

STATES OF JERSEY

Economic Affairs Scrutiny Panel Quarterly Hearing with the Minister for Economic Development, Tourism, Sport and Culture

WEDNESDAY, 2nd MARCH 2016

Panel:

Deputy S.M. Brée of St. Clement (Chairman)

Deputy D. Johnson of St. Mary

Connétable J.E. Le Maistre of Grouville

Connétable M.J. Paddock of St. Ouen

Witnesses:

Senator L. J. Farnham, Minister for Economic Development, Tourism, Sport and Culture

Connétable S.W. Pallett, Assistant Minister

Deputy M.J. Norton, Assistant Minister

Chief Officer

Deputy Chief Officer

Assistant Director

Topics discussed:

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[10:01]

Deputy S.M. Brée of St. Clement (Chairman):

Right, gentlemen, if we are ready to start. First of all welcome, Minister, Assistant Ministers, gentlemen, members of the media and public, to the Economic Affairs Scrutiny Panel Quarterly Hearing with the Minister for Economic Development, Tourism, Sport and Culture (E.D.T.S.C.). Before we start, just for the benefit of the tape, if I may ask everybody just to introduce themselves. My name is Deputy Simon Brée, Chairman of the Economic Affairs Scrutiny Panel.

Deputy S.M. Brée:

Thank you very much. Now, as we only have an hour and a half for this public hearing I would appreciate, where possible, succinct and short answers being given, although I know that in some cases you feel that you need to expand on things.

The Minister for Economic Development, Tourism, Sport and Culture:

We need succinct questions for succinct answers.

Deputy S.M. Brée:

They are very; we know exactly the questions we need to ask. The first area that we would really like to cover, and again if I can ask you to keep this relatively short and succinct, is to receive an update on the department's priorities for 2016 and really what is your work programme and what are the areas that your department is going to be concentrating on this year?

The Minister for Economic Development, Tourism, Sport and Culture:

Thank you, Deputy. I will ask the Chief Officer to address that in this instance.

Chief Officer:

Obviously, this year is the first year that we have formally got the new portfolio, including for Sport and Culture, so I will run through it in the E.D.T.S.C. order, if that is okay with you. The core activities of the department are now, with the exception of Locate Jersey and the Rural Economy, limited to policy, strategy, legislation, oversight of regulation and the management of the majority of our delivery in tourism, in business support and other areas by external bodies. We will continue the strong focus through this year on inward investment, both institutional investment and working with investment through Locate Jersey. We will continue with our funding of Jersey Business to supply business advice and support to non-financial services S.M.E.s (small and medium enterprises). They will be particularly focusing on, in addition to generic support for all sectors of the financial services, the further development of support for the retail sector, which we

believe is critical. Within our own portfolio we will be seeking to complete the consultation and lodge, and hopefully get approval for, the new licensing law. We are making some fairly significant continued changes to regulations and legislation that govern our tourism sector. We have obviously started already either amending or appealing elements of regulation and legislation, working very closely with Visit Jersey to make sure that it is easier both for the visitor, and indeed for the sector, to have less bureaucracy, less red tape, applied to it. Obviously we will continue our support for Visit Jersey. I think they have made a very good start and I think that will continue and tourism clearly is a very key priority for us, and I am sure we are going to go on later to talk about some of the transport links that support that. Clearly, the issues that have arisen recently about Condor are creating a great deal of focus for us, and will continue so to do, until they are resolved and we are determined, as a ministry, I think, to resolve those problems. Our support for agriculture will obviously continue. The Minister has quite rightly given a commitment that the level of support to agriculture will be protected. We are in the process, and we will talk a little bit later in a bit more detail of the development of the Rural Economy Strategy which, to some extent, is predicated on the out-turn of the M.T.F.P.2 (Medium Term Financial Plan 2) that covers 2017 to 2019, because obviously it governs the overall level of funding. But I think it is fair to say that we are moving towards a system whereby, in discussion with both the dairy and the potato sector, we are changing the emphasis I think, or increasing the emphasis on marketing and promotion of products in export markets while continuing levels of subsidy that underpin the sustainability. I think, apart from that, what I would say is that we will continue to work very closely with Senator Ozouf's team in Financial Services, Digital, Competition and Innovation. We will continue to work very closely with Sir Philip Bailhache's team in External Affairs. Both of those areas are critical to our success. We will continue to work very closely with those things that are now transferred to Senator Ozouf's team, Digital Jersey and Jersey Finance, because we will support from an inward investment and on-board perspective, through Locate Jersey, the activities in those sectors as well. So I think that is probably a snapshot of where the emphasis of our spending and activities are going to be this year.

Deputy S.M. Brée:

Thank you very much for that. Previously your department, Minister, had provided this Scrutiny panel with a work stream spreadsheet detailing what areas you were working on and what projected dates they were. The last one we have received was dated September 2015. Why has your department ceased to provide this panel with such a spreadsheet?

Assistant Director:

The spreadsheet I think you are referring was a specific bespoke spreadsheet produced for the panel at the panel's request.

Deputy S.M. Brée:

So if we were to request one you would be able to provide us with an up-to-date one?

Assistant Director:

Absolutely.

Deputy S.M. Brée:

Thank you. If you can arrange that I would much appreciate it. Does your department, Minister, have a formalised business plan for 2016?

The Minister for Economic Development, Tourism, Sport and Culture:

The answer is we have a number of business plans but like you we ...

Chief Officer:

Yes. The answer is, do we have a glossy published business plan; no, because we did not think that that was appropriate. Our business plan is effectively our M.T.F.P. submission and that was just published through the M.T.F.P. supplemented by the business plans, which are all approved by the Minister for the various bodies that deliver on our behalf. So internally we have ... well, obviously Locate Jersey, Jersey Business, Visit Jersey. We now have it with Jersey Heritage, Jersey Arts Trust, all of the sports organisations. So that in total governs the activity, the distribution of spend and the outcomes and outputs that we are expected to deliver. Is that all brought together into a single glossy document? No. Can it be consolidated and provided to you in its entirety? Obviously, yes.

Deputy S.M. Brée:

Could we then request the consolidated set of business plans from you?

The Minister for Economic Development, Tourism, Sport and Culture:

Yes, absolutely. That is fine.

Deputy S.M. Brée:

Thank you. One of the things that we would like to suggest at this point is to possibly have a number of periodic meetings between the Minister, your department and the panel just for updates on what is happening, what you are working on. They will not form part of the public hearing programme, and we were wondering whether you would be prepared to commit to working with us to arrange that?

The Minister for Economic Development, Tourism, Sport and Culture:

Yes, absolutely. Would be pleased to do that.

Deputy S.M. Brée:

Good, because I think it is important that Scrutiny works well with the departments and ministerial areas of responsibility as a proactive programme as opposed to a reactive programme. Okay. If we move on now to details of the various areas we would like to talk next about the Rural Economy Strategy.

The Deputy of St. Mary:

Yes, thank you. Mr. King has already mentioned that and it is ongoing. Could you tell us what is the latest position and what level of consultation has taken place between the interested parties?

Chief Officer:

Well, in terms of formal consultation that will lead to the publication of the strategy we have a consultation document that has been prepared, fully drafted and ready to go, which would have it in the draft Rural Economy Strategy. Clearly, the potential changes to the departmental budget and the distribution of spend within the M.T.F.P. was going to have an impact on that. Because the M.T.F.P. is effectively resolved for 2016 but not for 2017 to 2019, a decision was made by the Minister to carry it forward, the existing Rural Economy Strategy, through 2016 to allow us in 2016, when we have had certainty over what the 2017 to 2019 funding was going to be, to effectively go out to consult and then publish the Rural Economy Strategy. In parallel with that the team up at Howard Davis Farm, which, as you know, is a combined Economic Development or E.D.T.S.C. and Environment team under Dan Houseago, is looking at a complete service redesign of the way that government supports the sector, and that will form another element of the rural economy. So that work is currently underway and will be published as part of the overall consultation. But, as I alluded to earlier, we have had discussions, fairly detailed discussions, I think, certainly with Albert Bartlett, the Jersey Royal Company, and obviously with the dairy about what is the best way that government, financially and otherwise, can support to sustain and grow the sector. The message that was coming through is that increasingly the success of the sector is based on developing the export markets to a greater extent than they have been, both in the U.K. (United Kingdom) for the arable market and indeed more globally for the dairy sector. That is one of the reasons why, for instance, the Minister has announced that we are going to form Farm Jersey which is effectively going to assist that process. In our submissions to the M.T.F.P. I think it is fair to say, Minister, that we have allocated additional funding to that to make sure that in 2017 to 2019 export development in the sector has as much support as basic subsidy. So in a long-form way the final consultation to the R.E.S. (Rural Economy Strategy) is subject to the M.T.F.P. but we expect it to be issued relatively shortly because we will obviously have to resolve our 2017 to 2019 position which will be captured in the Rural Economy Strategy.

The Deputy of St. Mary:

The panel will get an advance copy of that?

Chief Officer:

Absolutely. From my perspective I would have no objection to providing you with a copy of the draft as we are ...

The Minister for Economic Development, Tourism, Sport and Culture:

We are happy to share with you what the work to date has been.

Deputy S.M. Brée:

Yes, please, if you could. Thank you.

The Deputy of St. Mary:

You just mentioned Farm Jersey, is that yet another entity which is going to have ...

Chief Officer:

No, what we are doing with ... well, if the Minister wants to explain, but I am happy to.

The Minister for Economic Development, Tourism, Sport and Culture:

We propose to work with Jersey Product Promotions Limited or the Genuine Jersey organisation, rather than start creating new organisations; there is scope within their remit to work, to create and lead on the Farm Jersey model initially. We have had discussions, and that seems to be acceptable and that is the line we are progressing.

The Deputy of St. Mary:

Sorry, but who will run Farm Jersey? Would it be entirely your department or will there be people brought in from outside, or ...

[10:15]

The Minister for Economic Development, Tourism, Sport and Culture:

It would be an advisory board made up of industry members.

The Deputy of St. Mary:

Thank you.

Chief Officer:

But for the avoidance of any doubt, Deputy, it is not a brand new entity; we are going to use the resources of Jersey Product Promotions and Genuine Jersey, and to increase the level of funding to stimulate the export markets which are so key, I think, to the future of the sector.

The Minister for Economic Development, Tourism, Sport and Culture:

I can also say I am keen to ensure that across the visitor and rural economies there is some joint marketing to deliver better value for money and I think Farm Jersey, Genuine Jersey and Visit Jersey will work more closely together to achieve that.

The Deputy of St. Mary:

Okay. The funding for Farm Jersey, will that come out of your budget or Environment's?

The Minister for Economic Development, Tourism, Sport and Culture:

It will come out of E.D.T.S.C.'s budget.

The Connétable of Grouville:

I think people are aware that I have a minor interest, and it is minor now. You have mentioned that you had had discussions with the 2 potato marketing companies, both English-owned companies. Have you had had discussions with local growers?

Chief Officer:

Not about Farm Jersey specifically. Obviously in our dealings I think we were able to assist Woodside Farms in their issues towards the end of last year but clearly again we looked at that from a domestic but also from an export perspective, but we have not had the same level of discussion there with local growers.

The Connétable of Grouville:

I was really referring to the Rural Strategy as a whole.

Chief Officer:

Oh, the Rural Strategy. Well, there have been discussions. The team in formulating the consultation document and formulating the draft strategy have had, I think, numerous discussions with people right across the industry, not just the big guys. What I was referring to there, when I was referring to Bartlett and Jersey Royal and the dairy, was the discussions we had had about the additional funding for export promotion, not the strategy itself, but the discussions on the strategy have been far broader.

Deputy S.M. Brée:

Okay. One question that I would like to ask Mr. King: talking about consultation, I perhaps have misunderstood, but you I am sure can correct me, that prior to formal consultation taking place you are going to get the funding approved in the M.T.F.P. Addition, is that correct?

Chief Officer:

We are going to define ... well, on the assumption that the M.T.F.P will allocate a sum of money to E.D.T.S.C. and, within that, we will be able to allocate a sum of money to the rural economy. If you look at the current Rural Economy Strategy it is not just a wish list of things of things that we wish to do, it has allocated to it specific funding and specific funding streams that change through time which are therefore predicated on the amount of cash that is available. So, for instance, what happened in the last year of the Rural Economy Strategy is that there was a reduction through the plan period of the Single Area Payment. Now, you can only hardwire that or define that if you know what your overall financial envelope is and until we ...

Deputy S.M. Brée:

The point I am trying to make is, how can you make a bid for increased funding for the Rural Economy Strategy if you have not undertaken a consultation process with the industry in the first place to determine what they feel they want? It seems to be slightly the wrong way round if I ...

The Minister for Economic Development, Tourism, Sport and Culture:

No. Consultation has been going on with the industry for the best part of the last year. I am waiting for an update from Dan Houseago, who is the officer responsible for that. We are not necessarily saying that the new Rural Economy Strategy will require additional funding, we are going to run the new strategy from the existing funding as we do now, the existing Agricultural Rural Economy budget.

Chief Officer:

But the strategy is very heavily dependent on the amount of funding that is available to us. In formulating the consultation document there have been numerous discussions between the team at Howard Davis Farm and people right across the rural economy, not just the major players, but the final strategy and what we would capture in it ... and, as I said, it does not just say: "There will be a Single Area Payment" for instance, it will say that clearly, but what we need to be able to say is: "There will be a Single Area Payment and this is what we anticipate the cost of that to be or the rate of that to be throughout the plan period." This is exactly what we did with the previous Rural Economy Strategy, it was locked into the M.T.F.P., and it becomes a committed element then of our internal budgeting within the cash envelope that is allocated to us.

The Minister for Economic Development, Tourism, Sport and Culture:

So we are deciding internally, at E.D.T.S.C., how our budget is going to be spent within the rural sector.

Deputy S.M. Brée:

The point I was trying to make was that Mr. King referred to the formal consultation process not taking place until the funding had been approved through the M.T.F.P. edition, but perhaps I have misunderstood what he said.

Chief Officer:

No, I did not. I did not say: "Approved." What I said, I think, Mr. Chairman, was until we were further along and we had some certainty based on what will be submitted as part of the M.T.F.P.2 process, and we are well into that at the moment, as to what the broad quantum of funding that would be available for the rural economy will be. Given the level of reductions that we are being asked to make, there is quite a potential difference. Now, the Minister, I think, has quite rightly decided that we will, to the greatest extent possible, probably more so than almost any other sector, any activity, protect the funding for the rural economy. If that gets through the process, which will be concluded in relatively short order internally, we will be in a position with some confidence then to go out and say that, for instance: "The Single Area Payment in 2019 is likely to be X" and it is that which you will want to consult on because variation in the Single Area Payment and the quantum of it does have an impact on the profitability, productivity and sustainability of all forms of agriculture that are land-based.

Deputy S.M. Brée:

Okay. Any other questions on this area? Okay. If we can move on now to the specific area of the Licensing Law.

The Connétable of St. Ouen:

Minister, I wonder if you could give the panel some early feedback on the consultation process and the plan, scope and timescale for completion?

The Minister for Economic Development, Tourism, Sport and Culture:

Again, I will pass you over to Constable Pallett, who is acting for the department on that. I just want to remind Members that although I do not have a direct and pecuniary interest, I am a director of a hotel which has licensed premises on it. Just for the record I declare that interest, but Steve is dealing with the issue.

Connétable S.W. Pallett, Assistant Minister:

The consultation is up and running, it is due to be completed ... well, the last date was 19th April. We have had some good responses, some very positive responses from both individuals and groups. We have met informally with groups such as the J.H.A. (Jersey Hospitality Association) and the Co-op and, yesterday, Randall's, which I think was very productive. So once the consultation is complete we will be collating those responses in terms of what the final draft law will look like.

The Connétable of St. Ouen:

Should the department be in a position to be able to suggest terms of reference shortly and start the review thereafter?

Connétable S.W. Pallett, Assistant Minister:

Well, I think it is for your panel to decide what the terms of reference are but we will certainly be updating you on what the responses have been. Your chairman has already said that he would like regular updates and I think it is the intention of both myself and the officers to ensure that you get some sight of the responses as soon as possible. Some of the meetings we have had so far have been informal meetings rather than a formal response from, for example, the J.H.A., Jersey Hospitality Association, but we will keep you in the loop in regards to the level of responses and what those responses have been. They have covered all sorts of areas within the consultation, everything from the fee increases to price promotions, and all the groups have got different angles to come from. Clearly the off-trade has got a different view to the on-trade, but it has generally been positive to date with comments of all aspects of the consultation.

The Connétable of St. Ouen:

Anybody else got any questions?

Deputy S.M. Brée:

We understand the consultation remains open until 19th April.

Connétable S.W. Pallett, Assistant Minister:

It does.

Deputy S.M. Brée:

How long after 19th April will you be in a position to provide a briefing to this panel on the results of that consultation?

Connétable S.W. Pallett, Assistant Minister:

Well, I think we have got an opportunity all the way to the 19th. If you wanted a fortnightly update on where the responses are and the types of responses that we have had I am quite happy to do that. Officers report to me daily on the feedback they have had, certainly alert me to anything that might be a concern to the department and might be a concern to yourselves as well.

Deputy S.M. Brée:

Well, that would be very helpful, because obviously we want to come up with our suggested terms of reference fairly quickly on this one. It is a very large and complex area of legislation and affecting a large number of areas, as I am sure you are finding out.

Connétable S.W. Pallett, Assistant Minister:

I think, really, from the department point of view, we are keen to give you all the information you require because I think it is important that you have an opportunity to get up and running as soon as you can once the consultation is complete. Again, we will work as close with you as you want. It is important not only to the department but me personally that we try to get this done during this political term. It has been hanging around, as you know, for decades now. I think if there is one comment that we have had back from the industry is that they are keen to see a new law in place. They may have concerns about parts of the consultation but they are really keen to work through it. So I am really interested in some of the responses we will get back from the industry themselves. Again, they all sort of pull in different directions because they have all got different interests, but I think they all agree that they have got to try to work together to try to put something together that will work in this day and age and not in the 1970s when it was first put together.

Deputy S.M. Brée:

Yes. What target dates have you set yourselves for bringing forward draft legislation?

Connétable S.W. Pallett, Assistant Minister:

I would like to see the law lodged, if not before the recess, soon afterwards so that we have got time to debate it. The one issue I think we need to do some work on is what will be the regulations. I think if we are going to debate the law I think the Chamber need to have some idea of what the regulations will look like. For example, what the licence categories will look like and what potential fee increases will look like. That is something that we have already had some good discussions with the industry over and that is fee increases and how new increases will look like to be more fair across the board, and that is important. So I think in terms of lodging, it is going to be around at least the department having a view as to what those regulations will look like. I think you will all be asking questions as to what the level of the fee increases will be and what changes there might be within the individual categories; that is if we retain categories, which again is another issue that is up in the air.

Deputy S.M. Brée:

Okay. Any other questions from anybody on the Licensing Law? No. Okay. We would like to go on and talk now about the Tourism Development Fund, if we may.

The Connétable of Grouville:

Yes, Minister, what progress is there with the new board? Is it now up and running? You have got a new chairman, I understand.

The Minister for Economic Development, Tourism, Sport and Culture:

We have got a new chairman and the existing board was never closed; some members resigned from it but some members remained. As I understand it, the new chairman and the remaining board members are operational and they have some money to spend. I am going to ask Darren to remind me about the amount, because there is some money sitting there. There are some unused funds from previous applications going back 2 or 3 years and there is the underwrite for the air display. The underwrite was, I think, a maximum of ...

Assistant Director:

Up to £189,500.

The Minister for Economic Development, Tourism, Sport and Culture:

£189,500. It is anticipated that approximately £80,000 will be used. So their next actions largely depend on how much money they have got to spend, but I understand it is the chairman's intention to hold another round of funding because I think we all agree that that the money would be better used if put to action in the sector.

The Connétable of Grouville:

So they will be advertising shortly for more bids?

The Minister for Economic Development, Tourism, Sport and Culture:

Yes.

The Connétable of Grouville:

Do we know how much money is available?

Assistant Director:

It is complicated because Ports have not made the final claim to the £189,500. It will be somewhere, possibly, between £100,000 and £200,000 in terms of the money available, essentially unallocated funds from last year.

The Deputy of St. Mary:

So that is the unallocated funding?

Assistant Director:

Effectively that is the estimated unallocated funding, yes.

The Connétable of Grouville:

What about Events Jersey, where does that sit?

The Minister for Economic Development, Tourism, Sport and Culture:

We asked for expressions of interest from people in organisations interested in running that or having some ideas. We completed that round. There were not, I do not think, any applications that really I deemed to be suitable for what I had in mind.

[10:30]

So we are still looking for somebody to run that. Having said that, we have allocated the sum of £200,000 towards Events Jersey. One of the reasons I have not rushed it is because we are under quite significant financial pressure with our budgets, as I am sure you will all know. So it may be that we have to turn and reduce the amount allocated to Events Jersey slightly but I am hoping to avoid that if possible. So the answer to your question is, we are still looking for the right person to run Events Jersey.

The Connétable of Grouville:

Have you considered giving the funding to Visit Jersey so that they can carry out that function rather than start a new entity?

The Minister for Economic Development, Tourism, Sport and Culture:

Yes, and firstly, Visit Jersey are not particularly keen to do that and I am not particularly keen to do that because, as I said right from the start, I see Visit Jersey's focus purely on marketing and promoting the Island. The Events Jersey role is a more ... it is a more hands-on events sort of organisation and facilitating, and I think it is important that is separated and Visit Jersey agree.

The Connétable of Grouville:

Are you happy with the progress of Visit Jersey?

The Minister for Economic Development, Tourism, Sport and Culture:

Very happy, yes. I mean I know it is early days and I say to them they have had a bit of an easy start. They had the Island Games lined up, so that helped, and we have got the Dance World Cup this year, but I am particularly impressed with their forward planning and their analysis of figures and the use of that information to look to the medium to longer term.

The Connétable of Grouville:

Going back to the fund, the last money given out was given out as a loan. Is that the intention to ... it was a grant.

Chief Officer:

Yes. I think the Tourism Development Fund has never ...

The Minister for Economic Development, Tourism, Sport and Culture:

It cannot give loans. It can only give grants.

The Deputy of St. Mary:

Sorry. On the grant side, is there an average or a maximum amount you give to each individual entity? I think there have been fairly substantial grants before and ...

The Minister for Economic Development, Tourism, Sport and Culture:

It is quite varied. It ranges from a couple of thousand, I think, up to what is the biggest grant that T.D.F. (Tourism Development Fund) have ...

Assistant Director:

The largest grant ever in the T.D.F. history was £300,000. The vast majority of grants are much smaller than ...

The Deputy of St. Mary:

Are much?

Assistant Director:

Much smaller than £300,000.

The Minister for Economic Development, Tourism, Sport and Culture:

I do not know what the average would be.

Assistant Director:

I have never worked on that, I do not think. Certainly not got those figures to hand, but I mean the annual reports are published. We could do that.

The Minister for Economic Development, Tourism, Sport and Culture:

We could extrapolate that information.

Assistant Director:

We can give you that information.

Deputy S.M. Brée:

Can I just ask a question? You mentioned that the Tourism Development Fund currently has, again, if I have correctly understood this, £100,000 to £200,000 of underspend from last year's budgeted figures. No?

Assistant Director:

It is an unspent balance, it is not an underspend?

Deputy S.M. Brée:

Underspent balance.

Assistant Director:

Unspent.

Deputy S.M. Brée:

Unspent. Sorry. Okay, unspent balance.

Chief Officer:

So the fund is a separately-constituted fund and it has, up until last year, had money allocated to it on an annual basis from the M.T.F.P. and in some years the amount distributed was less than the amount allocated, but that just rolls over into the separate ... it is not captured by year-end processes that the rest of the E.D. budget would be, for instance. You do not have to apply for carry forward to retain it in the fund, it is just allocated.

Deputy S.M. Brée:

It sits in the fund until it is allocated.

Chief Officer:

Yes.

Deputy S.M. Brée:

Will you be putting any additional funding into the Tourism Development Fund?

The Minister for Economic Development, Tourism, Sport and Culture:

Well, I would like to but we do not have any spare cash available to do that. Our budgets have been significantly reduced and it has been very challenging. However, I have asked the Chief Officer to prepare a bid for the Economic Growth Fund which the States have put aside. So we will be trying to get the Tourism Development Fund recapitalised.

Deputy S.M. Brée:

So Visit Jersey is currently funded by your department to the tune of how much per year?

The Minister for Economic Development, Tourism, Sport and Culture:

Yes, £5 million for 2016.

Deputy S.M. Brée:

£5 million per year. Correct me again if I go wrong here, but Visit Jersey is solely targeted with the marketing and promotion of Jersey off-shore of the Island, correct?

The Minister for Economic Development, Tourism, Sport and Culture:

Pretty much so, yes.

Deputy S.M. Brée:

So we then have a Tourism Development Fund that is targeted with supporting tourism activities on-Island more so than off-Island.

Chief Officer:

Product development.

Deputy S.M. Brée:

Product development.

Assistant Director:

Yes, and infrastructure development.

Deputy S.M. Brée:

Right. So should your department not be looking to provide more support on-Island than off-Island?

The Minister for Economic Development, Tourism, Sport and Culture:

Well, I do not think so and I will tell you why. I think it is more important that we utilise the money we give to Visit Jersey to bring people here, to grow our visitor numbers, to grow their spend in the visitor economy and to sustain our transport links. I think that, for me, comes above all else. The Tourism Development Fund and its contribution to product development, do not get me wrong, it is very important but the vast majority of product development is handled by the private sector and we have seen significant investment from the private sector in the hospitality economy over the last 10 years; hundreds of millions of pounds, for example. So while I fully support the Tourism Development Fund and would do my best to get it refunded, I think the priority must stay with bringing people here and growing our visitor numbers.

Deputy S.M. Brée:

Okay.

Chief Officer:

Can I just qualify that, Minister? When we talked to the hotels, the attractions, the retail sector there is one word that comes through consistently and that is footfall and volume, and that is why I think what the Minister has just said in stimulating the market to the greatest extent possible, having the air links and everything else to bring people here, if we do that and we hit the targets that Visit Jersey, I am sure, wish to hit, and I am sure will hit, then there will be much greater confidence in investment in the product from the private sector anyway. So that is the position that I think we are ...

Deputy S.M. Brée:

Okay. Well, the comment from you, Minister, that you are very keen to sustain our transport links brings us very nicely, thank you, on to our next subject, which is Condor Ferries.

The Minister for Economic Development, Tourism, Sport and Culture:

I thought it might.

Deputy S.M. Brée:

I just want to clarify something here from the panel's point of view and I think it is important we do. We had originally asked for an update on the latest situation with the fast ferry service and progress with the Comprehensive Service Review. Now, we are very concerned with the latest

round of problems involving both the Commodore Clipper and the Liberation in the last weeks. The panel had previously considered its own Scrutiny review of the ferry service as we all felt, very strongly, that the ongoing problems needed investigation. However, as Condor is a private company, technically all we could look at was in terms of the existing operating agreement with Condor and the Minister's actions in response to the problems after they had developed; that is all we could look at. So realistically it was felt that the panel review would have very little positive impact or influence. We were reassured by the fact that there were 2 other reviews already taking place, the Harbourmaster's Benchmarking Review, which has now been completed, and the Comprehensive Service Review scheduled for 2017 that you, Minister, brought forward to this year. However, despite the Harbourmaster's Review we now see major problems with the Condor service and the problems with the vessels, and this Scrutiny panel are very concerned at what is going on. What is the status on the Comprehensive Service Review? Have the terms of reference been agreed by all parties and has it commenced and what is the date of completion?

The Minister for Economic Development, Tourism, Sport and Culture:

Fine. I will answer that question but I will come to it in a minute or 2. I just want to make it clear that the Comprehensive Service Review that is about to be undertaken is looking at the future and it is looking at the requirements of the Channel Islands for the years ahead because one of my big concerns, or our big concerns, is the robustness of the fleet and the number of ships in the fleet because effectively, as you know, they have replaced 2 ships with one so when there is a problem it is much harder to provide robust contingency from the fleet. That being said, I understand that a ferry services group, which consists of officers from Jersey and Guernsey and Condor, have agreed the terms of reference and the review. Condor have begun their preliminary work with the review but I will ask Mike, who sits on the F.S.S.G. (Ferry Services Steering Group) just to add anything to that, if there is.

Chief Officer:

I think you have summarised it perfectly. I think that the terms of reference for the Comprehensive Service Review, which are wholly consistent because the Comprehensive Service Review, remember, is a function of the operating agreement; are wholly consistent with that. Condor Ferries are, as the Minister said, in an initial scope to establish potential parties to undertake that review because it is not going to be undertaken by us or by Guernsey or by Condor. It will be undertaken by a third party that is an expert in these things. We will shortly agree the distribution of funding for that between ourselves, Condor and Guernsey and I think there were some potential issues in terms of that funding being available, not from us but from Guernsey, which have now been resolved. We hope that the process will start very shortly. The initial estimate of completion is certainly in the third quarter of this year but, as the Minister said, and I think this is very important, this is a forward-looking piece of work. It is not there to effectively look at the

performance and the very short-term problems in the current fleet, what it will be is an investment case for the ferry operator to invest in re-tonnaging the fleet as and when that is required. The first element of that would potentially be the replacement of the Condor Rapide, which is the only remaining 86 metre vessel which is due within the term of the current agreement that we have with Condor.

Deputy S.M. Brée:

Okay. Thank you.

The Deputy of St. Mary:

So a small matter on it. You mentioned the funding for this review. You said the problem with Guernsey has been resolved. Does that mean that Guernsey are going to make a contribution to the funding?

The Minister for Economic Development, Tourism, Sport and Culture:

Yes, absolutely.

Deputy S.M. Brée:

How much is this Comprehensive Service Review going to cost Jersey?

The Minister for Economic Development, Tourism, Sport and Culture:

I believe Guernsey and Jersey have allocated £50,000 each at present.

Deputy S.M. Brée:

You say: "At present." Is it anticipated that figure will increase?

The Minister for Economic Development, Tourism, Sport and Culture:

It is not anticipated but common sense and experience tells me that it could, but I think it is possibly unlikely and the cost will be split a third, a third, a third, I think.

Chief Officer:

Yes. We and Guernsey, and Condor for that matter, will sign up to the contract, which is a fixed sum, and the current estimate of that total fixed sum is £150,000.

The Minister for Economic Development, Tourism, Sport and Culture:

Can I just say though that I feel slightly disappointed that Jersey and Guernsey have to pay anything towards it, although it was understood in the agreement that the cost, although it was quite open, would be shared. I think, given the circumstances, it is a big ask but having said that I

am keen, when the final costs are agreed, that Jersey and Guernsey will cap their contribution and if the report does come in over, I would be fairly tough on Condor that they would incur any extra costs, and that is the position I hope to agree finally.

Deputy S.M. Brée:

Okay. Let us move on then.

The Connétable of St. Ouen:

Yes, Minister, the regional news on Monday evening highlighted the fact that there is no Island ferry service elsewhere experiencing the problems that Jersey and Guernsey are having to put up with. The panel has also heard reports that some travel agencies are facing major problems as a result of Condor's repeated failures. As the Minister with responsibility for tourism, do you have any evidence that the ongoing problems are having an impact on the tourist trade, including travel agencies, hotels, guest houses and related businesses?

The Minister for Economic Development, Tourism, Sport and Culture:

I have not got any hard evidence as such but I am under no doubt now that unless Condor resolve their problems, it is going to start to impact on the industry. Visit Jersey is also extremely concerned, and I think it is very concerning for us.

Chief Officer:

I think it is worth saying, Minister, in addition to that there is a Visit Jersey board meeting next week at which the whole issue of Condor ... and hopefully we will be able to bring back to the Minister and clearly share with you, if that is appropriate and you would like to see it, if there is any quantified evidence of the impact that this is having, because it is Visit Jersey who are in touch with the tour operators directly, obviously.

[10:45]

We see a lot of anecdotal evidence coming through but the most important thing, given that still a very large proportion of our business comes in both on the ferry but on the ferry with tour operators; it is that feedback, I think, and whether that is affecting their bookings or indeed their desire to use the ferry services to bring people to Jersey. So we will hopefully be able to get back to you with something on that next week.

The Connétable of St. Ouen:

Sorry, can you just confirm, when is that meeting taking place?

Chief Officer:

It is next week. I cannot remember off the top of my head ... it is on Monday. Sorry, it is on Monday but the Chief Executive has put that on as a specific item in his report which he gives to the board at every board meeting.

The Connétable of Grouville:

Minister, how long do you think the situation can go on for before serious and longstanding damage is done to our tourism industry?

The Minister for Economic Development, Tourism, Sport and Culture:

In my opinion, it has gone on too long and I think we are almost at that stage now and, despite Condor's assurances and their best efforts, I have no confidence that the problems are going to improve considerably. Of course, we all hope they will and we are all willing Condor to succeed and be successful. They have made a big investment and we want them to succeed. We can put some of the problems down to weather and some down to bad luck, but the consistency with which they are arising tells me that there is some bigger issue at play here. It is such a serious matter that I have now asked the Ports of Jersey, and in my department the law officers, to examine the agreement and provide options. I am going to escalate this to the Council of Ministers now and I have been working closely and discussing the matter with my counterpart, Deputy Kevin Stewart, in Guernsey, who shares the concerns. But before I can say publicly what actions are available that we can take, I am waiting for proper legal advice on the agreement, but I am happy to share that with you as and when it is available and discuss it with you and work with you on it. But I and my Assistant Ministers of the department are taking this very seriously, and so are Condor, I might add, but it is an unsustainable position and we have to do something. Having said that, we must also understand that we must not be irrational or kneejerk, the most important thing is we sustain the lifeline freight links to our Island and protect our visitor economy. What I am saying is there is no point in terminating the contract unless there is a sustainable alternative in place.

The Deputy of St. Mary:

Leading on from that, I note you are getting advice from your law officers. It has been quoted as saying that the Island's hands are effectively tied by the agreement. Would you like to comment on that?

The Minister for Economic Development, Tourism, Sport and Culture:

The position is we have a 10-year operating agreement with Condor; that agreement was negotiated by the Economic Development Department, the Ports of Jersey and the law officers. It was approved by Senator Maclean when he was then the Minister for Economic Development, and signed by the

Harbourmaster. That was in August 2014. That operating agreement was put in place because Condor were making a large investment in a new vessel and needed some security of tenure, which is understandable, so our hands are slightly tied. There is an array of rules and regulations in the agreement looking at performance, and laying out a course of action should any of those be breached. Surprisingly, given all of the problems Condor have had, they are still not technically in breach of any of the performance measures in the agreement. There is also provision for either party to walk away from the agreement with a negotiated run-off period, and that is to avoid Condor or myself just walking away without any provision in place. That is the position, so you could say our hands are tied, that would be one way of putting it. But, having said that, they are not completely tied, there are still options open to us and that is what I am getting a legal opinion on.

The Deputy of St. Mary:

Can you comment further on what those options might be?

The Minister for Economic Development, Tourism, Sport and Culture:

I would rather not at this stage, simply because I would not like to put the States in a position where they could be subject to legal action. But I am happy to share it with the Scrutiny panel as it becomes available, and with the public, as soon as possible.

Deputy S.M. Brée:

Minister, you just stated that Condor are not technically in breach of the operating agreement as it stands today. Previously ...

The Minister for Economic Development, Tourism, Sport and Culture:

As I understand.

Deputy S.M. Brée:

As you understand it; well then I am merely repeating what you have just stated. Previously, you have set a lot of store in the Comprehensive Service Review as well.

The Minister for Economic Development, Tourism, Sport and Culture:

Sorry, I did not catch that?

Deputy S.M. Brée:

I said previously you have set a lot of store in the Comprehensive Service Review, but surely what is needed now is positive and decisive action, not a longwinded exercise looking at the operating agreement and the Comprehensive Service Review. My question to you is what are you doing today to find a solution to the problem that is being presented by the situation with Condor?

The Minister for Economic Development, Tourism, Sport and Culture:

I have already said I am not able to tell you that right now because I am waiting for legal opinion. I have a clear plan of action in mind but, until I receive the legal advice, I cannot go public with that.

Deputy S.M. Brée:

Well when will you be making an announcement in that respect?

Chief Officer:

When we receive the legal advice, which should be very shortly.

The Minister for Economic Development, Tourism, Sport and Culture:

It could be today or tomorrow.

Chief Officer:

Could I say something, and it is the wrong word to use but in the Minister's defence, the Ministry is in regular dialogue with Condor and, believe me, they are in absolutely no doubt of the seriousness with which we take this situation. There is a meeting, and we are waiting for the date to be scheduled but it will be next week, between the Minister, the Chairman of Condor Ferries, who is appointed and is employed by Macquarie, who are the underlying investors in Condor, to reinforce that. I was advised yesterday evening that they would be bringing all of their operational and other senior representatives to that meeting. That will be an opportunity for us to reinforce what we have been reinforcing both by email and in telephone conversations over the weekend and subsequently. You have heard the Minister I think in the media. This is being taken extremely seriously. What we have to do in the short term is work with Condor to make sure that they do everything in their power to address the current situation. They have a combination of operational issues and issues with their customer service that are causing great concern.

Deputy S.M. Brée:

Well, if I may, cutting across you there, you referred to comments being made in the media by the Minister. Well, Minister, you have been reported as saying that: "Time is running out for Condor." What do you mean by this?

The Minister for Economic Development, Tourism, Sport and Culture:

Exactly what it says: time is running out; the position they are in is unsustainable, not only for them ...

Deputy S.M. Brée:

So what options do you have, then?

The Minister for Economic Development, Tourism, Sport and Culture:

As I have said, I am not prepared to say that publicly right now.

Deputy S.M. Brée:

You have said time is running out for Condor and yet you are not prepared to tell us why you said that.

The Minister for Economic Development, Tourism, Sport and Culture:

It is not that I am not prepared to tell you, Chairman, I am not prepared to tell you without proper legal advice on the agreement. That is a very ...

Deputy S.M. Brée:

So did you seek legal advice when you made the statement to the *Jersey Evening Post*: "Time is running out for you"?

The Minister for Economic Development, Tourism, Sport and Culture:

Let me just go back and remind everybody here of what has happened. Liberation was launched under great fanfare. Within days of it being launched it crashed into the pier in Guernsey. That was in the spring. It then had a reasonable summer, although Condor did still have some customer service issues until September when there were further problems. In the interests of being succinct I will not go into all of those individual problems right now.

Deputy S.M. Brée:

No, please do not.

The Minister for Economic Development, Tourism, Sport and Culture:

In November there were further problems. In January there were more problems and, at each stage, I responded how I thought appropriately and at each stage we took the issue more and more seriously in line with the options at that stage open to us within the agreement; which were not many, I must say that, because they were technically not in breach of the agreement then. I think now the latest ones are almost the final straw for us. But, having said that, being realistic, we do not have operators waiting in the wings to take over and I am certainly not going to do or say anything that will jeopardise the position of Jersey or the other Channel Islands. We have to rely on Condor for now, whether we like it or not, that is a fact. It is a fact that not all of us like but that is what we have to do.

Deputy S.M. Brée:

So do you, Minister, feel, going back to the comment that was made earlier that your hands are tied, you have very few options available to you today because of the conditions of the operating agreement?

The Minister for Economic Development, Tourism, Sport and Culture:

No, I do not think our hands are tied, as such, but we have limited options and I want to make sure we fully understand those options, we have a legal opinion on those options, and as soon as we do we will be able to set out a clear plan of action. I am quite happy to share that with your panel but just not publicly right now because it would not be sensible to do so until we have got the proper advice.

The Connétable of Grouville:

Condor has clearly lost the trust of the public. You meet with them regularly; what assurances are they giving you that they are going to get their act together?

The Minister for Economic Development, Tourism, Sport and Culture:

They give assurances that they will try and rectify the problem, but they have been giving us those assurances since the spring of last year and, despite their best intentions, it has not worked out for them.

The Connétable of Grouville:

When we met last time you referred to a matrix of customer service, and they were doing particularly badly on that. You were meeting them after our last meeting. Did you bring that up and what was their attitude to that fact?

The Minister for Economic Development, Tourism, Sport and Culture:

Well, they shared with us their plans, which was to introduce a new booking system, which they have done, and it has gone live in the last 24 hours, and restructure their customer services team, because they did not have any, what is the word ...

Chief Officer:

Call centres?

The Minister for Economic Development, Tourism, Sport and Culture:

No, I do not think they had any senior management focused purely on customer services.

Assistant Minister for Economic Development, Tourism, Sport and Culture:

I think it is fair to say, Minister, they have also brought in consultants to look at their customer service over the last few months and they are working on that.

The Minister for Economic Development, Tourism, Sport and Culture:

That is where we were last time around.

Chief Officer:

So they have made some positive moves so now their customer call centre is open until 8.00 p.m. and it used to close at 5.30 p.m., or something like that, so they have expanded the hours of their customer service centre. They have introduced a new booking system which appears to have gone well; it went live yesterday and, as you know, sometimes with these I.T. (Information Technology) projects things can not go well, but that one appears to have gone well. That was a 7-figure investment. So they are not holding back on investing, and I think it is important that we discriminate both to you and to them between the customer service issues, which I think everybody recognises, even they recognise, needs significant amounts of work and investment which they are in the process of doing. But then there are the operational issues, particularly on the Liberation. Because at the heart of this issue over last weekend was, as the Minister said, the latest of a number of failures of the Liberation. The reason so many people were affected on the Clipper, which has very, very few and has had very, very few of these operational-like issues of this nature, was that people had been moved from the Liberation to the Clipper because of a failure of the Liberation. That is at the heart of things.

Deputy S.M. Brée:

Can I ask a question here? I am correct in saying, yes, today Condor Rapide is being taken out of service, according to the news from the Condor's own website that it will be out of service. I believe it is from 2nd March to 23rd March, it is going into dry dock.

Chief Officer:

Which it has to do.

Deputy S.M. Brée:

If you will allow me to finish. The Condor Liberation has operating issues that it has had with its steering systems, which supposedly have now been fixed. The Clipper, as we know, had a problem with its ramp, which supposedly has been fixed. That leaves Condor with 2 vessels. What happens if they both break down again? What contingency are Condor going to bring in if they have the same problem as they had this weekend?

[11:00]

The Minister for Economic Development, Tourism, Sport and Culture:

If both vessels break down, I think we would have real problems. They would look to obviously charter a vessel, and this is my major concern, and I have had this from day one, is about the robustness of the fleet. They have replaced 2 ships with one, which means we are getting very thin. If, while the Rapide is out in dry dock having its essential annual maintenance and the Clipper and the Liberation go down, we have a real problem. That is the answer.

Deputy S.M. Brée:

Okay.

The Deputy of St. Mary:

If I go back a stage, it surprises me that, despite the failures by the service, you say they were not in technical breach at the moment. Is that something you have looked at and, again, if Condor are anxious to reassure the public that the issues are not going to happen again, is that not something that they would wish us to revisit in the operational agreement with a view to putting more stringent ...

The Minister for Economic Development, Tourism, Sport and Culture:

That could be one of the options we are looking at, because I believe that some of the bars we have set in terms of operational performance are not stringent enough.

The Deputy of St. Mary:

That is what we are getting at: is their mind set such that they appear to be willing to look at the agreement and the terms?

The Minister for Economic Development, Tourism, Sport and Culture:

It is hard to say at this stage.

The Connétable of Grouville:

Minister, you said the Clipper nearly always sails; the Liberation we know, with our weather and the amount of gales we get, is not going to sail on, you can project, a number of days, plus it seems to be unreliable. Are you sure we have got the right boat?

The Minister for Economic Development, Tourism, Sport and Culture:

I have no issues with the safety and the ride, comfort of the vessel ...

The Connétable of Grouville:

I was not really referring to safety, it was reliability for sailing.

The Minister for Economic Development, Tourism, Sport and Culture:

No, but I just want to be quite clear on this, because there were concerns about the vessel being unsafe and all the rest of it, so that is not an issue. Having been on the Liberation across the Channel, I found it extremely comfortable and, on the occasion I went on it, punctual and reliable. I think it probably is the right boat if it worked properly and, looking around at other shipping companies, none of them appear to have had this level of problems. Whether it is the boat's fault or whether it is the build or whether it is faulty installations or whether it is poor engineering on Condor's behalf, or whether it is gremlins. I do not know. But what I do know is that we have to do something, the Islands have to get together and make a decision about how we are going to manage our future shipping, freight, passenger and ferry services, and that is something that I have been talking to my counterpart in Guernsey about. Once I have had legal advice and decided on the course of action we need to take I will go to the Council of Ministers with it, and I am quite happy, Chairman, to keep your committee apprised of this along the way, but it is just not wise on legal advice to go public with what we are thinking about at the moment.

Deputy S.M. Brée:

Under the current operating agreement effectively there is very little that can be done with the current situation. It is unlikely that Condor would wish to renegotiate the current operating agreement. What are your options?

The Minister for Economic Development, Tourism, Sport and Culture:

I would not say terminating the agreement is an option without making sure we have a sustainable alternative in place.

Deputy S.M. Brée:

So your ability to find a solution to this current issue, not looking forward at the Comprehensive Service Review but the current problems, your ability to find a solution is effectively severely hampered by the current operating agreement, is it not?

The Minister for Economic Development, Tourism, Sport and Culture:

Well, I think it is my ability or E.D.T.S.C.'s ability; it is about living in the real world and understanding the appetite for shipping companies to come and service a small group of islands in the English Channel. I think that is at the heart of the challenges that lie ahead for us.

Deputy S.M. Brée:

So if things go on as they are would you expect Condor still to be here in 3 years' time?

The Minister for Economic Development, Tourism, Sport and Culture:

If things go on as they are, well, I think Condor could well be here in 3 years' time, except it may be under different management and may have a different name. Because there are other issues here. It is, as I mentioned before, part of Macquarie and one of the Macquarie European investment funds too, and that is a massive fund valued at about £4.6 billion, it owns a number of large companies, and that fund, I believe, is coming to its end in 2018. It is too big to float the fund so that will be broken up and sold off, I guess, so by 2020 it is almost certain that Condor would have been sold to another operator.

Chief Officer:

Or could be.

The Minister for Economic Development, Tourism, Sport and Culture:

Or could be.

Chief Officer:

That is covered off in the operating agreement, of course. I think, Chairman, you make the point that the Minister is constrained by the operating agreement. What really I think constrains the Minister is the marketplace. The economic advice that we have received, from Oxera and others says that the routes will not sustain competition. It will not sustain competition. We have seen that on the southern route numerous times, but the route to the north will not sustain competition. On an annual basis I think it probably breaks even at best; the freight service makes money, the southern route probably makes a small amount of money, but the route simply will not sustain competition. We have a situation here where Condor Ferries are heavily invested from a capital perspective and, on the basis of discussions that I had with others many years ago, there is no appetite from other operators to operate simply on a like-for-like basis. If you had a fleet of vessels into which they could come and operate, yes, they probably would, but they will not come and take the kind of exposure and have the capital risk associated with the vessels, certainly not on a fully integrated car, passenger and freight service. So we are having to deal with a market constraint and, as the Minister said, supplying a relatively small marketplace, and if anything ties the hands behind our back, that is what it is. Does that mean that we are not going to be extremely robust with them? That may or may not include suggesting renegotiating elements of the operating agreement, well, that is exactly what I am sure we will be putting on the table. But I do not think you should be left in any doubt that either from a Port's perspective or E.D.T.S.C.'s perspective, there is any sense of complacency or happiness with the situation that is going on at the moment, because there is not. The reason that we entered into this operating agreement is very clear: there was an investment in a new vessel which was going to provide more reliable, more weather-resilient services and was going to deliver

better levels of customer service. It is very questionable as to whether or not that has happened since the introduction of the Liberation.

Deputy S.M. Brée:

So effectively what you are saying is that, because of the situation whereby no other operator is interested in operating on these particular routes, Condor have effectively got the upper hand in any formal negotiation?

The Minister for Economic Development, Tourism, Sport and Culture:

We are not saying that, Chairman.

Chief Officer:

No, that is not we are saying.

The Minister for Economic Development, Tourism, Sport and Culture:

We are not saying that, and I please just ask you to have confidence in the action that we are planning, and we are getting legal advice; I am happy to share that with you privately, and really that is all I am saying on it at this meeting. But you can rest assured that myself, the Assistant Ministers, the Chief Minister and the Government of the Island are taking this matter very seriously. It is not a situation we are prepared to allow to continue and we are exploring all opportunities open to us.

The Deputy of St. Mary:

One option, at the end of the day, would be for the States to have some financial involvement in the operation itself, would it?

The Minister for Economic Development, Tourism, Sport and Culture:

That could be an option.

The Connétable of Grouville:

Minister, this is a crisis; when do you expect this legal advice?

The Minister for Economic Development, Tourism, Sport and Culture:

I was hoping to have the first tranche of it yesterday, and I know the law officers are working on it, I am hoping we get it today, but it is imminent.

Deputy S.M. Brée:

Okay, I think we need to move on from this subject matter on to the next subject matter, which was not on the agenda, but I would just like to make a statement on behalf of the panel. Along with many

members of the public the panel was very shocked at the recent revelations regarding the cost of the business trip to South Africa involving senior officers from your department, Minister. The panel finds this level of expenditure for such purposes completely unacceptable. Yet while we note that you have expressed your personal dissatisfaction, that falls a long way short of calming the public anger at this situation. Members are also aware that this is the second occasion in recent times when travel arrangements have exposed certain departments and individuals to severe public criticism. The panel would have expected, after the previous incident, that all officials or members of the department would have been doubly careful to avoid any repetition of any kind of embarrassment or public disapproval. Minister, these questions are very much directed at you, and I would request that you answer them. Minister, how did this particular incident come about?

The Minister for Economic Development, Tourism, Sport and Culture:

Locate Jersey, who are doing an exceptional job for us, decided to participate, quite rightly, in the mining conference, Mining Indaba, as it is known in South Africa, and the officers, Mr. King and Mr. Gallichan, who are responsible for booking their own travel on these occasions, made the decision to travel business class on fully flexible fares there and back. That is really all I can say to it. I think you would have to ask Mr. King and the Assistant Minister, who has been involved and I know would like to say something about this.

Deputy S.M. Brée:

No, as I said, Minister, these questions are directed to you; you are responsible for the activities of your department, you have been elected as Minister by the States Assembly. These questions are directed at you because we want to understand your stance on the matter.

Connétable S.W. Pallett, Assistant Minister:

Can I ...

Deputy S.M. Brée:

No, I am sorry, no, we have a lot to go through.

Connétable S.W. Pallett, Assistant Minister:

I just wondered if I could just clear up one issue: whether you consider the Minister responsible for this particular issue recently, the previous incident which you related to, he has no responsibility.

Deputy S.M. Brée:

I am aware of that, it merely was a situation which one would have thought would have, how can I put it, heightened one's senses to mistakes being made.

Connétable S.W. Pallett, Assistant Minister:

Correct about mistakes, but they are different mistakes and the original mistake has been rectified.

Deputy S.M. Brée:

That, I am aware of.

Connétable S.W. Pallett, Assistant Minister:

It was a separate issue; you need to be clear.

Deputy S.M. Brée:

Okay.

Connétable S.W. Pallett, Assistant Minister:

I think it would be unfair to conflate and put them both together; they are 2 separate things and I think that needs to be ...

Deputy S.M. Brée:

All right, if we can move on, Minister. In your mind is there any justification whatsoever for the staggering cost of this trip other than the wish of those concerned to travel in business class?

The Minister for Economic Development, Tourism, Sport and Culture:

Well, I think there is a justification in the work that Locate Jersey do. I do not think there is justification in officers taking fully flexible business class fares, no, I do not. Having said that, for senior officers of the state it may be justified on other occasions because I know in the past at the last minute trips have to be cancelled and that is where fully flexible fares are a good investment; when a trip has to be cancelled and you do not lose any money because you have booked a fully flexible fare. But when I became Minister, and the officers will remember this, I did send a communication to senior officers asking officers to be particularly prudent and mindful when booking travel arrangements so, yes, I am disappointed. It gives me no pleasure to be disappointed, I am disappointed because of the action taken but I am also disappointed that I am in a position where I cannot support my staff because we have a culture at E.D.T.S.C. of supporting our teams wherever possible because they do an excellent job for us, generally speaking.

Deputy S.M. Brée:

So how is such travel expenditure authorised within your department?

The Minister for Economic Development, Tourism, Sport and Culture:

Chief Officer.

Deputy S.M. Brée:

Minister, you have confirmed that the Chief Officer booked his own personal travel and he authorised it himself. So where, Minister, are your checks and balances?

[11:15]

The Minister for Economic Development, Tourism, Sport and Culture:

I am going to ask the Chief Officer to add to that, but one thing ...

Deputy S.M. Brée:

No, Minister, I am asking you as the Minister responsible for the department. You are ...

Deputy M.J. Norton, Assistant Minister:

With respect, Chairman, if you want to get the facts I think it is only fair that you let the people answer who have the knowledge to answer that.

Deputy S.M. Brée:

With the greatest of respect, Assistant Minister, those are not the questions we are asking. This questioning is to determine what the Minister feels and what the Minister is doing, not what anybody else is doing, and I would request that you do not interrupt any further because I am very keen to understand the Minister's view on this.

The Minister for Economic Development, Tourism, Sport and Culture:

I will explain my view again; I am not sure what it is about my view ...

Deputy S.M. Brée:

I am looking for checks and balances within your department. Do you understand the concept?

The Minister for Economic Development, Tourism, Sport and Culture:

You are asking for my ... can you just ... you have heard my view and I will repeat my view: I am very disappointed, that is my view, okay, that is absolutely clear. Checks and balances. The checks and balances in admin are run by the civil service. You cannot expect Ministers, and it does not happen, for us to be responsible for every line of expenditure that is made. It does not happen like that. So, no, I do not, neither does either of my Assistant Ministers, check what officers are spending on an individual basis on stationery or travel or that sort of thing so, no, it does not happen. What I can tell you though is we do look at the bigger picture and, for interest, and not that this justifies or

tries to deflect from the issue in hand, that 2015's total travel expenditure for my department was down by about a third on 2014.

Deputy S.M. Brée:

Okay, so what steps do you, Minister, propose to implement within your department to ensure that this situation does not happen again?

The Minister for Economic Development, Tourism, Sport and Culture:

I have made it clear to officers of the department through the Chief Officer that this is not to happen again. We have put a new policy in place, but I also understand the Chief Officer of the States, via the Chief Minister's Department, has also reviewed the overall States policy on travel just to make sure it is tightened up and this is not happening in other parts of the service. I cannot answer the detail on the new travel policy that we have because Mr. King has put that together, and if you want to know what it is, ask him to explain it to you. I will give you a brief overview which is: these sorts of things will not happen again. Unregulated full fare business travel will not be an option to officers in our department. Now, can I ask Mr. King to add anything to that, Chairman? We need to ...

Deputy S.M. Brée:

There is one other question before we can hear from Mr. King, and I have no objection to Mr. King speaking, but there is one other question we had: what action are you, Minister, going to take to rectify or discipline those officers within your department who undertook such excessive spending?

The Minister for Economic Development, Tourism, Sport and Culture:

It is something I am undecided on as yet, I am going to discuss it further with the Assistant Ministers and perhaps even the Council of Ministers. I am not sure whether it is for politicians and Ministers to discipline civil servants and I think it is likely to be a matter for consideration by the Chief Executive of the States.

Deputy S.M. Brée:

Okay. Sorry, Mr. King, yes; you wanted to say something?

Chief Officer:

I think what the Minister asked me to do prior to the meeting that we had last Friday was outline some principles that, going forward, would control all travel expenditure, which I have done, and that includes that unless it is an extremely exceptional circumstance it is not allowing any full fare bookings to be undertaken. If I could say something though about this, because obviously I am one of the people directly involved. Just to correct you, the travel bookings are not made by us, the travel bookings are made through the corporate booking system, HRG, Hogg Robinson Group. The

information presented to us at the time was that the differential between fully flexible fare and not was relatively small. Because of the cancellation issues the judgment was taken that we would book it fully flexible. The Minister is not accountable for spend; as accounting officer I am and the responsibility sits with me, and I am very happy to take that. I have apologised unreservedly to the Minister, the Assistant Ministers and the Chief Minister for what has been perceived, and is, an error of judgment, which from this perspective is hopefully an isolated incident. If there are any issues from a disciplinary perspective, that is a matter I think for the Chief Executive, as the Minister has said, but the responsibility for this ultimately rests with me. One of the factors that did weigh very heavily on the decision that we did take, whether it was right or wrong, was the fact that the department, but particularly Locate Jersey, in terms of the benefits that have been derived from activities such as this, is very high. In 2015 alone, as you have seen published and commented on interestingly in the *J.E.P. (Jersey Evening Post)* a couple of weeks ago, if you look at what we delivered in 2015, the directly measurable financial benefit to the economy, and therefore to the taxpayer, was orders, and orders of magnitude greater than this. That is not seeking to justify it, but it is one of the factors that weigh in it. As I said, I have apologised unreservedly to the Minister, the Chief Minister and others for this; it was an error of judgement that I made and it will not be repeated. Any consequences that flow from this are, for me, as the accounting officer, to bear.

Deputy S.M. Brée:

Okay, thank you for that.

Chief Officer:

Could I just say one thing? They often say just as a quote: "Leadership is about taking most of the blame and less of the credit" and in this instance I am content that should be the case.

Deputy S.M. Brée:

Interestingly, it brings us on to our next area of questioning. Again, Minister, were you fully aware of the comments recently made to the media on behalf of your department in respect of the previous Minister's investment in Canbedone Film Productions Limited?

The Minister for Economic Development, Tourism, Sport and Culture:

Just to be clear, could you repeat the question?

Deputy S.M. Brée:

Were you fully aware, prior to their publication, of the comments recently made to the media on behalf of your department in respect of the previous Minister's investments in Canbedone Film Productions?

The Minister for Economic Development, Tourism, Sport and Culture:

I think the answer to that is no.

Deputy S.M. Brée:

You were not aware that that was going to go out? In the *Jersey Evening Post* on Monday, 29th February: "Top civil servants still in touch with £200,000 film grant director." Quotes were attributed to Mr. King. To give you the opportunity, Mr. King, were those quotes correct?

Chief Officer:

You would have to tell me what they are because I ...

Deputy S.M. Brée:

Sorry, you are quoted in the *Jersey Evening Post*, and obviously you have far too much going on to remember everything you say, that you are in contact with Keith Cavele, if I pronounce the name correctly, on a fairly regular basis and that the film director was continuing to seek finance which would allow the project to continue. Did you make those comments? Is that a spurious news story?

Chief Officer:

No, that is not a spurious news story at all.

Deputy S.M. Brée:

So you agree you made those comments? Firstly, we are just trying to establish the facts.

Chief Officer:

What we did was we provided, I think, to the *J.E.P.* journalist who came in to get a background briefing on the issues around the South African trip, an email that had been sent the day before to me from Keith Cavele, giving me an update on the activities he was undertaking to try and bring what was essentially our preproduction investment in the film to a production.

Deputy S.M. Brée:

Right, so you are agreeing with the body of that news story, effectively?

Chief Officer:

Well, the fact is we are still in contact with that person.

Deputy S.M. Brée:

Right. The question we had to the Minister was: were you aware of this particular statement being made to the press about what is a highly contentious issue?

The Minister for Economic Development, Tourism, Sport and Culture:

No.

Deputy S.M. Brée:

No, you were not?

The Minister for Economic Development, Tourism, Sport and Culture:

I have not seen the article because I was away at the weekend on States business.

Deputy S.M. Brée:

Okay. So do you, Minister, talking about that area, believe that regular checking in with the man behind the failed film project, which is what it is, failed, at the moment, is an adequate response to the effective loss of £200,000 of taxpayers' money?

The Minister for Economic Development, Tourism, Sport and Culture:

I do not. My personal view, which I have said publically, is that I would be surprised if we saw this project materialise. But the Chief Officer is, I think, quite right in continuing dialogue, that it is not over until it is effectively over. While Mr. Cavele and his organisation are showing the intention of doing something then Mr. King would be unwise not to listen to them. Personally, I think the money has gone, but Mr. King is doing exactly the right thing.

Deputy S.M. Brée:

Now, as I understand the situation. Within the agreement with Canbedone Productions Limited, there was a clawback clause. Is that correct or not?

Chief Officer:

There is a clawback clause in all grant agreements but I think I really do have to correct something here which is a misinterpretation and a misunderstanding of the purpose of the grant. The purpose of the grant, let me be absolutely clear, was to fund pre-production activity. The product of that, which we have within the department, is a fully-scripted, fully-budgeted, fully-scheduled film proposal which the producers, Mr. Cavele, are seeking to achieve finance for. We made it very clear from day one that the Government would not be funding the production of the film. We made it very clear in the grant agreement, however, that ultimately the full value would only be realised when the film was produced, but the purpose of the grant was for pre-production activity. It is not, as you contend, wasted money. It is not, as you contend, a failed project, in my view.

Deputy S.M. Brée:

How much of that £200,000 has been spent by the production company in pre-production work on Jersey?

Chief Officer:

The entire sum plus more has been spent on pre-production work. The producer of the film was resident in Jersey for the entire period of the project, and still spends time in Jersey.

Deputy S.M. Brée:

So what was the pre-production work that he did? Sorry, I do not quite understand the point you are trying to make.

Chief Officer:

Pre-production work involves numerous rewrites of the script, budgeting for the work, putting all of the elements that would be required to produce the film to go out and get financing. It is an investment proposal to get others to invest in the production of the film. I am very, very happy to come in and in detail run you through all of the work that was done, run you through all of the activity that was undertaken. The fact that in one year alone I think we met with Mr. Cavele 23 times to ensure that the work that was being done was leading to the product that we now have. But it is not ultimately our responsibility as a department to go out and seek financing for the production of the film. Our objective was very clear: it was to ensure that there was a script, there was a budget, there was a production schedule, all of the necessary work had been done to allow that film to be shot in Jersey. Which is, as we have seen from Bergerac and other things in the past, where the true value is realised.

Deputy S.M. Brée:

So you still believe that it is a viable project?

Chief Officer:

I still believe there is a possibility that it will be produced, yes, I do. But, as with all of these things, it is subject to being able to secure financing, and that is not an easy thing to obtain.

Deputy S.M. Brée:

Well the film's major financier, Tesco, pulled out. Did that not cause you any concern?

Chief Officer:

Yes, clearly that caused concern because Tesco were invested in the film but they were invested in it at a post-production stage. When the film had been produced that is when the payment came in because Tesco were getting involved in the distribution of retail. The agreement is there in detail, it

is in the files, it has been looked at by P.A.C. (Public Accounts Committee) and numerous other people. There is no issue about the Tesco contract.

Deputy S.M. Brée:

Can you, Minister, confirm that there is no consideration whatsoever, now or in the future, of any further States investment in this film project?

The Minister for Economic Development, Tourism, Sport and Culture:

I can confirm that.

Deputy S.M. Brée:

Okay. Sorry, David?

The Deputy of St. Mary:

Sorry, just to confirm something for the record: I know personally Mr. Cavele, he occupied a property owned by me at one stage while a States Member, and I take no part in this dialogue for that reason, but I wish to place it on the record.

Deputy S.M. Brée:

Any other questions, John?

The Connétable of Grouville:

No.

Deputy S.M. Brée:

Well, thank you very much, Minister, Assistant Ministers, gentlemen, for attending this quarterly public hearing. I thank you for your answers, and I hope that we can work closer together in the future, having more discussions about the direction that your department is going in, which will enable Scrutiny, which is a vital process of ministerial government, to act effectively and be evidence-based. So thank you very much indeed.

The Minister for Economic Development, Tourism, Sport and Culture:

Can I say something for the record, Chairman? Thank you very much, we are always very pleased to share things with you. I just want to say for the record, during this meeting you prevented people speaking which, in my opinion, did not allow some potentially useful information to be shared with you. I just wanted to put that on record. Thank you very much.

Deputy S.M. Brée:

All right, thank you.

[11:31]