

# Government Plan Review

PREPARED BY TRANSPORT AND TOURISM COMMITTEE & RETAIL & SUPPLY COMMITTEE

11TH OCTOBER 2019

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# Foreword

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Dear Kirsten,

These recommendations and observations have been presented on behalf of our industry professionals within T&T and R&S. We have focused on three key areas that represent our professional backgrounds; Economic Partnership Review, Trade and Export Function Review and Promoting Jersey Review.

We thank you for involving us in this review. We are always eager to take part in the consultation process especially when it can have some positive or adverse implications to our businesses. It would be greatly appreciated if we could have at least four weeks to review the document moving forward to ensure we get all key stakeholders taking part. This will allow for a much more considered and balanced response to assist you with your review. We also thank you for giving us a further week extension now allowing it to be sent on the 11<sup>th</sup> October to give everyone time to feedback ahead of the Government Plan debate on the 27<sup>th</sup> November 2019.

We have set up a template to assist our professionals with the review and ensure that the commentary is supplied in a structured manner.

We hope that the content we supply is of use and if you feel we could improve or make any future amendments please do not hesitate to contact us.

Warmest regards,

Martina McGibney – **Chair of Transport and Tourism** Daphne East - **Chair of Retail and Supply**

# Terms of Reference

Does the Government planned projects meet the ongoing Initiatives, Common Themes and Common Strategic Priorities?

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## Key areas for consideration?

- Are the projects and amendments to be lodged consistent with the requirements of the public finances (Jersey) Law 2019
- All forms of resourcing that are allocated to projects are sufficient or excessive in enabling the project to meet its stated aims (Explain)
- Is the project allocation appropriate in relation to overall departmental budgets
- Whether funded projects align with Departmental objectives [NB: if and where they exist]
- Are there clear lines of accountability for each project and budget
- Are the projects fit for purpose and sustainable

## Transport & Tourism & Retail & Supply key subjects reviewed.

- ✓ Future Economic Partnership
- ✓ Trade & Export Function
- ✓ Promoting Jersey

# Future Economic Partnership Overview

## Project 4: Vibrant economy (Strategic Priority) >>> Future economic partnership

**Sub-Priority:** Enhancing our international profile and promoting our Island identity – Brexit response

### Further information/background

R.91/2019 Government Plan 2020-2023: Further Information on additional revenue expenditure and capital and major projects expenditure (Page 44):

Government of Jersey is required to engage with UK and with the EU to negotiate appropriate arrangements for the UK/EU Future Economic Partnership (FEP). The FEP will be negotiated following the UK's exit from the European Union, regardless of whether this is an agreed withdrawal or a 'no-deal' Brexit. To this end, the UK is currently preparing its negotiating positions, and Jersey needs to ensure it is appropriately resourced to do the same.

External Relations (in the Office of the Chief Executive), in planning for these negotiations across Government, has proposed three negotiating clusters, these being 'Goods and Borders', 'Services and Digital' and 'Immigration and Security'. The Goods and Borders cluster covers a large and complex area of our economy, outside of the services and digital areas. It includes, amongst other things, responsibility for negotiations on the critical areas of borders, tariffs and transport – areas in which Jersey may have a position quite distinct from the UK and which will require sensitive handling.

The funding will be used for the Goods and Borders Cluster to meet costs associated with a protracted period of negotiations with and across UK government departments, to ensure the best outcomes for Jersey and to minimize risks as the UK negotiates with the EU towards their shared FEP.

The FEP Goods and Borders Cluster will deliver the functions of:

Coordinating the interactions with UK government across workstreams

- I. Providing a consistent, structured and rigorous approach to the collation and appraisal of operational and policy options within each of the workstreams
- II. Facilitating effective communication and partnership working between and across cluster workstreams and with industry where appropriate
- III. Ensuring effective and timely reporting to senior officers and politicians and cascading political steerage to workstreams within the Goods and Borders cluster
- IV. Collating the evidence base to support officer and Ministerial consideration of options
- V. Providing a flexible and nimble resource across workstreams to support option appraisal, liaison with UK Government, and reporting
- VI. Undertaking high-level and detailed analysis of the interaction of operational and policy options across workstreams
- VII. Ensuring that overarching themes (e.g. State aid, governance, and the interaction with UK and EU bodies) are assessed for each of the workstreams in an efficient and timely manner, and in consultation with industry where appropriate
- VIII. Providing focus and prioritisation across workstreams on immediate, medium and long term needs
- IX. Reporting as appropriate to the FEP central coordination and Ministerial groups.

Within this framework the preparations for a no-deal Brexit (which were coordinated previously through the One-Gov Brexit Team) would be coordinated through the re-focused FEP Goods and Borders Cluster, with additional input from other workstreams/departments as necessary.

The functions and responsibilities of the FEP Goods and Borders Cluster are precisely aligned with the Common Strategic Policy objectives to “deliver the best outcomes from Brexit” and “maximise the positive outcomes from Brexit and anticipate the risks”.

This critical project is anticipated to extend through the life of the Government Plan. This is based on the assumptions that all sides negotiate in good faith, that the UK will support and assist in the areas of Crown Dependency concern and that all parties would wish to conclude these wide-ranging and complex negotiations and reach agreement as swiftly as possible.

Whether there is any need to extend the term of the project beyond four years will be reviewed over the course of this first four year Government Plan programme cycle. Funding flexibility will be required to manage emergent priorities.

<b>Reference (Internal use)</b>	CSP3-1-03		
<b>Title</b>	Future Economic Partnerships Goods and Borders Cluster		
<b>Lead Minister</b>	Minister for Economic Development, Tourism, Sport and Culture		
<b>Lead Department</b>	Growth, Housing an Environment		
<b>Additional Investment Required (£000)</b>			
<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
450	450	450	450

# Future Economic Partnership areas for consideration

- 1. Are the projects and amendments being lodged consistent with the requirements of the public finances (Jersey) Law 2019**
  - Yes, the plan illustrates the financial expenditure required commencing in the new financial year 2020 until 2023. However what is lacking is a breakdown on where the £450k is spent across each department. An additional of £1.8m is required for the four year period.
  - Goods and Borders
  - Services and Digital
  - Immigration and Security.
- 2. Are all forms of resourcing that are allocated to projects sufficient or excessive in enabling the project to meet its stated aims**
  - Not knowing how the costs are broken down we are weary to comment on the funds being excessive or sufficient. As experts in our field £450k in the above 3 areas feels a bit light, specifically if we bomb out without a deal? There will need to be work done with the UK and also the EU to make Jersey self sufficient and not relying solely on one route to market. Clearly £150k per department doesn't make sense when we know that there will be a heavy burden on the Goods and Borders controls post Brexit.
  - Other members feel the allocation of the proposed funds to the areas listed has very little detail about their values, the process of budgeting them and finally how they will be allocated.
- 3. Is the project allocation appropriate in relation to overall departmental budgets**
  - Our members experience so far with regard the allocation of funding for matters relating to the Trade and Export function (EU exports) has not been inspiring. They feel it appears that there is a very real appetite to trade goods with Asia and the Americas which they believe will in the long term prove costly and present many logistical problems, whilst at the same time seemingly avoid doing anything to support the existing export trade to the EU namely the aquaculture product? The export of aquaculture and fishery products is the largest of all the freight goods that are shipped to the EU. They have recently mentioned at one of our meetings that our industry in particular could potentially be damaged if the government do not take control of the situation.
- 4. Whether funded projects align with Departmental objectives [NB: if and where they exist]**
  - Yes and no – To date we have worked with the One-Gov Brexit Team, and would like reassurances that the current team of experts are able to relocate into the FEP Goods and Borders Cluster to ensure the continuity of objectives continue to be executed and challenged.
  - We add that their objectives are well aligned with the overall Common Strategic Policy and must ensure again that these annual funds are A) Not too light b) That the budget is tightly managed and really challenged to ensure that this project is robust for the term.
  - Some of our members having looked at the plan think it's very weak, there is not enough strategy and there are no overarching objectives to link the actions. There is also the development of the 'Future Economy Programme' but we can't find anything to explain what this is. There is reference to improving productivity, but this appears to be aimed at Agriculture, Fisheries and Tourism – what about the rest of the economy?
- 5. Are there clear lines of accountability for each project and budget**
  - Yes its clear that this level of revenue is much needed for enhancing our international profile and promoting our island identity, something we haven't been very strong on, especially when we look Southbound to our European partners, airlines & supply etc. However, we do still feel we could do a lot more with European network in the initial phases. Some members do suggest that the Asian market has assisted the dairy markets so we should keep an open mind when reviewing the International market trading platform.
- 6. Are the projects fit for purpose and sustainable**
  - As an example of the funding figures whether we leave without a deal or with a deal our industry will face the imposition of tariffs a very real challenge for both exports and imports of goods from to the EU. Further to this the daily operational requirement for the States vet to authorise all shipments of aquaculture products to the EU prior shipment will increase the operational staff costs of that department. Have the States looked at the operational viability of the department and the potential need to increase the staff establishment to cover what is a twelve month seven day a week industry? Have these potential extra costs been included in the funding figures? What sustainability income have they put aside to make Jersey more diverse and entrepreneurial setting up funding grants for new business, producing and manufacturing more products so the community does not have to rely on so much imports? Should the government also review the plan on GST being applied on the cost of core commodities in light of Brexit tariffs being applied?

# Trade & Export Function

**Project 8: Vibrant economy (Strategic Priority) >>> Trade and export function**

**Sub-Priority:** Enhancing our international profile and promoting our Island identity

**Further information/background**

R.91/2019 Government Plan 2020-2023: Further Information on additional revenue expenditure and capital and major projects expenditure (Page 51):

The funding, commencing in 2021, contributes to staff costs for posts necessary to deliver the new Trade and Export function of Growth, Housing and Environment.

The focus of this team will be on the impact of changes to Jersey’s trading architecture, businesses, consumers, and on the operation of government services within Jersey. This will complement Law Officers Department’s role of protecting Jersey’s constitutional position; and that of External Relations of protecting, developing and enhancing Jersey’s position on the international stage.

The new Trade and Export function has outline policy ambitions to address the following:

**Import trade:** availability, choice and price of goods

- To ensure that Jersey’s import trade architecture (i.e. the legal, technical and political facilitation of inward trade) is appropriate to the island’s needs
- To provide assurance over the robustness of supply chains for critical goods
- To achieve an appropriate balance between availability, choice and price.

**Export trade:** supporting a diverse economy

- To identify and rectify weaknesses in export trade architecture (including legal, technical and political barriers to trade)
- To identify and support outward trade opportunities
- To help maximise the value returned to Jersey businesses and so increase productivity and GVA.

**New business development**

To identify and develop emerging high value business sectors which:

- might capitalise on Jersey’s position as an independent jurisdiction distinct from both the UK and the EU

would provide significant benefit to Jersey by basing their export trade on-Island.

**Impacts on the domestic economy**

To undertake the necessary due diligence around the impacts of changes to the trading architecture on the domestic economy and on the delivery of other Growth, Housing and Environment functions.

Funding flexibility will be required to manage emergent priorities

<b>Reference (Internal use)</b>	CSP3-1-09		
<b>Title</b>	Trade and Export function		
<b>Lead Minister</b>	Minister for Economic Development, Tourism, Sport and Culture		
<b>Lead Department</b>	Growth, Housing and Environment		
<b>Additional Investment Required (£000)</b>			
<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
0	169	187	195

# Trade & Export Function areas for consideration

## 1. Are the projects and amendments to be lodged consistent with the requirements of the public finances (Jersey) Law 2019

- Yes, the plan illustrates the financial expenditure required commencing in the new financial year 2020 until 2023. £169k 2021, £187k 2022, £195k 2023. Investment to be filtered into the following areas. With the main priority of protecting, developing and enhancing Jersey's position on the international stage.
- Changes to Jersey's Trading Architecture
- Businesses
- Consumers
- Operation of government services within Jersey

## 2. Are all forms of resourcing that are allocated to projects sufficient or excessive in enabling the project to meet its stated aims

- Import trade is a very important one to ensure availability choice, price and goods.
- We must be mindful that these quick commercial wins have far reaching environmental and service implications for our Island. Amazon is an animal and it won't stop until it monopolises our society.
- We need to protect and maintain the sustainability of Transport, Tourism and Retail. We need to invest this budget wisely so it can continue to flourish on a like for like basis. For example, Hello Fresh offering, has very little overheads, polluting our Island with excessive packaging and unrefrigerated distribution. Breaks in the chill chain puts the island food safety at risk but puts retailers and restaurateurs take away options in despair. Having no GST applied to the cost of goods. More resource and funding is most certainly needed.
- Carteret Marina is expanding by 50% over this winter. This may open up a market for a new ferry service. (Carteret – Jersey, Gorey). Gorey Port currently is unmanned. Some of the members opinion needs to be put into action with a JCIS officer as Jersey will be one of the closet ports for Carteret private and commercial boat owners. This will ensure that there is a base close to Les Ecrechous for a warden to launch from. So with in this mind it would be good to see if we can see where this additional funding is going?

## 3. Is the project allocation appropriate in relation to overall departmental budgets

- As noted previously a full break down of the proposed P&L would help us to assess this situation with further clarity.

## 4. Whether funded projects align with Departmental objectives [NB: if and where they exist]

- It would be good to know if the scenarios are being considered against the points made in section 2.

## 5. Are there clear lines of accountability for each project and budget

- Yes its refreshing to note that an undertaken of due diligence will be completed as part of the investment into this business.

## 6. Are the projects fit for purpose and sustainable

- Yes and no, further analysis of the finances allocated would assist us in testing this theory would be very much desirable. For example; The proposed Duty increases put forward in the government plan are at best ill timed, and on the other hand, the wrong answer to the subject of youth drinking. Jersey is going through a time of change within both the island and more specifically the hospitality/tourism industry. The Chief Minister suggested the move was to reduce the excessive drinking of the youth today by targeting spirits, high strength beers and wines.
- The issue here is we will continue to see the off-trade utilise promotional funds to reduce alcohol on offer to be a loss leader to drive custom into their premises. We have evidence of pricing that can't leave enough after duty to cover the product, transport and profit, meaning the item is being sold below the cost of it to entice people to buy it. This situation needs to be addressed. In 2002 the Licensing Assembly amended all but 6th category licences to stop any form of drinks promotion, following a venue in Jersey charging £1 per drink and enticing binge drinking. For 17 years we have worked with this and continued to provide exceptional service and experiences to our guests. The 6th category license holders have had free reign and taken full advantage of this. This has created a 'pre-drinking' culture that has put considerable strain on both police and businesses that have people imbibing large quantities of strong drink in a short time, and the effects not being seen until they have moved onto a licensed premises.
- It seems the increase in duty to tackle this has been brought in ahead of the new liquor law, and also a recent move by the Solicitor General to have the licensing assembly look into the 6th category trading. In our mind this would provide better control on the current situation than raising duty on items such as Gin (a very popular choice of drink currently) which would penalise the masses for the actions of the few. Maybe some time reviewing the funding for solid research could assist with making more commercially informed decisions.



# Promoting Jersey overview

Project 14: Vibrant economy (Strategic Priority) >>> Promoting Jersey

Sub-Priority: Future economy programme

Further information/background

R.91/2019 Government Plan 2020-2023: Further Information on additional revenue expenditure and capital and major projects expenditure (Page 64):

## Visit Jersey - Route Marketing

One of the five Government of Jersey strategic priorities is to “create a sustainable, vibrant economy...” The updated [The Jersey Destination Plan](#) published in January 2019 lists “sustain existing connectivity and introduce new routes” as a means of achieving a year round visitor economy that not only raises productivity in the tourism sector but has broader economic benefits for the whole island.

Visit Jersey intends to set out to encourage 1) sustaining and growing route connectivity and 2) businesses to remain open outside of the peak-season.

### 1) Sustaining and growing route connectivity

Visit Jersey has identified opportunities to sustain and strengthen Jersey’s air route connectivity year-round. Targeted marketing campaigns alongside carrier efforts can potentially stimulate off-season demand for travel to Jersey. Sustaining and strengthening Jersey’s air route connectivity year-round will also simultaneously help businesses to remain open outside of the peak-season.

### 2) Businesses to remain open outside of the peak-season

Sustaining and growing route connectivity will help businesses exploit their local assets (hotels, car hire, restaurants, etc.) that would otherwise be left unused. Employed staff also generate tax revenue for the Government.

Demand and supply need to move to a new equilibrium; additional year-round visitors encourage more tourism business to provide products and services. Visit Jersey aims to deliver a stronger, more sustainable UK route network over the period 2020 to 2023.

## Securing Professional Rugby in Jersey (2021-22)

Short-medium term funding is required to secure the longer term future of professional rugby in Jersey, which has a suggested annual economic benefit to Jersey of up to £2.1 million.

<b>Reference (Internal use)</b>	CSP3-2-10		
<b>Title</b>	Promoting Jersey		
<b>Lead Minister</b>	Minister for Economic Development, Tourism, Sport and Culture		
<b>Lead Department</b>	Growth, Housing and Environment		
<b>Additional Investment Required (£000)</b>			
<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
500	1,000	900	850

# Promoting Jersey areas for consideration

- 1. Are the projects and amendments to be lodged consistent with the requirements of the public finances (Jersey) Law 2019**
  - Yes, the plan illustrates the financial expenditure required commencing in the new financial year 2020 until 2023.
- 2. Are all forms of resourcing that are allocated to projects sufficient or excessive in enabling the project to meet its stated aims**
  - Imports such as cyber platforms delivering concepts such as unregulated Air B N B's entering markets offering cheap accommodation that does not have the same overheads need to be reviewed especially considering the lack of accommodation available in the market place.
- 3. Is the project allocation appropriate in relation to overall departmental budgets**
  - Some of our business members feel that we awarding more funds to areas that is producing more output for paying visitors, when the industry is finding it difficult to attract talent and the skillset to their business.
- 4. Whether funded projects align with Departmental objectives [NB: if and where they exist]**

## Visit Jersey has identified opportunities to sustain and strengthen Jersey's air route connectivity year-round.

- The key metrics for businesses within hospitality are revenue growth and job creation for our industry, however notwithstanding the greatest challenge is hiring and a lack of applicants having the right skillset. Some members of the committee feel that money and resource should be considered in promoting home grown talent to work within our sectors.
- Difficulty meeting wage or salary expectations and competition with larger companies are other leading reasons that contribute to hiring challenges. The broader economic context also imposes barriers for hospitality when it comes to hiring: a tight labour market with low unemployment which drives up labour costs and competition, reducing the smaller business owners' ability to compete for talent, further intensifying the challenges they face.

*(Targeted marketing campaigns alongside carrier efforts can potentially stimulate off-season demand for travel to Jersey. Sustaining and strengthening Jersey's air route connectivity year-round will also simultaneously help businesses to remain open outside of the peak-season).*

- Our members feel the money may be better spent on marketing campaigns promoting the sector and have the Island fall in love with the hospitality industry. Further promoting ages from 16 year olds upwards to consider working in the industry during the Summer months
- 5. Are there clear lines of accountability for each project and budget**
    - Some of our members felt it wasn't really visible and found it hard to understand who was in charge of reviewing the key objectives against each revenue pot awarded.
  - 6. Are the projects fit for purpose and sustainable**
    - Some of the members feel that promoting is one thing to get people here but not enough being done on Island with VJ. For instance, one member noted that they feel there is little for visitors to do on Island in the winter months – using the Island's most popular attraction (Jersey War Tunnels). They note this closes at the end of November. Why can't the funds support during winter periods if they cannot open due to the commercial viability? Lack of retail trading on a Sunday is also a turn off. If people have little to do, they will not return.
    - Why just Rugby for sports – a lot of other sports can bring in revenue albeit we appreciate that rugby is the biggest one. Jersey Sport grant to sports are only encouraging sportspeople for under 24. Are we being fair and equitable to everyone? Is this ageist?
    - In order to attract and retain new visitors. We have to think of our sustainability attract the talent in a competitive market, the industry is applying different strategies, such as offering flexible hours or offering higher salaries and benefits. However in the long run its not sustainable, due to further regulative restrictions currently being considered driving more costs to each business. (Family Friendly, Additional Bank holidays, Migration policies ahead of Brexit being debated – in an already challenging marketplace).
    - Visit Jersey are hitting the milestones, but our fear is that our businesses are not in a position to support their efforts!