policy that there has not been any, and there is not any, and part of the issue, one of the things we have been particularly driving is first of all being transparent with it and finding out exactly who is getting what and why. And again this goes back, and in terms of being clear that it is not constraining it, because putting these things in perpetuity when it is patently unfair or unclear to one club over another, we want to be in the position where ... or certainly in terms of myself, to be able to ... whoever I am being held accountable to, is to explain the basis of the decision, why that is and why something has been given to somebody rather than somebody else. And therefore again that goes back in terms of having that criteria and to me, as I gave examples of before, and be able to justify that and say: "You may not like it but I can explain this was the decision-making process and this is why I believe that this was fair." And that may be down to in terms of the services they provide, the number of club members they have, whatever it may be. And to me, from that point of view, at

least you can be transparent with it. What we have inherited is something that is largely organic in terms of the way that it is created over the number of years.

The Connétable of Grouville:

St. Helier Yacht Club raised the point that they had their property revalued, they get a rebate on a percentage, and if the percentage was used on the new value the rent would go up substantially.

Group Chief Executive Officer:

But I think we need to be clear, Chairman, on what revaluation is. So, if it is a revaluation of open market value it is one thing. If it is a revaluation of the assets, the fixed assets of the Ports, that was something that the States of Jersey did right across the entire balance sheet, it has no bearing whatsoever on any rental incomes that we have, it is a balance sheet adjustment.

The Connétable of Grouville:

So that was the reason for it being done?

Group Chief Executive Officer:

It was purely a States of Jersey wide exercise; it was not just having to do with the Ports. The entire balance sheet was revalued across the entire States. But that has no bearing on rentals that we charge.

The Connétable of Grouville:

If we go on to marinas, there is anecdotal evidence that there are a lot of free berths, which 10 years ago there was waiting lists just about everywhere, but there are a lot of free spaces. Is that the case?

Group Chief Executive Officer:

I do not know where the figure stands today, but it varies between 25 and 100 depending on the season and depending on the marina. Generally it is in Elizabeth. We do not have any capacity in La Collette and we tend to not have much capacity in the town marina. We do hold a number of pontoons there open for visiting yachtsmen. You will know at certain times of the year, particularly when the sun is shining, it will fill quite quickly. So it is mainly more an Elizabeth Marina thing. Now what we have found too is that they are for particular boat sizes where we tend to have free berths and they tend to be in the 8 and 10 metre ranges. We have got a waiting list right now for 14s and I think we have got a waiting list for below 8s as well, but I am uncertain about below 8s, but I think 14 and above we have got a waiting list for that. So what that does is it creates the opportunity for us to do some reconfiguration. The guys in the marine leisure centre, they do this, and they do not do it all the time, but they will do it sort of before the season, is they will look to

reconfigure to create some more marina capacity for the boat lengths that are in demand. I would also say that we also do quite a bit of benchmarking with other marinas and if we went all around the south coast ... excuse me, the French coast, and looked at some of their marinas, what we found the year before last, and I do not know if it was as stark last year, but the year before last we found 30 per cent occupancy. We have never been that low, and in fact marinas over there were wanting to get to our levels of occupancy.

The Connétable of Grouville:

But our levels have fallen.

Group Chief Executive Officer:

No, they have been pretty consistent over the last 2 or 3 years.

The Connétable of Grouville:

Yes, I was just looking back a bit further; I get the impression that the marinas were really full, difficult to get a berth, waiting lists, but that is now not the case and there has been a downturn in marina occupation.

Group Chief Executive Officer:

Depending on which marina you want to buy, so La Collette there is no room, right, and depending on the size of boat. But we look to reconfigure around the boat lengths that are in demand. I think also, I mean the economy has been pretty tough, right, and we were ... while we have been encouraging more visitors, we have also seen the economy hit home, in particular, you know, the finance industry here where it is sort of ... you know, you get expatriated to Jersey and you get a house and a boat sort of thing, right, well a lot of those jobs are now gone. So we ... but marine leisure is a really important part for us and in particular, if we take a look at the amenities that we offer in the outlying harbours as well as in the marinas, we want to continue to grow that. And so we need to be able to get our market out there, make certain that our product is right for people to want to buy and that the pricing is right to be able to do that. The marine leisure team have done a pretty good job so far and they are trying to make it more enticing as well so they have introduced a new product, I think it was only in this past year, of a quick turnaround boat lift at the boat port, right, so that was like half the price of 2 lifts kind of thing, just raise it and then back in the water, and it is those types of things that we are trying to get with more entrepreneurial thinking across the organisation, but specifically in the marinas, to make certain that when there is demand we are able to seize it.

The Connétable of Grouville:

Some people consider that the charges for our marinas are high, not necessarily when you compare them with the Hamble or somewhere, which is really popular, but some of the other marinas, and certainly considerably higher than Guernsey. Is that why there is less demand there now than there was?

Group Chief Executive Officer:

I will say no, but of course if we are pricing ourselves out of the market then that is going to be a problem. I think that one of the challenges that we have is when we start benchmarking ourselves to Guernsey or other marinas particularly on the French coast we see that, where there has been a tremendous amount of underinvestment in those facilities, and Guernsey is going through a tough time right now and they are re-evaluating right now their charges, and we could see price rises in Guernsey happen quite dramatically for certainly their public marina. So I do not know that it is ... you know, we would need to get to apples and apples. What we do is we benchmark our prices from time to time and the committee, or the group that one of our directors chairs, the Marine Development Group, then we bring those prices in there and of course we talk about it with the people that are really closely involved in the industry to talk about what it might be. I don't have a firm opinion on whether or not they should be higher or lower, but I do know that if you ... if the demand is there to be stimulated and it is only the price that is limiting the demand then that needs to be adjusted.

The Connétable of St. Ouen:

It has been brought to our attention that there are leases perhaps to be renegotiated or to be signed off, but have not been done, and this was users within the ports and the airports and what have you. Is there any reason for it not ... is there an intent to wait until incorporation happens?

Group Chief Executive Officer:

First of all, we have been really clear, whatever we do today we are going to do tomorrow, whatever arrangements are in place today, they will be the arrangements of tomorrow, so anybody who has got a lease today is going to have the same terms in their lease tomorrow. Anybody who is sort of in process, we are going to keep honouring the same terms.

[12:15]

If we pinned all of our activity, all of our strategic decisions around a date of incorporation that has been moving for 12 months, we would not be doing anything, right. And I think in specific around our property function, we have got (a) a rather complex property portfolio, (b) a complex property decision-making process, and (c) we have got not as much capability and capacity in that team as

we would need to have to be able to turn things around in an agile manner. All of it compounds to the fact that it can take us a while to turn a lease around. It is purely down to our inability to do it quicker; it is not with any strategic thinking that we are going to push it out past incorporation to be able to renegotiate it, it is just a matter of the amount of effort it takes to turn the handle on the machine.

The Connétable of St. Ouen:

And will that improve if incorporated?

Group Chief Executive Officer:

Yes, absolutely, I can guarantee that.

The Connétable of Grouville:

We had some representatives of the boat-owners' associations and from what we gather from others pretty much all the outlying harbours have very few free moorings. That would suggest that price is very important to boat owners because they are considerably cheaper than what is in the marina. Again, their concern is that they might go up and I think that would be very tough, because they are all full there is obviously more demand than space, there could be an argument for putting them up further.

Group Chief Executive Officer:

No. We went through a programme of price increases, you have heard of that, the 20 per cent, 20 per cent, 10 per cent, 10 per cent, we went through that programme. The material effect of it is £100 or £120 or something like that for many boat lengths across all the outlying harbours, depending on which one you are in. We have not done that to fund the capital programme or the capital requirements of the harbours, it has been more so to get us on a level playing field in terms of the operating costs, and generally that is down to maintenance, the normal maintenance, painting the railings and that sort of stuff, rather than the investment in the quay or the crane. And that is still open, we are not ... and that was contained as an assumption in 2013, whatever we did there, and it has rolled through the entire model, we are not looking for to make that gain up out of boosting mooring fees. And I think mooring fees, this is another point where people will say: "But once you become incorporated then you do not have to listen to anybody and you will just do whatever you like and these rapacious capitalists will just make profits out of anywhere that they possibly can." I will tell you what, if nothing else, our boat owners will not allow us to do that. I mean these guys, you guys right, because you own boats, I mean you guys have opinion, you have got direction, you have got challenge, and we hear it a lot from our boat owners. And of course we might disagree on some things but we can always have good dialogue, but I will tell you what, if we are doing anything that we should not be doing, or that they are uncomfortable doing,

they will make it known. So we will do the right thing by our boat owners. We do not have an objective to make a lot of money out of the outlying harbours, what we do hope is they cover the operating costs and then what we hope is through our development of our commercial programme, our commercial projects, that we are able to cover the capital costs of the outlying harbours. That is the intention.

The Connétable of Grouville:

If we come on to the assets, again I think we know the answer to this, but I think it needs confirming, that you would not be allowed to sell any of the assets without that decision coming back to the States, so that, although the assets are transferred to you, you could not dispose of them without the decision of the States?

Group Chief Executive Officer:

I think how it is, and it is probably twofold, one is the decision that has to go back to the States is if we change the shareholding structure, so to liquidate, wind up the company, or sell off some shares, that has to go back to the States. The material changes in the balance sheets of property disposals, sales, or even acquisitions, so material changes, that goes back to the shareholder, not to the States Assembly, it would be the shareholder acting on behalf of the States.

Deputy S.M. Brée:

However, it does state that it is up to the directors to determine what is a material change, so what you are saying is, if the board of directors determine the sale of an asset is not a material change, they do not have to refer it back to the Minister.

Group Chief Executive Officer:

Yes, but I will tell you what, the reason why I like that being in there is for precisely the opposite reason. I mean you might be thinking that it is so that we can hide things and do mischievous ... we are not going to be able to do that, we have got boat owners looking after us, we have got public looking out, I mean these businesses are wide open, I ...

Deputy S.M. Brée:

It is not that. It is that we are responsible to the public of the Island of Jersey to ensure that the assets given over to the new Ports of Jersey Incorporated are looked after correctly. Do not suggest we are treating this lightly.

Group Chief Executive Officer:

I am suggesting nothing of the sort, nothing of the sort. But what we ... so we ... the point is, is that for us, what may be material has low to nil monetary value, what may be material for us is

something that has high political interest in it. So it could be that we want to sell a 30-grand field, right, maybe that is material, maybe that is immaterial, in a £43 million business with a £350 million balance sheet I would say a 30-grand field is pretty immaterial. But we may want to do that. But if it is because so somebody can put a big billboard with neon signs on top of it, that sort of stuff, that might have a political ... in which case we would like to go to the shareholder. We would not want the shareholder to say: "What are you doing bothering me for a 30-grand field?" So we would like ...

Deputy S.M. Brée:

So what you are saying is that, as far as you are concerned, under the new incorporation, the board of directors could decide to sell an asset that had been given over to it from the public of the Island of Jersey without referral back to the Assembly that represents that public? Is that what you are saying?

Group Chief Executive Officer:

I am saying the way that it is written right now ...

Deputy S.M. Brée:

Sorry, it was a yes or no answer that one.

Group Chief Executive Officer:

I am saying that the way that it is written right now is that a decision to sell an asset goes back to the shareholder.

The Connétable of Grouville:

Not the States?

Group Chief Executive Officer:

That is how it is written right now.

Deputy S.M. Brée:

From what you were saying earlier on, if the board of directors determine it not to be material to the overall business, they do not have to refer it.

Group Chief Executive Officer:

It would be, so, if we were coming up with a programme of work that would be an asset acquisition or an asset sale, if that was contained within our Strategic Business Plan, we would engage with our shareholder about that Strategic Business Plan. If it was something that was happening

extraordinary to our Strategic Business Plan, we would ask our shareholder if they could make a decision on this. I think within the M.O.U. it currently says that the Minister would come back letting us know a period of time by which we should expect a decision, not saying how long ... when we will get a decision.

Deputy S.M. Brée:

Yes, but the M.O.U. also says that the Minister shall not unreasonably withhold his permission, but again the M.O.U., sorry, the M.O.U. is giving you, the Ports of Jersey Incorporated, "you" as a general term, it comes back to this whole question of the board of directors are allowed to determine materiality. So, if you decide that the sale of a field, which is part of the assets given to you on incorporation by the public of the Island of Jersey, is not material to the overall Strategic Business Plan, you do not have to refer it to anybody. Sorry, is that correct or not?

The Deputy of St. Mary:

Yes, but my understanding from the earlier hearing with the shadow board was that they conceded that that definition of materiality should be redefined.

Group Chief Executive Officer:

But if you want to put some boundaries around materiality then that is fine, I think I would do the same thing around the clubs and societies, do not make it so specific that it inhibits the ability for other things to happen, because we may find ... what we do not want to do is have ... set a boundary in there that then means that the shareholder would turn around and say: "Well that is not material, what are you doing bringing this to me?" But we need to understand these things; that is a part of the no-surprises open agreement.

Deputy S.M. Brée:

Yes, but I think that you have to understand that as a Scrutiny panel we are here to ensure that the interests of the public of the Island of Jersey are protected and to allow the Ports of Jersey Incorporated, through their board of directors, to decide what is material and what is not, without clearly defining it, is incorrect and is not something that we could recommend. I think you have to understand where we are coming from. We are not trying to prevent you from doing anything, all we are trying to do is to ensure that the interests of the public of Jersey are protected and continue to be protected.

Group Chief Executive Officer:

So if it is a matter of clarifying what a level of materiality will be then that is a good one to talk with the Ministers about. I mean we will conform to whatever the shareholder wants us to do. Ultimately it is the shareholder's M.O.U., right, so ...

The Deputy of St. Mary:

Sorry, just to be sure, I should add that we have seen other M.O.U.s, which you kindly provided, and the definition in the current one is perhaps wider in the P.O.J.'s (Ports of Jersey) favour than the other ones are, so I think there is scope for redefining it hopefully to the satisfaction of us all.

The Connétable of Grouville:

I do not suppose you would do it without referring to the Minister for Treasury and Resources, but the general public are really worried that you might sell off one of the historic harbours for example, or some historic building or do something like that, and they will be comforted by having safeguards in place to make sure that does not happen.

Group Chief Executive Officer:

Yes, I think the M.O.U. had attempted to hit some of that with: "The shareholder will have particular interest in that property that was transferred into the incorporated ..." I forget how it was worded, but it is in there somewhere. And I think for that, I mean, look, I think, I mean if that is the intention, to protect the public from being able to sell things off, then that is okay, because we have got no intention of selling anything, we want to develop the asset base, putting new products and services on them to generate ongoing annuity revenue. We have got no intention of ... there is no intention of making any capital gains by selling off property, none. So, if there is a restriction in there, yes, that is ... I mean we will offer it. Whatever the shareholder wants us to do, we will do, right. The only thing that we can do, you know, as a part of the development of the M.O.U., the only thing that we can do is advise the shareholder on whether or not the types of controls that they are putting into that, whether that would restrict us beyond the point of where it is no longer beneficial to incorporate. Because, if it is ... if we follow the trading fund model and it is: "You need to conform to all the States of Jersey policies, governance, as any other department would have to do", then there will be a tipping point in there somewhere where you would say: "Why bother going through all this then?"

The Deputy of St. Mary:

Sure, we all fully accept the point that the whole idea is to give the board more flexibility and it would be negating that very intention if it went back every time, but it is a question of finding a middle way.

Group Chief Executive Officer:

And we are saying, from our perspective; bring it on, because we will work however the shareholder wants us to work.

The Connétable of Grouville:

Well that is the point, the governance is not really in your ... you will want to know what you are going to be expected to do so you can have an input into that, but that is why we are not really asking you too many questions on that because it is for others really, but with your input of course. Because the other thing was, with regard to the assets, if you can sell them, with the agreement of the Minister, you could put them up as an asset for collateral security for a loan, and again that would potentially ... we could potentially lose some of the assets, which people do not want to lose.

Group Chief Executive Officer:

By the way that has been done in the past already. So the John Le Fondré Hall and the Alpha Taxiway both have, or have had, loans against them that are held by HSBC. That was done. We would not be putting any of our operational assets up as collateral. In fact the ... I mean you will have seen the input in from our bankers on this. They, for the level of lending that we are looking to do to achieve the commercial projects, that is of the level of a revolving credit facility, it is not putting ... it is not securitised in any way. And if we were going to something to do a commercial project where we had to acquire land or a building or facilities to be able to do that, then that specific thing would become securitised. If it was something much bigger than that, we would be talking with the shareholder about it.

Deputy S.M. Brée:

I mean really I suppose this issue of the acquisition and disposal of assets or the use of assets as security against lending really should be in the Strategic Business Plan quite clearly that you provide each year. And obviously as the management team, if you like, it is your responsibility to form that and present it to the board of directors. Now, again, I go back to the question that we asked earlier on, which was, bearing in mind that your wish date for incorporation is 1st July, where is your Strategic Business Plan? Do you have it and can you provide it to us for the first year? Obviously we appreciate that things change, okay.

Group Chief Executive Officer:

Correct. We are still working on it.

Deputy S.M. Brée:

No, I appreciate it is a work in progress.

Group Chief Executive Officer:

A lot of things are in it, and it has gone to 36 pages right now. It has got the objectives that have been laid out, that is in that work map, the objectives that were developed from the Medium-Term Financial Plan that we are currently operating, that is maybe modernised a little bit because some

of them were kind of ... so it is in draft, right, so we are pulling it together on the basis that it still needs some work done to it but it is in draft.

Deputy S.M. Brée:

Okay. Can we have a copy of it?

Group Chief Executive Officer:

I prefer, well we are not quite done with it and we have not taken it to the shadow board yet, so I would prefer for that to be done so that we can question and challenge it. But I would not have a problem at all sitting down with the Panel and just doing a page-turn of it or showcase it in some way so that you could see the types of thinking that is going into it, but I would not want to necessarily publish it until we get a bit further down the road with it.

[12:30]

Deputy S.M. Brée:

Okay.

The Connétable of Grouville:

Well I would assume there will be some very sensitive things in that document, which will not be made public, which we appreciate, but certainly the Ports Policy Group will want to see it. Because we are a bit worried that we are rushing into this and we have got no problem with the law itself, but it is just the governance, whether the business plan is robust, so that we know when we are going into it what the outcomes will be. Obviously it is looking into the future, but there are these things, which we did not know how far down the line that was.

Adviser:

Can I just chip in? It is a process question, because I think it is coming back to this, as you said, the incorporation requires a process of governance, the financial control, the monitoring. It all, if you read the M.O.U., comes back to that S.B.P. (Strategic Business Plan) and the materiality of any changes to it, hence the purpose of certain questions we have put through members of the Panel, we have not received very much on that. What process do you see taking place to get that S.B.P. from the draft in your briefcase, through your board, through an appropriate level of due diligence, through the Ports Policy Group, so there is in place, as soon as possible after incorporation, a Strategic Business Plan that has been approved, then becomes the basis upon which all the monitoring of the company's performance and effectively all of the control really on the company's performance takes place. So what is the process from here to getting that Strategic Business Plan in place?

Group Chief Executive Officer:

Well I would say first of all we have got a bit of work to do internally on it and we have got a group of people within the Ports that we have recently pulled together in a strategy group, all right, and they are giving some thinking to things like this that we should be doing. So I would like to spend some more time with them on this. I then think that we would, just as we do with the shadow board, is we periodically go away for an away day, a strategy sort of thing, as normal businesses do, and talk about what some of these things are, and we need to go through that process to be able to get something into a robust state. I think, once we have been through that iteration, then what we would do is we would probably brief the Ports Policy Group, which is embedded in the M.O.U. as sort of the shareholders forum in a way, and make certain that the policy decisions around the direction for the Ports of Jersey is consistent across Government, because there is a number of factors in there where ... I will use an example because I think it is quite important, where we have learned from previous incorporations to have this Ports Policy Group. If, for example, the Minister for Treasury and Resources wants greater dividend out of us and the Minister for Economic Development wants greater P.S.O. (Public Service Obligation) out of us, and the Chief Minister will not allow the J.C.R.A. to allow us to put our prices up, we are in an untenable situation, right, so having this Ports Policy Group allows us to make certain that the policy direction from Government towards the incorporated entity is right, fit, proper, and it works. So we would probably take them through it and then I think at that point in time then the degree to which the Strategic Business Plan can be published, because recognising some of it might have commercial in-confidence information in it, we would want to put it up on the website for everybody to have a look at. Does that kind of answer in any way, or is it ...

Adviser:

I think it is the level of scrutiny before it is approved, because once it is approved it effectively provides a baseline that says: "The company is allowed to do this for the next year, the next 5 years," however long the business plan runs for, "and come back and tell us how you are doing every 6 months. Come back to us a year later with an updated version and come back to us if there are any material changes." And I think what I am concerned to make sure that the Panel understands, and the States and the public understand, is how you get from where you are today with an incorporation model that is effectively 3 years out of date, I think I would phrase as being slightly loose, to something, which becomes the fundamental control document. I recognise the confidentiality concerns because I have come across that elsewhere, I recognise that so I understand there is a tension there between how much you can put in the public domain, but nonetheless that is the vehicle by which the States can control and intervene if they think something is going adrift.

Group Chief Executive Officer:

How it works today in the States is that we produce our Medium-Term Financial Plan, which sets out basically our spending envelope for States departments, our spending envelope for the coming 3 years, and that goes through a bit of a process to get signed off and all that sort of stuff, so if we want to do anything outside of that, today, outside of what is contained within the Medium-Term Financial Plan, then we have to go back and get various approvals to be able to do that. And I think that one of the challenges that we have is the Medium-Term Financial Plan cannot, by its nature, it would not anticipate challenges or opportunities that are of an immediate nature, right, so that is where the variation comes in. I can imagine that for us ... I mean in many respects this is a learning thing, right, so we are not going to be a high-performing commercial entity when we open up the doors, right, it does not magically ... the switch does not flip that way. So we are going to be learning and however the shareholder would like us to do a bit of due diligence around our plans, however they would like to do that, whether they would also like the J.C.R.A. to have a bit of oversight and to do it, whether they would like to bring in ... you know, however they want to manage their incorporated entity, for validating the business plans across their incorporated entities, it is really up to the shareholder to determine that and, you know what, we will follow along. I mean we will do whatever.

Adviser:

I think it again comes back to the things we were talking about earlier, which is the sensitivity around the commercial projects and their criticality and being assured there is a robust process of challenge to those before they then get built into the plan, because if there is something critical, Guernsey Waste or whatever, it is not going to be deliverable and that decisions are being made that underpin borrowing, or not, how much confidence can the shareholder have in that plan?

Group Chief Executive Officer:

I think it is one of those things, if I take a step back a little bit from what we are doing here versus operating in what would be a more standard company, then I think that there is a ... you know, bad things happen, all right, good things could happen if we can move with the challenges, but also bad things can happen. I think shareholders then tend to look at a board of directors as having the accountability to make certain that the right things are happening within the company, so the right governances, the right approvals, the right controls, the right financial acumen, whatever it may be. And in our case, in that case, it is going to be the same, so it is going to be the board of directors that are going to insist on particular controls, risk management regimes, all these sorts of things that we are working with now. And I should say, we have been working with our shadow board for the last ... certainly for the last 3 years or so, as if they are a statutory board, and they are not. So what they ... what we do is we take an investment proposal through the board, right, so typically you would say, at the end of that, you would have a board minute and there would be a board

resolution to agree the investment in something like that. But the board does not have any accountability, so it cannot take decisions, so rather what we do is we take a board endorsement to the Minister, because right now it is the Minister that makes the decisions around these things. But what that does for the Minister, having the shadow board there, is provides them with a lot of comfort that there has been much more due diligence around a particular proposal or what may be going on with a development than just a couple of Ports guys thinking it is a good idea. So, I mean, our ... the way in which the board ... the board has got a critical role to play in this and we have been developing the way in which we work under that regime for the last 3 years so that we can operate better when the switch is flipped.

The Deputy of St. Mary:

I am just concerned about any potential conflicts that might arise between the company and the E.D.D. (Economic Development Department) when one looks ... I think there are a couple of things that come to mind, one is the Air Route Development Grant, for instance, it is a very small thing, but nobody at the moment gives that grant or not. Potentially there could be that ... and then given that grant they will have regard to other outside, perhaps like tourism, whereas you might have other more concern around your revenue. I mean has that been thought through or that will stay with E.D. afterwards, will it?

Group Chief Executive Officer:

We have got three things that we do with carriers, stimulating routes, thing one is we have got a standard new route incentive programme, which is a reduction on landing fees that Port has foregone revenue to be able to develop a new route, and that is an investment in the route in a way from us as well, and that we are going to continue to do, the Ports are going to continue to do that because we want to grow and expand our network of services because that means more people will come to the Island and happy days all the way around. There is another incentive, which could be from Economic Development, to stimulate particular things, whatever that may be, and that would be on application to Economic Development. Sometimes we might help with that, sometimes we might not help with that. But those 2 things will exist in those 2 entities in the exact same way that it happens today. The 3rd area is that we can offer some marketing support, we tend to do that from the Ports' expense, so if it is a new carrier on a route or whatever, a new route that is being opened up, we may do like 5-grand or 10-grand of 50-50 marketing together to try and stimulate usage of that route, and that is something that we would continue to do. I think where it becomes more interesting in a post-incorporation field is if we can enter into different partnership arrangements with carriers or charter companies to do particular routes. We might find ourselves being able to enter into some joint venture arrangements, which we are inhibited from doing today, it is impossible to do it today. I would go so far as to say it is illegal for us to do it today. So it opens up a whole range of new tools that we have and I think the other thing too is

that taking a look at the new structure for Visit Jersey as well, okay, it is grant-funded, but it may decide that, rather than spending x-hundred grand on a television advert, they would rather put x-hundred grand into opening up a new route because that is going to drive volume. So there is a whole range of other tools that we can bring to bear beyond those that we already have today, which will carry on into the future.

The Deputy of St. Mary:

Sorry, again, realising ... who runs the air show this year? I know that is Economic Development now, I mean is that a similar thing, a partnership arrangement? I mean who is going to be controlling that?

Group Chief Executive Officer:

How it worked last year is that the airport stepped in and fronted up a lot of the air display development, right, and then E.D.D. (Economic Development Department) provided the grant to the airport upon which to provide a grant for ... or to fund certain components of the air display. But it was an airport-led thing as far as the Government is concerned and the States are concerned, and we are carrying on with that relationship this year as well.

The Deputy of St. Mary:

So you will front it effectively with ...

Group Chief Executive Officer:

With the air display organiser really getting the aircraft and, you know, and et cetera.

The Connétable of Grouville:

And post incorporation, you will expect to continue to do it?

Group Chief Executive Officer:

Yes. By the way, we ... I mean look what we do with the boat show, right, it is coming up, it is in a couple of weeks' time, come on down to have a look around, the exhibitors were sold out, by the way, caterers are sold out, it is a great day out. We have got a lot of Navy assets, I am doing the sales pitch now, right, so it is going to be a great week, and leading into the Liberation Saturday, I am really going for it now, but anyhow that type of development of the boat show where we are ... I mean the Ports still funds a bit of this, but to be honest it is a very low amount compared to overall what goes on and the ability for charities to collect and everything that goes on around that, to be able to take what happens in the boat show and all the good that is released by putting on such an event and bringing that to the air display and indeed other potential events around the Island; that is something we are keen on doing.

The Deputy of St. Mary:

One final point on potential conflicts. I mean there could be some if you licence a retail operation at the airport, et cetera, and say duty free or something, and that could militate against the trade elsewhere in St. Helier or wherever. But again is that a scenario you see where there might be conflict between yourselves and the States?

Group Chief Executive Officer:

No.

The Deputy of St. Mary:

Because you would not do it or would ...

Group Chief Executive Officer:

No, because, in a way, it is a very different market, right, so the ... let us put it this way. We have got more retail opportunity up at the airport in particular, in fact probably down at the harbour as well, than we are currently taking advantage of, right, so we can do other things up there, whether it is a florist or a nail bar or, I do not know, a convenience store for people coming in late to pick up some meals and that sort of stuff, I mean there is a whole range of things that we could do. We are not looking to take market share away from St. Helier town centre and that sort of stuff, we are not looking to do that, but it could be that the airport provides quite a bit of a hub of convenience. I will give you a good idea right now and this sort of goes into commercial process in a way, if you want to post a parcel on a Sunday or a bank holiday, where do you go? How can you get it done? You know where you can go? To the airport. We have got a post office up there, we will mail your parcel on a Sunday, we are open from 5.45 a.m. in the morning to 5.00 p.m. at night, every single day of the year, except for Christmas when the airport is closed.

The Deputy of St. Mary:

It will be mailed that day, will it?

Group Chief Executive Officer:

It might wait until Monday morning, but still, if you want to get it off of your bureau, right, out of your house, and get it in the system, you can do it at the airport. Not many people know that.

The Connétable of Grouville:

No, I was going to say, I was going to ask you, you can do that now?

[12:45

Group Chief Executive Officer:

You know what, how crazy is that, it is, because it is a facility that we offer today, right, we could generate more business, but we do not communicate it. We have got lots of things around our estate and becoming commercial starts to be: "Well we should market this a bit more." And maybe what we do is we create a hub of convenience up there: "Why do you not drop off your dry cleaning on your way up to London, we will iron your shirt for you when you come back in the evening, we will have it ready for you. We will wash your car; we will even tune it up for you if you like." I mean there is a whole range of things that we could do, but it requires a different level of culture and thinking and ambition in the organisation where today we are just inhibited from doing it.

The Connétable of Grouville:

You are talking about franchises or doing it yourself?

Group Chief Executive Officer:

Either/or, whatever is right. So if somebody comes up with a good idea and says: "Listen, I would like to ..." Take the dry cleaning, right, so: "I would like to put up a dry cleaning thing where people running up to London for the day can drop it all off and we will run it down to Quennevais, iron it up quickly and then ready for you to pick up on your way back." We would say: "Yes, let us go for it." Today we cannot. Do you know why? Because we have got to put it out to tender. We have got to go through an entire process. We have to evaluate ... we need an independent sat on the panel to be able to do it, and it takes a very long time. So, by the time somebody comes up with an interesting idea, our ability to keep pace with that today means they are: "Oh, forget about it. Never mind. We will do something else." I think it is one of the things too that I would like the opportunity ... how am I doing on time?

The Connétable of Grouville:

We are doing fine.

Group Chief Executive Officer:

What I would like to do is just say frequently I hear things but, you know, you can just do it today: "Why can you not just do it today? You are a trading entity; you can do this, right? So why not?" Never happens. Today, first of all, we cannot enter into joint ventures. States does grants, States does loans, States does not do joint ventures. Joint ventures are a wonderful way in which to spread out risk and reward on a particular development and we can move things using other people's capability in a way that we cannot do today. It takes forever to get process done in the States. Now, if it is for a normal thing, so if it is just turn the handle on a 9-year lease or a licence and that sort of stuff, for the same thing that happens all the time, fine. But the moment you try

and do something that is non-standard everybody has got an opinion and it takes forever and everybody needs to give their opinion. It just takes a long time to do it. I think the restrictions that we ... some of the restrictions that we insist take place around us being a public department, so where other States departments may be looking at minimising tax spend in a way, right, where over the last 5 years not a single p of taxpayers' money has gone into the operational costs or the capital investment of these businesses, it has all been funded commercially, not a single p. It is one of the things that gets incorrectly reported from time to time. And while we are looking at these types of things, right, as a public department right now, guess what happens? All that goes out into the public domain, right, so all of a sudden then everybody knows what kind of commercial ... do you think people like that? They do not want to do a deal with you only for it to be splashed out in the media and in the States Assembly with the questions going on about it. So people start shying away from doing business with us because of that risk. I think also the fact that we cannot match the pace of a lot of our development partners, so if easyJet wants to do something new, okay, we react pretty good with easyJet, we react good with our carriers for the most part, but if somebody has got something new and interesting to do, right, we do not have the ability to match their pace and, you know what, then they get bored and they go on and they choose something else. And so when it comes down to thinking about could you just do it? The theory is you could, but, you know what, we do not make it easy for ourselves, and in fact all the other encumbrances means it just will not happen. Things have happened. We do have some green shoots growing around right now. The Cargo Centre up at the airport is a great example of that. That has been on the table for, what, 10, 15 years? 10 or 15 years. And it is only because we with the commercial drive saw the opportunity of it and pushed it through. And, you know what, we have not done a brilliant job of it, we have done a pretty good job, we have been a bit delayed on doing some things, but it is good learning for us that we can only take and accelerate and accumulate across our other range of projects. The Duke of Normandy going out and getting its own commercial contracts, the air traffic control expanding airspace and going out and consulting for work. These are all green shoots, right, but I can guarantee you that it has all been down to the fact that we have got a board of directors and a management team that have been pushing commercialisation towards incorporation. The moment we take our foot off that accelerator that is it and we will go back to the previous levels of performance. When I first got here, we were integrating the hall in the airport and we had people sat around in these integration workgroups and all that sort of stuff, it was all very good. But one of the messages that came out of that loud and clearly for me is we do not have customers, and in fact coming out of some of these groups: "I hate our customers." Although, right, "If you want to get off the Island you have to come through us, do not care if you enjoy it." Now we have customers, and, not only do we have customers, we have an ambition to delight them. It is a very particular word that I used right in the beginning, "delight". And I was advised even by my F.D. (finance director): "You cannot use that word." You can imagine the headline in the *J.E.P. (Jersey Evening Post)*: "Fog-bound passengers are not

delighted.” But yet I insisted because I think that is the ambition that we should have. We have gone out, we have taken our people across the Ports, across the entire Ports, on a customer journey through our airport, right, we called it a journey to utopia, they looked at the airport through the eyes of our customers. They themselves came up with 60 improvement ideas, most of which have been implemented by now. This is taking feedback in from our customers, acting on it, implementing improvements. Some of those things were simple, right, some of them were around having a walking stick for people to go through security with, or a shoehorn after security. Some of it was around getting rid of the announcements. You may remember we used to have this announcement at the airport every 15 minutes, Sarah Louise, she works in engineering, she is a nice girl, but she would make this announcement, it was recorded, right, she did not sit by the phone, she would say: “If you have parked your car outside we are going to take it away and destroy it.” It probably was not quite that extreme but if you worked there that just becomes noise in the background, but for our passengers it was annoying, so we stopped doing it, we stopped it. So now if somebody is parked out there, we say: “Would the owner of the Audi with the J123456, can you please move it because you are obstructing traffic?” So it is a much more ... but I can guarantee this is all green shoots, you know, very early stages of what we could possibly do once we start proceeding down a commercialised path. Incorporation is not the end game for us, far from it; it is the start for us. So, given the keys that then unlocks all this other potential to be released is really important. That was merely a little bit of soapbox, Chairman, sorry. I am still on my sales pitch.

The Connétable of Grouville:

We notice you are quite passionate about that. I think we are coming to an end now, but one final question, you mentioned that the cargo shed did not go completely as smoothly as you would have liked. You have obviously got a talented team. Do you think you need to strengthen that team?

Group Chief Executive Officer:

Yes. Yes, absolutely.

The Connétable of Grouville:

In what particular areas?

Group Chief Executive Officer:

We are, operationally, we are excellent, open, safe, secure, compliance we are excellent, right. Things of an administrative nature, we are pretty good at, we are States, we have a bunch of civil servants, public servants in there, and we can turn the handle on things and we have got forms and stuff that that we can do. Our financial controls, they are largely dictated all by Treasury, so we have got a pretty robust set of financial controls, some of the best, I would say, decision-

making governance, some of the best that I have encountered in the jobs that I have done. We are pretty good with insurances and all that sort of thing, so there is a whole range of things that we are good at. What we are not particularly good at is pursuing commercial projects. And it is operational projects, so replacing a pier or refurbishing some pontoons or resurfacing a runway, we can do that all day long, we know how to do that, we can go out to tender for it, we can do those. But, you know, getting this feel for what makes a good commercial project, it took us quite a long time to get the business case to a point where we felt confident enough to bring it in to the board. So this is not even into the board yet. It took us a longer period of time to do that than I would have liked, than I really would have liked. And I think that we iterated quite a bit around it. Now we used that as a very productive learning exercise so that if we were to repeat similar projects in the future we have got a good learning that has come out of that. But I think that this commercial acumen is still quite low in our organisation, because we have not had to. Now, we are better than a lot of places, you know, certainly York Aviation just wrote a very good report on Guernsey by the way, I hope the one on Jersey is equally as good, but here it was talking about how the level of commercialisation and that sort of stuff in other places around that York has been involved with has been very, very low, and I think that is natural as a States department that it is very, very low where, as a function Government, it is very low because Government does a lot of things really, really well, but it does not do commercial agility particularly well. And that is an area where we need to continue to invest and grow. We have done a lot of good work with the people that we do have but we may need to augment that further.

The Connétable of Grouville:

And are there any other areas where you think your skill set is?

Group Chief Executive Officer:

It is primarily in that area. So I would say for ... I mean we do quite a lot of things with our organisation, culturally we have brought them along quite a bit, I think capability-wise it is around commercial acumen. Not around the stuff that we know how to do, but the more interesting stuff, and I think we need to spend some time on that. And I also think that there is a performance, I would say, so a delivery mindset and an ability to stick to deadlines and push through with things and have a real high-performing organisation. So, when we commit to do something, we do it. That can be improved.

The Deputy of St. Mary:

One final, yes, it is going back to your enthusiasm for commercial projects, whether nail bars or whatever, I mean do you have any criteria that you would adopt to make sure you are not offending Susie's Nail Bar down the road? I mean there are going to be retailers and providers of services here who will be concerned that your expansion might affect their own concerns.

Group Chief Executive Officer:

It is interesting. It would obviously be something for the J.C.R.A. as well, right, so if it is a part of a licensed operation then it is price regulated. And any unlicensed operations, then it would be down to whatever happens. But I think for us, I mean we do not have firm criteria, I think that there are some things that are not provided for in Jersey, and we have got some ideas for that, anywhere in Jersey by the way, so there are some interesting things around that. But we would not necessarily put up a hotel; we would not necessarily open up a new attraction without sort of talking to the guys. I mean Jersey is by far a most wonderful place to do business because we know everybody, right, so we can talk to the Seymour Group or Morvan, or whoever else it might be, right, Dolans and stuff, around stuff that is going on, and we can make certain that ... well we can make certain ... in fact what I would rather have is I would rather create the opportunity around which retailers in Jersey can expand at the airport or down at the harbour rather than us take it on to go into competition with them because that is sort of inconsistent then I would say. So if we can create an opportunity where the airport not only is, as an example, at the airport it is not only a travel hub, but it becomes a hub of convenience, and we get Susie's Nail Bar up there, and if Veronica wants to have a go then we will get Veronica up there as well. But to do it in such a way that allows the businesses in Jersey to have a go, to come to us and say: "I have got an idea, do you think we can do it?" "Yes, I think that is a great idea." Where today we would have said: "Well, we need to put that out, we have got process and we have to go through tender process, we need to get an independent ..." blah, blah, blah, blah, blah, right. I would rather make it easy for people to expand their operations using the facilities that we can provide for them.

The Deputy of St. Mary:

Yes, but you could use your presence down the harbour to open your own chandlery or whatever it might be, which would be obviously ... undercut locals. That might be a ...

Group Chief Executive Officer:

You cannot say that it would undercut locals, right, but if we had the opportunity to build on capability because of our scale and stuff that we have, to be able to offer services for customers, then we would do that. But the one thing that we always have to do, we will always do, is be transparent in our underlying cost base. So it cannot be that the harbour would ever ... so if we had a business, say we opened up a new warehouse, first of all we would have to make certain that the warehouse paid commercial rent for it, if there was any harbour dues on the freight that was coming in it would have to be at full harbour dues, because we do not give discounts on that all. We would be able to demonstrate that so that it was absolutely clear that whatever we were doing was on a level playing field, we would have to do that and we will do that.

The Connétable of St. Ouen:

Just on a very quick lighter note, does the jurisdiction under incorporation still apply to your second airport, which is the Model Aero Club?

Group Chief Executive Officer:

The airport authority will still be responsible for airspace stuff, so if they wanted to fly their planes up into the middle of the flight path we would say no. But also equally we have an emerging thing happening with drones, drones are popping up all over the place and that is quite interesting for us, so we are trying to build capability within our organisation so that we will be able to licence in a way that we can teach and educate and all that sort of stuff, so in that respect I would say yes. But we are not looking to create commercial opportunities for the ...

The Connétable of St. Ouen:

No, I am sure you are not, but it still comes under you, I think there would be some concerns, does it still come under your umbrella, and it does basically.

Deputy S.M. Brée:

I have got no further questions.

The Connétable of Grouville:

That is pretty good going because it is smack-on 1.00 p.m. Gentlemen, thank you very much for coming, it has been very informative. We see how enthusiastic you are about Ports incorporation, so thank you very much for coming.

[12:59]