



# Economic and International Affairs Scrutiny Panel

## Government Plan

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

Tuesday, 17th September 2019

**Panel:**

Deputy K.F. Morel of St. Lawrence (Chairman)

Senator K.L. Moore

Deputy J.H. Perchard of St. Saviour

**Witnesses:**

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

Senator S.W. Pallett, Assistant Minister for Economic Development, Tourism, Sport and Culture

Mr. D. Houseago, Group Director for Economy and Partnerships

Mr. J. Rogers, Director General, Growth, Housing and Environment

Mr. D. Scott, Director, Economic Development

Mr. P. Ashley, Digital Policy Unit

[13:37]

**Deputy K.F. Morel of St. Lawrence (Chairman):**

Thank you so much for coming in and apologies if we might not ask too many questions for you, but enjoy and learn if you have not been in a public hearing before. So, thank you, Minister and officers, for coming in, and Assistant Minister. We are here to go through the Government Plan. Because you have been allocated so many elements, we will probably only get through 3 or 4 today. We have a second hearing scheduled for 7th October where we will do more, and then we will take a view as to whether we need a third hearing as well, just to note that. **[Interruption]** Is it 4th or 7th October?

**Scrutiny Officer:**

It is the 4th. External Relations is on the 7th.

**Deputy K.F. Morel:**

Sorry, apologies, 4th October, thank you, but we may need a third hearing as well after that, possibly. There just is so much to get through. Before we start we will do as we always do and just state our names for the record if that is okay. We will start with ...

**Deputy J.H. Perchard of St. Saviour:**

Deputy Jess Perchard, member of the panel.

**Deputy K.F. Morel:**

Deputy Kirsten Morel, chairman of the panel.

**Senator K.L. Moore:**

Senator Kristina Moore. I am a member of the panel.

**Mr. P. Ashley:**

Phil Ashley, Digital Policy Unit.

**Group Director for Economy and Partnerships:**

Dan Houseago, Group Director for Economy and Partnerships.

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

Senator Steve Pallett, Assistant Minister.

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

Senator Lyndon Farnham, Minister.

**Director General, Growth, Housing and Environment:**

John Rogers ...

**Deputy K.F. Morel:**

Director General, G.H.E. (Growth, Housing and Environment). **[Laughter]**

**Director General, Growth, Housing and Environment:**

Did that without saying, thank you.

**Director, Economic Development:**

Darren Scott, Director, Economic Development.

**Deputy K.F. Morel:**

Thank you. It is always annoying when it suddenly goes. **[Laughter]** Brilliant, thank you. I will just start off very generally. Minister, obviously you put in a request for money for a number of projects. You did not receive all of that funding as such. Are you happy with what you have been allocated?

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

I mean, one can say you are never happy, are you, because there is ... I think the initial bids requirement for money far exceeded what was available and so, yes, as I have said before in meetings we have had before, we all want more money for our own political priorities but I am comfortable where we have ended up. Because we went through a very robust process of prioritisation, you know, so I think what we have ended up with is quite fair.

**Senator K.L. Moore:**

On what parameters was that prioritisation process defined? Was it through consultation and evidence that had been gathered from members of the public or was it through some ...?

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

It was through ministerial ... it was through what seemed like hundreds but it was probably only a couple of dozen ministerial meetings all set up and structured for the purpose of putting together the draft plan presentation to the States. So it was through those meetings.

**Senator K.L. Moore:**

So there was no evidence-based approach to deciding that project will go ahead, that project will be delayed, that project will not happen until ...?

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

When you say evidence based, I would think the Council of Ministers, States Members and the officers have huge amounts of experience in running the departments and running government strategy and policy. So while there was no opinion polls with members of the public on everything we were doing, I feel that it was ... there was good background, good knowledge and good experience behind the ethos of the plan.

**Senator K.L. Moore:**

So how many projects that were bid for by your department were ... or your common strategic priority, how many did not make the cut and do not feature in the Government Plan and will not receive funding going forward?

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

I think pretty much all of what we were wanting to do within Economic Development, Tourism, Sport and Culture made the cut. I would not think any of them ... some of them probably did but not many of them would have got the full amount of funding that was asked for.

**Director General, Growth, Housing and Environment:**

It is a scale, I think.

**Senator K.L. Moore:**

It is a scale. So could you give us an example of the scale and how a project may have been scaled down to get past the post?

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

Well, I think first of all there is a prioritisation process. So we spent a lot of time as a Council of Ministers, as a Government, deciding what the priorities were, and then we ended up with the 5 core strategies in the plan, which we are all aware of. So that was the first tier. The second tier was then prioritisation, the prioritisation of our department's requests that fitted into those key areas. So we were focussing on the plan. We put the priorities and the plan together and then we focused on the funding around that.

**Senator K.L. Moore:**

What questions were you asking yourselves to help you define whether or not something would get into your priority or not?

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

What were we asking ourselves? Could you give an example?

**Senator K.L. Moore:**

So your common strategic priority is to maintain a vibrant economy.

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

Fine, okay.

**Senator K.L. Moore:**

So what questions ... when you are making a decision: "Does this get agreement from C.O.M. (Council of Ministers) that it will go into the Government Plan to receive funding or not?" what questions were you asking to define whether or not such a project would equal improving the vibrant economy of the Island?

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

Well, from my perspective - and I have to ask Senator Pallett for his but I think we are fairly closely aligned - once we have looked at the economic challenges, productivity - was it improving our productivity - was at the heart of what we wanted to achieve in Economic Development. Simply, the pressures that were going to be further caused by migration mean we simply have to do more with less resource. So from my perspective all of my political economic ambitions in that role are based around doing that. That was, for me, at the heart of that. I know the economic impact of sport is important to that, but then outside of that, with the sport portfolio, which is very big, which is why I want to mention it, we also have the health and wellbeing aspect. Sport cuts across the economic advantage and, of course, we were very keen to ensure that we grow the sport portfolio to help with Islanders' wellbeing.

**Senator K.L. Moore:**

Okay. So I cannot refer to any of the projects that did not pass the post because I have confidential information I cannot refer to in a public meeting, but you might wish to give us some descriptions of some of those projects and how they did or did not fall into the Government Plan and/or meet productivity ...

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

I am not sure what you mean by project.

**Senator K.L. Moore:**

... as a priority.

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

When you say "project" I do not have any projects as such. I have ... in what context are you ...?

**Senator K.L. Moore:**

Well, the growth bids, for want of a better ... those that made it into R.91, which we do have, which are the ... I would call them projects that are defined with business plans and sums of money that have been allocated in the Government Plan. But what we are asking is whether there were other projects that you wanted to do to achieve a vibrant economy but were not able to do because you went through a period of prioritisation with your colleagues around the Council of Ministers' table.

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

Oh, okay, right.

**Senator K.L. Moore:**

You prioritised which you felt would most achieve a vibrant economy.

[13:45]

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

I cannot think of any. I did not have a huge list. We did not have a huge list at Economic Development. Like I say, it was about improving on productivity. So it was economic, future economy, planning economic framework, future economy, the productivity plan, you know, Visit Jersey, the direction we are taking Visit Jersey, and all aimed at improving our productivity. Off the top of my head, I cannot think of anything that we really wanted to do that did not make our final list.

**Director General, Growth, Housing and Environment:**

Can I just ...? The biggest change, which was not something taken out, was in the productivity support scheme, which had the biggest change in numbers from an ambitious scheme of £8.5 million over the period down to £1.5 million, which is probably the biggest change that the Minister had to deal with. It is still in there, it is just it is ...

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

It is still there, but I think when you look at the prioritisation, that £8 million would have been nice to have but actually when we studied it closer and looked at the other priorities, it was probably unrealistic at this stage to go that far.

**Senator K.L. Moore:**

If I may just ask one more question, given that productivity is such a focus of your work to achieve a vibrant economy, how did you manage to achieve this project and how do you feel assured that this project will do what you wish it to on a much reduced budget?

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

Well, it is still a work in progress, first of all. Can I just start with future economy? Economic framework, future economy, there is probably at least 18 months to 2 years of work to do before we start coming up with something really meaningful to guide our economy over the next 20 years. With productivity, one of the key areas we need to help is in automation, for example, in the agricultural

sector and the sectors of the economy that have been reliant on importing labour. We have to do something about that.

**Deputy K.F. Morel:**

Probably the biggest would be the finance industry.

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

Well, okay, but that is not part ... it is but it is not part of my ...

**Deputy K.F. Morel:**

I had a feeling it might not be. **[Laughter]**

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

Well, actually, I can mention that because we have just ... on one of the technology advisory panels we have just launched an A.I. (artificial intelligence) research document. So that is on the advantages and challenges of A.I., so that is a separate piece of work we are doing which covers the whole spectrum, just for your interest but we can probably discuss ...

**Deputy K.F. Morel:**

I do not get excited by A.I. I think it is something that is a bit like technology at the border in Ireland, it is a thing, means nothing.

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

So, for example, I think as we get to understand more about how productivity can help, for example, agriculture, we are going to know how much more money we need. What do we have for productivity? £2.5 million, future economy and productivity, £2.5 million. We have to look ... one of the projects I want to introduce is providing funding for agriculturalists to automate their industry. You know, £1 million, £1.5 million might be enough. We might actually, when we get into it, have to come back when we refresh the Government Plan for a considerable uplift in that.

**Senator K.L. Moore:**

So it is likely that future Government Plans will see significant growth bids in addition to what ...?

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

I think you will see some growth bids in some areas and some areas where they did not need what they have been allocated so there would be a repositioning of the funding.

**Senator K.L. Moore:**

Okay, which will be a benefit of having year on year budgeting.

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

Hopefully a benefit to my department.

**Senator K.L. Moore:**

As the chair suggested, perhaps if we could stick on productivity for a moment, finance is the area where there has been a decline in productivity, in particular since 2008 with the financial crisis. Whereas agriculture is an area where productivity ... okay, it has plateaued but it has not declined like it has in other industries. Therefore, I guess we go back to that word, prioritisation, again. Why would agriculture receive that prioritisation rather than another industry where there is a decline that really is in need of turning around?

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

Well, first of all, you need to understand - and I am sure you do - why the productivity in the financial services sector has declined. It was down to the world economic crisis in 2008 when banking, the banking sector, suffered enormously. The banking sector in those days was the majority of our financial services sector and profitability in that sector fell considerably. So, G.V.A. (gross value added), as you know it is worked out by the number of people in employment and the profits generated by business divided by the cost of employment. So, of course, you know, because financial services make up such a big part of our economy, the decrease in banking profitability knocked our productivity right down. It affected the financial services sector - I cannot remember the percentages - by a significant amount, which had a much bigger, sort of an exponential effect on all of our productivity. That was down to the banking sector. So while we have seen the numbers of people employed in the sector increase, the productivity has not increased because the profits are not rising as fast in the other sectors as the number of jobs are increasing. So, the challenge for that ... and again there are staff challenges right across our economy. There are jobs available in almost every sector of the economy. Part of the productivity challenges are getting more return for less resources, and I know the financial services sector are embracing technology probably faster than any other sector. I will come back to agriculture; this is leading back to agriculture. What we are starting to see as technology means that they do not have to employ so many people doing more administrative functions, then we are seeing a lot of that level of people being retrained into more senior roles. Do you remember when the internet arrived? That was going to ... nobody was going to need administrators anymore, but they do, so this technology requires people to manage it. So that is happening. Because of the way ... because of the value of the sector and the funds available to the private businesses in that sector, embracing technology is far more financially viable than other sectors. So, while I cannot tell you what Senator Gorst's plans are for that, we are working ... again it is a work in progress. We are working on that. I expect we will see the industry embracing



that more quickly than the other sectors, that is clear. With agriculture, there is just not necessarily the available funds. A lot of farmers have strong balance sheets but cash is not always ... given the fluctuations and the nature of the business, cash is not always available in the amounts needed to invest in some of this new technology. That is why I have earmarked funding for ... a fund to help farmers purchase that technology.

**Senator K.L. Moore:**

Would you like to tell us more about that fund?

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

I cannot at the moment because until the States approve this, we are not sure what we are going to have. But I see a ... we have had a number ... this will be a follow-on of the rural initiative scheme, is that ...?

**Group Director for Economy and Partnerships:**

The economy strategy, so yes, the rural initiative scheme in the rural economy strategy.

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

So it will be an advancement of the rural initiative scheme. We have not decided on how it might work yet. Dan, can I ask you to ...?

**Group Director for Economy and Partnerships:**

Yes. I mean, it might be helpful perhaps to get into some of the subject matter specialism stuff here around the productivity piece more broadly. So I think it would be a mistake to think that we ... at this stage, I think the Minister is right, it is a mistake to think that we know exactly what we want going forward at this stage in the context of where we want to invest in the economy. That is why the future economy programme is quite important. We are doing the first stage of discovery. We have done the initial outline framework that was completed relatively recently, which was effectively a broad framing piece for the next steps of development around an economic framework, which is now effectively contained within the future economy programme. At the heart of that is what can we do to improve productivity across all sectors and that is mindful of the advice that was given recently by the Fiscal Policy Panel which highlighted the 4 key issues, being Brexit, threats to financial services due to changes in regulation and, you know, all sorts of external factors, productivity, recognising that there has been limited growth there for many, many, many years, decades in actual fact, and this issue around ageing demographics and how our society needs to function in the context of having people available for work. So right at the heart of the future economy programme are those recommendations. So that is point 1. Point 2 is that while we may have £500,000 allocated for next year in the productivity piece, while we go through this discovery phase, so looking

at sectors and looking in reality at what we can do quickly in the medium term and long term to deal with productivity, which tends to be a slow burn, we have to make the investment right and make that sustained, otherwise we will not get those returns. So the preparation piece is really critical, but I do not know whether we need £500,000 if the truth be told or £5 million at this stage, but we are working through a process that will help us identify that. Having said all that, there are things embedded in the funding and the business cases that have been submitted that will assist with productivity improvements. So you will see that there is additional funding proposed for agriculture and there is additional funding proposed for the rural initiative scheme within the rural economy strategy, which I think will directly feed in potentially to those productivity improvements that we would want to see. My view is there are still some quick wins to get in terms of productivity improvements, and the business improvement scheme that Jersey Business is developing and delivering in partnership with us is the evidence for that. But this is a time when we need to get our planning right and to make sure we are making the right investments. We have similar investments that could lead to productivity improvements in the digital sector as well. So just because we only have £500,000 in that particular space does not mean that productivity improvements are not being delivered through other initiatives. But, of course, we also have some domestic challenges that impact on businesses. So the exchange rate is a big one. The terrorist attacks in the Middle East have instantly put cost on to businesses and we might want to make some domestic decisions or not around things like the minimum wage, which again have massive impacts on productivity. So the future economy programme is really trying to get a cohesive and co-ordinated overview of everything that is ... all the drivers and levers in the economy. I am really certain that the planning of this is really critical to make sure we get the right investment in the future into the right areas of the economy.

**Deputy K.F. Morel:**

Talking about the planning of it, I found it interesting you have already done some work in terms of work by Deloitte.

**Group Director for Economy and Partnerships:**

Yes.

**Deputy K.F. Morel:**

I understand that from a planning perspective, I mean, part of the spending of this £500,000 is to appoint a third party strategic partner to validate and assist with the prioritisation of the initial list of products and to validate Deloitte's design of the economic framework. Why do you need to engage a third party to validate Deloitte's work?

**Group Director for Economy and Partnerships:**

I think the ... I think we have to be realistic about the reach of the Deloitte work. The Deloitte work was a very preliminary piece of work that did not drill down into any of the details. It made some assumptions and identified some themes that we might want to look into. That is very much step 1. Step 2 is I think a more in-depth review of whether those themes are correct and, if they are correct, what does that mean in the context of what the Government might want to do next? We have commissioned some work from our retained consultants to help us frame that a little bit, which is reporting back this month. So, I think the Deloitte work was effectively the initial framing piece when we had never looked at or thought about or had the concept of an economic framework ever before. So this was a very simple, straightforward piece of work that just helped us frame that and get the right people in then to talk about what the next steps might be.

**Deputy K.F. Morel:**

So how long ... Minister, you mentioned 18 to 24 months, I think, for when we should see the results of this work. Is that the timeframe you are looking at here?

**Group Director for Economy and Partnerships:**

Again, this is special knowledge, so this is process and operation, so from my perspective ...

**Deputy K.F. Morel:**

That is fine, yes.

**Group Director for Economy and Partnerships:**

Yes, if you do not mind.

**Deputy K.F. Morel:**

No problem.

**Group Director for Economy and Partnerships:**

So I think we are in a discovery phase, so we have to fill the gaps. We have to identify where there are policy vacuums. We also have to make sure that this work is tied up correctly and in a timely way with other critical initiatives because, of course, this programme is about tying things together. For example, work on the migration policy, housing policy, the Island Plan, in many ways the economic framework needs to ... we will probably have a conclusive document at some point but this is a process of work that we are trying to prioritise at the moment.

[14:00]

**Deputy K.F. Morel:**

Can I ask one thing that slightly concerns me? Why is the department not capable of undertaking this work? Because there are economists employed by the Government of Jersey. Probably the best piece that people still talk about or the best piece of economic framework type work that has been done before was done by Colin Powell within a role as the Government of Jersey, so why do you feel the need to appoint a third party?

**Group Director for Economy and Partnerships:**

I think there are several reasons for it.

**Deputy K.F. Morel:**

Sorry, do you not trust the economists that are already employed within the Government of Jersey?

**Group Director for Economy and Partnerships:**

I am one of them. I do trust them and our new chief economist is excellent. He is good in the sense that he brings some outside world experience, which I think is good. Sometimes we get a bit too insular about our economic policies. I think it is not just about whether we have the expertise, it is a capacity and capability issue. So it is also the fact that we just do not have enough people to do blocks of work at the intensity that we might need to do them at any particular juncture. So if we have to get something ready for the Island Plan and we need 3 people on it, we are going to have to bring some additional resources in to do that. I think there is always this tension around bringing in consultants or paying for the F.T.E. (full-time equivalent), and we always wrestle with that. So at this stage, where we are today - and this was a moment in time, these bids - we felt that as we are in transition through the target operating model, we needed to have the capability and capacity to draw down from whatever resource we required at any particular moment in time to support this process. It is also around having that expertise around commissioning very specific detailed pieces of work which were not around broader economic issues, which is what we tend to deal with, but there will be specialist pieces of work that an external person will be much better placed to do than we would be. At this stage, the Political Oversight Group is still looking at the relative merits of strategic partners, so I do not think that is banked yet, but in the context of the Government Plan we needed to have the resources available to do that should that be the political direction of travel.

**Deputy K.F. Morel:**

Who is on the Political Oversight Group?

**Group Director for Economy and Partnerships:**

So we have ... chaired by Senator Farnham.

**Deputy K.F. Morel:**

Yes, he chairs a lot of things these days.

**Group Director for Economy and Partnerships:**

Deputy Luce, Graham Truscott, Senator Gorst, Senator Vallois, and I think that is it. I can send you the ...

**Deputy K.F. Morel:**

Yes, I know there are documents where it is ...

**Group Director for Economy and Partnerships:**

Yes, we tried to get a combination of Back-Benchers, Ministers and men and women.

**Senator K.L. Moore:**

Is it a minuted group?

**Group Director for Economy and Partnerships:**

Yes.

**Senator K.L. Moore:**

Are those minutes available publicly?

**Group Director for Economy and Partnerships:**

I do not know.

**Deputy K.F. Morel:**

To scrutiny?

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

We would make them available to you, yes, of course, yes.

**Senator K.L. Moore:**

How often does it meet?

**Group Director for Economy and Partnerships:**

It tends to meet once a month. It has been ... I have to say it is a really good group, very strong political representation, you know, good political ownership from my perspective, so I think it is functioning well at the early stages.

**Deputy K.F. Morel:**

Can I ask, just going on again through the business case, another thing the strategic partner is meant to be doing is: "Drafting or assisting with drafting and reviewing the economic framework report."

**Group Director for Economy and Partnerships:**

Yes.

**Deputy K.F. Morel:**

I was concerned as to why there seemed to be a suggestion that the third party drafting the report would also review the report.

**Group Director for Economy and Partnerships:**

Yes, I think it will be one or the other. I do not think it will ...

**Deputy K.F. Morel:**

Yes, it should never be both.

**Group Director for Economy and Partnerships:**

Yes, quite right, you are quite right.

**Deputy K.F. Morel:**

You have talked about third party. As far as the economic framework and productivity support was concerned, are you expecting to engage any new ... you know, hire any new people into the department for this? Is there a head count increase because of this role?

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

Well, I am aware there is pressure, especially in my team, and I know not least because of the new target operating models, the new structures that have been put in place. Also, there is going to be a change of a new department being created for the economic functions. We discussed this briefly at a previous meeting. But we have had a number of discussions with the C.E.O. (chief executive officer) and John and we are just sort of agreeing what that might look like. So, the answer is I do not know. I hope we do not need to. I do not like using consultants. Nothing against them, I do not like using them. I do not like having a surplus of staff. I like everybody to be kept busy. But until we get into that new department and ... because the idea of having fewer departments is to pool the workforces so we can do more work. We want to be more productive. I would hope that when we look at some of the work that is going on in the Chief Minister's Department, the work that is going on in External Relations and the work that is going on in my department, you put that into one office,

there could be some productivity savings but there could also be ... because the work we are doing, you know, there is new work, there is economic framework work, productivity work, we might need to bring in some more speciality skills as well, but I very much ...

**Deputy K.F. Morel:**

It does happen.

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

Yes, I very much hope it is ... we need to drive the cost of the public ...

**Deputy K.F. Morel:**

How do you decide whether there is capacity within the Government of Jersey before contracting to third parties? How do you go through that decision or process?

**Director General, Growth, Housing and Environment:**

Do you want me to do that?

**Deputy K.F. Morel:**

You are welcome to.

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

Yes, John.

**Director General, Growth, Housing and Environment:**

It is about sustainability. If this role is there full time, I want to employ local people doing that job and bring people up to do it. If it is a short-term piece of work or it is not guaranteed to last beyond a certain period of time, we tend to bring a specialist in to do that work and then they leave. So it is the overall cost. Just a point of perspective, the Economic Department which I took the responsibility for 12 months ago has very few permanent staff. The majority of permanent staff sit in the sports division. The team that have done the leadership have been beleaguered and have been supported by people in contract roles. So whatever happens, there is not enough people to support the Minister and the team in permanent roles, so the new target operating model that I was going through and just about to conclude involved permanent ties in some of the roles we have had on temporary contracts. I think there is a similar issue in some other parts of the economy space, which are funded ... because of the last M.T.F.P. (Medium-Term Financial Plan) we are linked to a 4-year very strict plan and some of the funding was not locked in. I know the funding is trying to be locked in moving forwards. It is a case of getting those jobs embedded and those people employed properly.

**Deputy K.F. Morel:**

Minister, I am sorry, I have to pick up on something you said. I have mentioned this before. You have been Minister for Economic Development for 5 years and in that time it seems the department has reduced. Now you are deciding to pick it up again. Though you have worked under different Councils of Ministers, why is it the case that you were happy to let it decline in size and funding and now feel the need to pick it up?

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

Well, I inherited something that I think was completely different to what we have now. If I can be as bold as to say I think the economy has done extremely well over the last 5 years, and examples, we have Visit Jersey now working in a way with perhaps half the head count that they had when they were part of the public sector. I am always, and my Ministers, when we look at budgets are always mindful. I would rather see less money spent on wages and more money going into funding other things. For example, I would like Visit Jersey to be so successful that they can reduce their staff even further and put more money into marketing in the Island. So it is about driving productivity. Of course, then this has all been ... first of all, in 2014 when I took over, my department were thrown into a certain amount of turmoil by the Chief Minister of the time's decision to pull some things out and put them into the Chief Minister's Department; digital, for example, and cyber telecommunications, that sort of thing. So then that caused probably a period of 18 months of uncertainty in the department because Senator Moore will remember the time it took to get that approved by the States. Those changes were hanging around for about 2 years, do you remember, because of the scrutiny, one thing and another. I cannot remember the exact detail but that took a long time. At the end of that ... during that time as well my department also had towards the end resignation of its chief officer at the time, Mike King, and other aspects and it just maintained its sort of position and it maintained it quite well. But now, since the new Government Plan and the new aspirations of the Government - and hopefully they will become the aspirations of the States as well - there is new opportunity and I think there is a lot of potential.

**Deputy K.F. Morel:**

Do you think Jersey suffered because we have not had an economic framework in place over the last 5 years?

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

Well, we were having a meeting yesterday and we were discussing the importance of any economic planning to align with our housing requirements, our Island Plan and our migration policy. If we look at the previous Island Plan, which based its assumption on growth of 325 people per year if I remember rightly ... I actually was not in the States at the time, it was between my sabbatical. That was unrealistic because there was no economic framework. We were not doing the work in those



days that tied the economic requirements to the housing requirements to the Island Plan requirements to the migration policy. So I think the answer to your question is probably yes. Had we have had an economic framework and understood what ... we would have been more realistic with the Island Plan, I think, and perhaps we would not have had ... you know, the housing crisis might not be or the migration crisis might not be what it is today. But also, on top of that, there are external factors that affect us as well.

**Deputy K.F. Morel:**

Yes, and there have been plenty, yes. Thank you. Just going back, sorry, probably to Dan, again going through the business case, the senior officer engagement aspect of the programme, it seems to duplicate some of the aspects that the third party is going to undertake as well, so I just wanted to understand. So, for instance, we have allocate projects, commission third parties to deliver projects, analyse projects to Government of Jersey departments who have the capability and capacity to deliver them, allocate projects into priority phases for Political Oversight Group approval." I am worried that there is duplication here and this is why I am asking about the third party, what processes you do to ensure that you do not have ... you know, when you choose to use a third party or not. That is my real concern is that you are duplicating.

**Group Director for Economy and Partnerships:**

Yes, that is a good question and it is well spotted. Until the target operating model has landed and we know what the commitment is to put in place regular permanent members of staff, they may or may not do all or a proportion of those activities. So I think it will depend on how the target operating models land, you know, in terms of permanent staff, then we can move away from a situation where we effectively have interims. Very good interims I have to say, they are doing a very good job, but that is not the most effective way of running a team. So I think we have been in, as the Minister said, a sort of 18 month to 2-year holding pattern while a lot of this transition started to deliver some of the results that it needs to. We must not forget that there are emerging priorities that come out all the time in terms of Internal Audit, Public Accounts Committee, Comptroller and Auditor General recommendations, that all needs to be resourced and that balance inevitably takes people off front-line Economic Development activity. I think the big emphasis that the Minister alluded to is a change that we have discussed previously, which is around us moving away from commissioning through third parties economic activity and moving that competency back into Government. Because I personally believe that is really critical because Government drives a lot of this. It drives inflation. It drives all sorts of things. So having that internal competency, particularly at a time of unprecedented change externally ... so Brexit is a good example where there is no conventional wisdom to guide us because no one has been here before and no one can look into the future. We need to make sure that we have that competency in Government at this particular moment in time, and I think that is where we are trying to drive to. But this is all about making sure we are belt and

braces about our capabilities to deal with whatever the future throws us at this stage. I think it will be much clearer once we know what the structure of Government looks like going forward.

**Senator K.L. Moore:**

The Director General alluded to the fact that the target operating model for this department is almost complete. When will that be known publicly? What is D day?

**Director General, Growth, Housing and Environment:**

Well, D day should have been in the next week but it has been pulled because of the impending changes to the operating ... to the reporting line.

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

That is the new Economic Department.

**Deputy K.F. Morel:**

That is the new Economic Department.

**Senator K.L. Moore:**

Right, okay.

**Director General, Growth, Housing and Environment:**

It is unfortunate because it has been a long, hard, difficult process we have been through. I think the roles and responsibilities will ... the people will need to be doing those jobs so I do not think it is going to be a massive change but I think it was only fair and reasonable to do that.

[14:15]

**Senator K.L. Moore:**

Why has that come along at such a late stage? As the Group Director mentioned, this process has been an 18 month to 2-year process.

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

Political decision.

**Senator K.L. Moore:**

Right, from yourself?

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

Myself, Chief Minister, Senator Gorst.

**Senator K.L. Moore:**

Right. Are they reacting to a particular current and unexpected need?

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

No, I think as we have started getting into the ... as the new structure started to come together, I think we have all, just officers and politicians as well, Ministers as well, have ... I mean, we have officers working still in different buildings and different departments and I think it will be far more workable, productive, for everybody working on the economic future of the Island to be in one department.

**Deputy K.F. Morel:**

Can I ask is that going to be ... just so I understand in relation to the Government Plan, is that going to be Economic Development, Tourism, Sport and Culture, so all of those letters, E.D.T.S.C., all moving out of G.H.E.?

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

Yes. The plan is for everything that is currently E.D.T.S.C. ...

**Deputy K.F. Morel:**

I am just thinking ... am I looking at funding proposals which are to some extent irrelevant because you are about to come through with a whole new ...? This is what I am worried about.

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

I think the figures will not be irrelevant but it will probably be reported to the new department.

**Group Director for Economy and Partnerships:**

If I may, chairman, the design of the target operating model was very much along the lines of that these were kind of individual parts that could be ... in a sense were discrete in their own right but could be moved if it was felt that there was a better strategic way of grouping or amalgamating different functions. There is not much overlap between them, so they can theoretically at least be picked up and put wherever and function relatively ...

**Deputy K.F. Morel:**

I have to ask the Director General does that mean you are losing the "G" in G.H.E.?

**Director General, Growth, Housing and Environment:**

I need to be told that formally.

**Deputy K.F. Morel:**

Yes, but it feels like it.

**Director General, Growth, Housing and Environment:**

I have just perhaps been told in a scrutiny meeting.

**Deputy K.F. Morel:**

Yes, okay, fair enough.

**Director General, Growth, Housing and Environment:**

So, but the chief executive is back tomorrow and I will find out.

**Deputy K.F. Morel:**

Yes, fair enough, but from a funding perspective we cannot ... you do not expect this kind of removal of ... you do not expect it to affect ...?

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

The figures relating to E.D.T.S.C. will not change. The figures relating to External Relations will not change. The figures relating to anything else that comes up will not change.

**Group Director for Economy and Partnerships:**

Yes, that was my point, really, yes.

**Deputy K.F. Morel:**

Yes, that is what I am talking about.

**Senator K.L. Moore:**

If we go back to P.1 of last year and the design of that, so part of P.1 has been enacted in terms of the principal accountable officer, but the functions of the Ministers have not fallen into line yet, all these months beyond that. Is that causing some disruption to the way that this is all working and to the ability for people to make decisions?

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

From a political level it is not ... I mean, it has made it challenging at times but in terms ... I am not saying it, but I think we have had a very good team of officers to work with. So from a political side it has been a bit challenging but fine, we have managed to get our political priorities pretty much

across the line as far as I am concerned. I cannot speak for Steve. I think he can speak for himself here.

**Senator K.L. Moore:**

Maybe your Assistant Minister might like to say whether he feels his political priorities have been achieved in this process.

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

Since when?

**Senator K.L. Moore:**

Well, since you became Assistant Minister in this Government, I guess, because this Government Plan is part of the process that we are on at the moment. This has followed the strategic priority setting that the Government has done.

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

Well, as much as I in terms of labour force have one of the parts of the department, in terms of its financial size and clout, I suppose, within the department it is a smaller element. I have priorities like everybody else. There are priorities within this Government Plan which I hope to see through. Have those priorities been met within the Government Plan? To some degree, but I think we have to understand I am an Assistant Minister, not a Minister. I think it is the Minister's priorities that need to drive the department. We work very closely, but clearly it is priorities that we have moved forward together. Have I achieved those priorities yet? No, but I am hoping once the Government Plan has settled in and funding becomes available that I can.

**Senator K.L. Moore:**

If I can be more specific, I guess the question is as the Government Plan stands now, if it is agreed by the Assembly in the state that it is now, would it achieve your political ambitions for this term of office?

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

I think it goes a long way to achieving those ambitions. Clearly, we have already talked about levels of funding in the various parts of this Government Plan that relate to the Minister. Time will tell whether there is enough money within that to achieve some of these priorities. I had the same issues this morning when we were discussing health and some of the priorities within that. Certainly, within some of them, like mental health, for example, I am hopeful that the funding within that is going to solve the majority of the problems that we currently have. The same applies to some degree with the Active Jersey strategy, for example, which is included in this. There is a good level of

funding in this, but if it is going to meet the underlying issues that it is looking to address - if I pick one, obesity, for example - I am not sure at the current time how much money we are going to have to throw at that to really make a difference but certainly there is a considerable amount of money to use in here to try to meet those targets. I know that is probably not answering the question that you have asked because we know how big the problem is, how big an oil tanker it is and how much money we are going to have to throw at it to turn it around. It is a difficult question as well.

**Deputy K.F. Morel:**

Are you pleased from the amount of money? Inspiring Active Jersey is one of the few projects that sees an increase through the 4-year term, so it starts at half a million, £509,000, and finishes at £965,000. From your perspective and regarding priorities are you pleased with that? If you do not know, what worries me is that these are kind of figures that almost seem plucked from nowhere.

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

The strategy itself was a long consultative process with all departments and third-sector bodies carried out by Jersey Sport on our behalf, one of the times we have not had to get a consultant in, we have had somebody in-house that has done that work. But a lot of the things have been based on bids put together with the support of Jersey Sport, so we have a third-sector body looking or an arm's length body looking at what we are doing and suggesting funding that will meet and go towards achieving some of these aims. The first year is always going to be difficult because we have to get some of these initiatives up and running and programmes up and running. So I am pleased that they increase year on year because it does give us more opportunity, if things are working, to feed more money into them and move them forward. But in terms of the preventative health agenda, this is a real change of culture in Government moving from reactive to proactive healthcare. Part of that is going to be delivered by E.D.T.S.C. (Economic Development, Tourism, Sport and Culture) through bodies like Jersey Sport and it is important that we have adequate funding in there. Whether it is going to deliver everything I want in the 4-year timeframe I think we will have to wait and see to some degree.

**Senator K.L. Moore:**

While we are talking about joined-up Government, I guess the fact that you, as an Assistant Minister, are carrying forward this piece of work and the initiatives that fall underneath it is a great thing because you can link up with your community role in Health and that is the whole point of the structure.

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

That has worked really well, that process.

**Senator K.L. Moore:**

So that is good to hear. But one aspect, and I know it is wrong to talk about mental health in perhaps this environment where we are talking and focused on a different subject, but as you mentioned it one has to ask how joined up in terms of the philosophy of this Government we are when we know that uncertainty is a factor that can impact on the mental health of people who are working within an organisation, for example, when that organisation has been in a holding pattern, as we all acknowledge, for 18 months to 2 years. Do we not need to fix that issue first before looking at our services initiatives and everything for the public?

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

I presume you are talking about the civil service and our Government. Does it worry me? Does it worry me, some of the stresses that we have been through as a Government and some of the priorities I have, some of the responsibilities? Absolutely and I have highlighted those and wanted to know how as an organisation we deal with some of the stress we put all staff, whether they are senior or junior, it has been a very stressful process. All the directors general, including John, would admit for many staff it has been a really tough time, so I do worry about that. We do have processes in place to help those staff through that period of time and the level of discussion between senior management and staff has generally been good but when you are talking about rationalising and new job descriptions and all those type of things, they are difficult things to go through. We have managed our staff, from the bits I have seen where I have responsibility for, we have managed that really well and the communication has been really good. But I make no bones about it, there have been people that have been stressed.

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

It has been a hugely more stressful experience for our officers than it has for us.

**Deputy K.F. Morel:**

Your job is guaranteed for 4 years, Minister.

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

Yes, and a pension and not quite paid as much as these 2. But the officers have kept their professionalism and support going really well through that really difficult period.

**Senator K.L. Moore:**

So just as your target operating model that affects your area of business, Minister, is coming to fruition due to a political decision, it is now being impeded from taking that final step into becoming a reality.

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

I do not think “impeding” is the right word.

**Director General, Growth, Housing and Environment:**

It is also going to be a very short hiatus and that is the intent. All the groundwork, the consultation, has been done, so it is just ...

**Senator K.L. Moore:**

Consultation with whom?

**Director General, Growth, Housing and Environment:**

With the staff, so all the staff have been through a full consultation. There is not many staff because almost the whole team is in here of a senior level, I think there is one missing, so that has been done and undertaken and one of my big priorities is to make sure what the change is and we do it properly and professionally and people can get settled because that is the problem with the uncertainty, which has happened for too long now for everybody.

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

Can I just add to that? I do not think “impeding”; I think we are talking about progress, we have an opportunity here to improve the current model and say, for example, if we call the new department “Economy and Growth” or something, whatever it is called, there will be significant benefits for the work we want to do across the whole economy by it being in a focused department.

**Deputy K.F. Morel:**

Can I just ask, just before we go on to the next business case, looking at the Government Plan in general and thinking in general, first of all I would like to ask, Minister, when you speak to businesses in the Island, what is the biggest pressure that they tell you they face?

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

Slightly different in different sectors, but outside of financial services generally finding the right staff with the right skills.

**Deputy K.F. Morel:**

I also find that financial services ...

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

I can say that that is true as well.



**Deputy K.F. Morel:**

I agree totally; it is staff.

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

And not losing staff.

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

And the availability of skills as we are becoming more technical and more digital.

**Deputy K.F. Morel:**

So, when you look at the Government Plan, are you concerned that, over the 4 years of the Government Plan, the Minister for Education is only receiving £4 million, essentially less than a 4 per cent increase, while Economic Development, Tourism, Sport and Culture is receiving £7 million, which is a 30 per cent increase, given the importance of skills to the economy? Would you not expect to see more focus on skills and funding into the Education Department?

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

I would like to see more money into Education, of course I would, and I think ...

**Deputy K.F. Morel:**

But you are taking twice as much as the Education Department in terms of increases.

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

Let us just look at this from a slightly different angle, if we may. We are working in partnership with Skills Jersey. We are putting a lot more focus into the development of skills at a later stage when people finish their education ...

**Deputy K.F. Morel:**

Who is?

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

Skills Jersey. The Digital Academy that has just opened now is a prototype of something that can really grow and be really important, so we can start developing and up-skilling some of our home-grown talent. I am not sure as to the Skills Jersey, I had thought that there was further investment in the Skills Jersey programme.

**Deputy K.F. Morel:**

Which department is Skills Jersey?

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

If it is not back in Education I think it is going back to Education.

**Male Speaker:**

It is part of Education.

[14:30]

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

In terms of the education service, I have been in that department previously and there has been a lot of progress in terms of the opportunities on-Island for study; that has improved over the period of time. Digital Skills Academy, Highlands College put a lot more university courses on than they ever did, we have fantastic trackers mentorship programme, and as I mentioned university courses. Education, as much as I agree with the Minister, should be prioritised and should have the level of funding it requires. It started from a reasonably good place; what is on offer here is good but it does not mean we should not build on that.

**Deputy K.F. Morel:**

I just find it interesting to see, when you look at the overall funding, you see where the Government priorities lie. Going back to the election last year, I heard environment, I heard education, a constant refrain from the public, and yet I see just £3.5 million to £4 million extra over 4 years for Education, growth that is over those 4 years, and I see £1 million growth in Environment.

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

But that is a really important point. As much as I think you are right, we do need to concentrate on our education and make sure we have skilled people coming into the economy. We need to have an economy that is functioning, so we need to make sure that it is funded and primed in the right way, which is I think what the Minister would say is we need to ensure that there is a level of funding provided for Economic Development to make sure we can keep our big sectors such as finance as buoyant as it currently is. We have a really buoyant economy here at the moment, in some ways it is almost worrying to think when the bubble is going to burst, but it is extremely buoyant.

**Deputy J.H. Perchard:**

Minister, a while ago you and I had an informal chat about the invisible second economy that props up the first one. I think I even recommended you a nice book to read.

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

I read the book, yes.

**Deputy J.H. Perchard:**

But I do not see any mention of it in the Government Plan. What work will you be instructing officers to carry out in order to attribute value to the invisible economy that supports and enables the measured economy to succeed?

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

It obviously is too early to tell, but I will undertake to ensure we address that when we are doing the economic work; I think it is really important. So I cannot tell you what we are going to do, but I will undertake to say that we are going to address it and do something at least so we begin to understand it.

**Deputy K.F. Morel:**

These public hearings, I need you in here for 8 hours of public hearing, not for an hour and a half.

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

I am free; I will buy you dinner.

**Deputy K.F. Morel:**

Right, we will quickly go to the rural economy strategy. We have had a briefing on this so we are fairly aware.

**Senator K.L. Moore:**

Could you remind us of the base budget for 2019? I do not think you will find it in the glossy book. That is why we are asking the question, because it is not available.

**Deputy K.F. Morel:**

This is another piece of information that is missing is the 2019 levels; they are not in the Government Plan.

**Group Director for Economy and Partnerships:**

It is £1.79 million.

**Deputy K.F. Morel:**

Thank you. So you are looking to boost that over the 4 years by a considerable amount, by 30-odd per cent over 4 years, and can I ask what is your aims for the extra spending? We are talking £65,000 extra in 2020 but rising basically by £200,000 each year after that to £680,000 in 2023.

What is the aims in your mind of the rural economy strategy? What do you want to do by increasing the funding?

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

In recognition, it is putting some of the money back that has come out of the sector in previous years, if you look back at the figures. Partly because the industry has been challenging, but mostly successful, it has become more productive. There are concerns, if we look at the dairy sector, which is so important, not just to us here, but the dairy herds around the world, bringing increased productivity to countries that really need help. So it is about putting some money back into that to make sure the foundation for that stays strong into the future and recognising the importance that industry has on our infrastructure. I am trying to recall the last conversation I had with John Vautier about the detail in that.

**Group Director for Economy and Partnerships:**

So just to answer the broader question ...

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

Yes, and then we can talk about the arable sector and if you want to touch on the medicinal cannabis progress we can.

**Group Director for Economy and Partnerships:**

Yes, so just broadly, if you would not mind, the context is important, so when we wrote the current rural economy strategy there were 2 conclusions that were big conclusions, one was that looking at the numbers and particularly the comparables with the U.K. (United Kingdom) agricultural performance and recognising 40 per cent additional cost because of having to get stuff here and economies of scale, et cetera, that it was, in my view at least, economically unsustainable in its current state and you can look at the evidence that shows that, reduction in profitability and an increased reliance on subsidy. So that in my view is the wrong direction. Also faced with issues around things like the highest nitrate levels in Europe in our water, it felt environmentally unsustainable as well and of course previous state of the environment reports have indicated in particular things like a decline in birds, et cetera, so there is quite a lot of evidence to suggest that Jersey agriculture is not in the best shape. So the question is what do we do about it ... 120 policies in the rural economy strategy that are being worked upon and actioned and that has been quite successfully delivered at the moment. We have made productivity improvements in the staffing around that as well, so we have a good lean team delivering this with good relationships with stakeholders and regular meetings with stakeholders, not just on the rural economy strategy, but on the Brexit piece as well, which is critical. But the reality is, if our farmers are going to be competitive, either in the dairy sector or in the arable sector, we have to not disadvantage them in import and

export markets, so if they cannot produce food as cheaply because the subsidy is a lot lower than their competitors, then it is going to be really difficult for the plan to box out in that situation. There are some alternative crops, which the Minister has alluded to, which are high value, low environmental impact, and we have progressed a lot of those in a very positive and quick way in the medicinal cannabis area and the creation of a new rural economy crop there, it is going well. But the reality is, compared to other jurisdictions, we under-invest in agriculture and we are suffering the results of that and a lot of focus in specific crops where there is high risk and low return, niche potatoes. So if you look at the statistics over the last 25 years 95 per cent of rural business is growing outdoor crops and we have had a 95 per cent reduction. In the last 10 years we have seen more producers becoming more reliant on Government subsidy and with the exception of the dairy sector that have done a really good job of boxing out of this through developing additional export markets for the milk above and beyond the 10 million litres for domestic consumption. We have to try to diversify the rural economy and de-risk it but also to make sure we are not competitively disadvantaging farmers through our subsidy regime.

**Senator K.L. Moore:**

So this increase in expenditure, will it be partly an increase in subsidies returning to what were previously available? Will that be to the existing agriculture sector or to the new one?

**Group Director for Economy and Partnerships:**

So the ...

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

There is an £800,000 increase in direct support over the life of that.

**Group Director for Economy and Partnerships:**

There is a nuance to it that is positive, which is that the contract with farmers, we have agreed with our stakeholder work that it needs to be altered so that, in the context of some of the social pressures that we have, how can you justify giving farmers a lot more money when there are really big social issues to wrestle with? The only way you can justify that is to say we need to direct the subsidy into the provision of public goods and services, so better environmental outcomes, better management of non-renewable resources, particularly soil and water, better management or acceptance that there is a cost to the management of hedges for branchage that make the Island feel a tidy and nice place to live, and with investment issues, so on and so forth. So what we are trying to do is to say, okay, let us get you competitive again in standard markets, but also let us add some value to the public who are paying for this through the provision of the goods and services that they might want. Reduction in nitrates is another one. So that connection is brand new really and I think farmers are

up for that and they have done really well in terms of their water improvement programmes over the last few years.

**Senator K.L. Moore:**

Is there an emphasis also on food security, therefore production for the Island economy, rather than export?

**Group Director for Economy and Partnerships:**

Food security is a complex issue because, of course, we import most of our food, so we are food secure in milk, but we import most of the stuff ...

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

We could eat eggs, milk and potatoes; we could have all we can eat.

**Group Director for Economy and Partnerships:**

We are trying to box into a slightly different relationship with farmers that is a bit more positive and it is around provision of public services and the added value that we can get out of that. The final piece is the productivity piece, so an enhancement in the rural initiative scheme, which is effectively investment in, it might be training for staff to take advantage of new free trade agreements that come as a consequence of Brexit, or it might be common pieces of machinery. This fund has done a lot of that work before but there has been a cap on our ambition on the basis that the money in that fund had historically, through previous Medium-Term Financial Plans over many, many years, not just this Administration or the previous Administration, it has been a common constant that gradually agricultural subsidy has reduced and we have probably gone below the *de minimis* now and we need to start resetting that.

**Deputy K.F. Morel:**

Can I just ask, very topically in yesterday's media I read an article that said that farming subsidies are destroying the world and that globally we pay \$1 million a minute to farming subsidies. Is Jersey going down that same road, essentially not going down the same road, are we just part of that same crowd?

**Group Director for Economy and Partnerships:**

I do not think so. Food is in my view too cheap, so it does not reflect the cost of production anywhere in the world, so this is a global issue. For us the investment of £1.79 million gets a return, just in terms of the revenue, of £8 million, so that is a good return on investment financially. But we are also tying in the subsidy to the highest standard of production assurance, so the LEAF Marque; it is a global mark that is recognised as driving environmental standards, social standards and economic

standards, as a market leader. So we pick the top of the quality assurance mark there and farmers are working towards that. So I think that combination of effects has the ability to make our agriculture very competitive.

**Deputy K.F. Morel:**

There has been a lot of consolidation over the last 2 decades in the agriculture sector. One of the concerns that was brought to me by Islanders has been that the way the subsidy scheme works at the moment, and certainly with LEAF, et cetera, is that it is very much aimed at larger farms and so smallholders do not get a look in as far as accessing Government funding. With this new rural economy strategy, will that be addressed?

**Group Director for Economy and Partnerships:**

It will because in the old days it was not worth the paperwork or the administrative burden for a vergées because it was an area-based payment. This is moving away from an area-based payment and decoupling subsidy from area of land farmed and then connecting it to delivery of public goods and services. So it does not matter whether you are large or small as long as you can deliver the stuff that we believe is important from an environmental perspective, for example, or important for a high quality assurance perspective at a supermarket, then anybody can join.

**Deputy K.F. Morel:**

As part of all this and with the work being done in the Environment Department as far as carbon neutrality is concerned, will you be tying in crops and the amount of carbon they can capture, will that be part of the work that is being done in this rural economy strategy?

**Group Director for Economy and Partnerships:**

It is the biggest issue in my view, and we used to do this nationally in the U.K., is soil management. That is where most of the carbon is locked in. You can plant trees until the cows come home but we do not really have the scale to do that here. So, for me, where LEAF really adds value is that protection of primary non-renewable resources and the components within the LEAF Marque audit that require people to manage that. So I think the answer is yes.

**Senator K.L. Moore:**

How will you know that you have been successful through this initiative? What will you be measuring against?

**Group Director for Economy and Partnerships:**

The nice thing about the LEAF Marque is that it is an independent audit both against national and international standards, so farmers who are taking the public subsidy effectively get audited and

they feed back to us. While it is a partnership, we would expect to see improvements. It is early days in the rural economy strategy in that context.

[14:45]

There are some big challenges, particularly for dairy farmers around getting to the level that we would want to get them to and that is often an infrastructure issue and you have to go through planning to improve conditions and so on and so forth. Culturally, to be honest, a lot of this is about state of mind and the impact of your day-to-day decisions on the way you produce crops or milk your animals, and that takes a bit of time to bed in. But we have had a very positive start to that new regime and have got a very, very strong endorsement from industry leaders around that as well.

**Deputy J.H. Perchard:**

As part of the recent Corporate Services Migration Review, we had a public hearing with the J.F.U. (Jersey Farmers' Union), during which they expressed their pessimism towards the development of the migration policy, the development process within Government, because agriculture was not listed in their terms of reference. So while you are developing positive relationships from this side of things, how are you going to ensure that the problems perceived by the J.F.U. and the wider farming community are adequately addressed so that the issues they have with migration and recruitment do not negate the positive relationship that you may build from looking through a different lens?

**Group Director for Economy and Partnerships:**

Certainly, the Minister and I very recently met with the Jersey Farmers' Union and talked about a range of issues and that was one of them.

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

Part of the problem is because we are working closely on economic issues and with the Chief Minister's Department on the migration issues.

**Deputy J.H. Perchard:**

Would you say you are joined up then so that the issues that they raise with one department or with the Chief Minister ...

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

We campaign very hard and work closely with Minister for Home Affairs on the seasonal permits with a trial period going on where they can bring workers in now from outside the E.U. (European Union) to work for 9 months a year. Schemes like that will become more important, especially if the



U.K. does leave the European Union. But, as I said before, there is a huge worry in those sectors about where they are going to get labour from. So part of the solution, part of it is trying to automate more, and we are going to help financially to do that, but the other part is to ensure as part of our new migration policy we are allowing labour to come into the Island for periods of time but not with the right to live permanently. I think they are just looking for that to evolve quickly.

**Deputy K.F. Morel:**

Just to drill down quite quickly, again speaking of the rural economy strategy, Jersey Island Genetics gets an increase in funding throughout, so it starts at £160,000 right now, by the end of 2023 it has gone up to £187,000. For 2020 you are looking for £17,000 increased to £180,000. Is Jersey Island Genetics not profitable? It is obviously set up as a private company. Why are we having to subsidise it?

**Group Director for Economy and Partnerships:**

It is not a private company quite, so it is effectively an arm's length organisation. It receives a grant from the Government. The genetic improvements in cattle that we are trying to promote are really critical because if we can increase yield per cow, we do not have to increase the number of cows as export markets grow. If you have to increase the number of cows, you have to increase the number of sheds and the amount of infrastructure in the countryside, which none of us want. So the principle of genetic improvements where you do not get the benefits of breeding large numbers of other cattle that you might get in bigger jurisdictions are really critical.

**Deputy K.F. Morel:**

You do get some funny looking cattle, though, when you are creating massive yields of milk, you get some very funny looking cows.

**Group Director for Economy and Partnerships:**

It depends what you cross them with. So you can get some odd ones, but that is not the plan. Because we have herd work, because we have 7 generations of pedigree, that is not going to be an option, so there will always be a pure Jersey herd, the purest in the world some would argue. But the genetics stuff is really critical in terms of improving the productivity of the industry, so we are investing on that basis. The other point, and I think historically, the truth be told, is as we have reduced the number of internal experts around livestock we have effectively outsourced to experts, which is reasonable. J.I.G. (Jersey Island Genetics) is one of those experts, and they manage that programme on behalf of the Island, so there is a productivity piece. Part 2 of that is that they also take on some statutory functions that we historically would have had to pay for and do ourselves and those statutory functions are probably going to change as a consequence of Brexit but it is things like cattle movements, cattle passports, and effectively tracking animals through the world

and making sure that they are appropriately badged, if you like, for export. So that is a critical part of the infrastructure of the Island.

**Deputy K.F. Morel:**

Why do you see basically a £24,000 increase, which is a large percentage, why the increase? It is a lot more than R.P.I. (Retail Price Index).

**Group Director for Economy and Partnerships:**

It is run with a man and a dog at the moment and that is less than a person, so I suspect they will be wanting to invest in an appropriate level of staff to deal with the same problem we have, to deal with the potentially increased compliance around exporting live animals, around improving ...

**Deputy K.F. Morel:**

So have you seen a business case for their increase?

**Group Director for Economy and Partnerships:**

Yes, we have all that if you want to see it.

**Deputy K.F. Morel:**

It is more that when you said you "suspect" rather than you "know".

**Group Director for Economy and Partnerships:**

We only suspect in the context of Brexit at the moment so until those negotiations are completed, do not forget that most of the big changes that we are going to have to make are in the agriculture and fisheries sector on the basis that big changes are where we used to behave as if we were in the E.U. So the protocol 3 stuff that falls away is all ag and fish, it is really, really intense detailed granular work, and at this stage it is really difficult to know what we will require. So again there is a bit of an insurance policy in this.

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

Sorry to interrupt. Jersey Island Genetics are a subsidiary of the R.J.A.&H.S (Royal Jersey Agricultural and Horticultural Society), I am not sure if you knew that. I am trying to think back. We have pegged funding for some years, if you remember. We managed to cut it in the last round, we cut 18 per cent off our entire budget at E.D.T.S.C., and there were cuts to this amount, which I think what we are doing is just putting it back on an even keel really. It is about £20,000 a year increase by the end of the thing, which in the scheme of things probably puts them back to where they were.

**Group Director for Economy and Partnerships:**

Yes, and they are doing a lot more of the statutory stuff than they ever used to do.

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

They are doing it far more efficiently than, dare I say, we used to do when it was in-house.

**Deputy K.F. Morel:**

Very quickly as well, because we are running out of time sadly, Jersey Product Promotions Limited, again large increases through there, particularly for Farm Jersey, so the Genuine Jersey grant stays the same but Farm Jersey increases. Again, are you looking to shift that on to membership fees? At the end of the day these are trade organisations that are there to provide benefit to the businesses within them, why does Government still feel the need to be increasing the amount it pays to these trade organisations? Do you not expect them to be funded by the businesses within them?

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

Genuine Jersey, Farm Jersey, under the body of Jersey Product Promotions Limited, again one member of staff, small voluntary board, and they do charge. Do not forget they are providing a service for a lot of very small businesses, craft businesses, real people producing and manufacturing and cultivating and creating products from within the Island. There simply is not enough membership fee to cover their overhead, so if we did not fund it, Genuine Jersey would not happen, basically. Then Farm Jersey was introduced when we introduced the rural economy strategy and their job is to promote Jersey farming outside of the Island, not just to promote and sell products, but to also promote Jersey. Farm Jersey have been working closely with Visit Jersey on certain issues and 2 important projects that Farm Jersey are involved in are a farming conference every year and our presence at the big agricultural show in Paris in February. So it is £7,500; it is only £17,000 increase over the 4-year period.

**Deputy K.F. Morel:**

It is; it is more because Genetics is a private company as you said, and I understood that it could bring in its own revenue. Does it have the ability to bring in its own revenue? I think it does. So I am just interested, rather than the amounts, it is why are they not self-funding.

**Group Director for Economy and Partnerships:**

Yes, so we have been following a self-funding model for some time, but the reality is there is a maximum that people are prepared to pay to get the current benefits of membership and that is limited by the number of people that are members. So if additional requirements are put on those arm's length organisations there is going to have to be some additional funding to support that. So in the past that funding replaced a grade 12 horticultural officer that used to have to do a lot of this stuff. It is absolutely critical, if you look at the way J.P.P.L. (Jersey Products Promotion Limited)

effectively used to have 2 strands, one was the Genuine Jersey local branding, local products, which is valuable in its own right, and the second strand was the Jersey Export Group, which was put on mothballs a little bit because we were not really co-ordinated around what our export offering was and is. The consequence of our relationship with La Manche through the *Salon de l'Agriculture* in Paris each year is twofold, one is it allows us to market a critical mass of products from across the sectors in the rural economy, so fisheries products, agricultural products, et cetera.

**Deputy K.F. Morel:**

Do we get any buyers?

**Group Director for Economy and Partnerships:**

We are not there to sell but we are there to promote effective products. We do not buy an expensive stand to sell, it is 10 times the price, so we are there to promote. We have the dual function of equating that sort of *entente cordiale* that is required when we are negotiating things like the Granville Bay Treaty or local ...

**Deputy K.F. Morel:**

I appreciate that, but have we seen any increase in sales to France, exports to France?

**Group Director for Economy and Partnerships:**

Again Brexit is a really difficult one for products of animal origin in the particular way you require border inspection posts. There is not one locally, it could get worse rather than better, but again we are trying to negotiate on behalf of our colleagues and that relationship in France goes a really long way locally and is paying dividends in terms of those local conversations and feeding that sort of stuff into parts we cannot reach in Paris.

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

Jersey business participate in that. We must check with them because there have been some new trade introductions and relationships set up from these exhibitions. It is difficult to sell cider and calvados to the Bretons and the Normans because they are pretty good ...

**Senator K.L. Moore:**

Indeed, but is there anything we can do to help or assist or ensure that there is a border inspection control centre that we can access?

**Group Director for Economy and Partnerships:**

I went and inspected one in St. Malo. So there has been significant investment in St. Malo around the border inspection post, so it is there, we know it is there. It would be great if there was one closer than St. Malo, so for example at Granville, but these are all part ...

**Deputy K.F. Morel:**

They are building one for us in St. Malo; it was not there before.

**Group Director for Economy and Partnerships:**

It is there now.

**Deputy K.F. Morel:**

That is what I mean, so you have to be grateful they put one there. Asking for it to be closer is ...

**Group Director for Economy and Partnerships:**

Exactly. The local relationships and the national relationships are different for us. We can see France from our territory and that does pay dividends, if we can maintain the relationships. In Brexit terms we are negotiating through the U.K. and that creates some challenges for us because really those official conversations are limited now and we are doing the Brexit stuff through the U.K. Government and in partnership with them. But in the past those relationships that are non-official, non-trade-related stuff, have really started to pay dividends in that it is this moment in time that we start to see the value of them.

**Deputy K.F. Morel:**

Thank you. I will not go any further there; a nice easy start. There is no point in starting something for 5 minutes when it is going to take a lot longer to go through it. For the next session, just to give you a heads up, it will be culture, arts and heritage, Inspiring Active Jersey, we will go there, cybersecurity growth and digital policy, and then hopefully we will have time for some of the capital stuff such as sports division-wide capital replacements, Port Regent pre-feasibility, and there may be others we have to go through, but those will be the ones we will focus on next time. The one I had hoped to get through, culture, arts and heritage, today is a really long one and there came a point where there was no point getting started on that. Brilliant, thank you very much indeed. Can I just check as well, future economic partnerships, goods and borders cluster, is that with you guys or is that External Relations?

**Group Director for Economy and Partnerships:**

No, that is me.

**Deputy K.F. Morel:**

It is with you guys; we will throw that one in for next time then. When I read through it, it reads like External Relations.

**Group Director for Economy and Partnerships:**

I think there is a misunderstanding potentially by us all historically about what the trade thesis needs in it, so there is a lot of external ...

**Deputy K.F. Morel:**

It is not the trade one. Let me just double check.

**Group Director for Economy and Partnerships:**

I beg your pardon, no, that is our responsibility in the new cluster.

[15:00]