

**WRITTEN QUESTION TO THE MINISTER FOR ECONOMIC DEVELOPMENT
BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

ANSWER TO BE TABLED ON TUESDAY, 14th MARCH 2006

Question

1. Would the Minister confirm that the changes to the policy on fulfilment were released to the media at 11.30 a.m. on 28th February 2006 and, if so, would he explain why he was unable to inform the States in full of the details of the revised policy in response to a question in the Assembly on the same day?
2. Has the Minister sought legal advice on the change in policy, and if so will he reveal that advice to members, and if not, why not?
3. Has the Minister received confirmation that the distinction drawn between those companies beneficially owned by Jersey principals and those which are foreign owned in paragraphs 11 (i) and (ii) of the Policy for the Fulfilment Industry issued on 28th February 2006 is not open to challenge under international competition rules?
4. Would the Minister state whether the policy set out in the above paragraphs means that any existing local fulfilment company which is subsequently bought by foreign principals would not then be supported? What consideration, if any, has been given by the Minister to the consequences of any extension of this principle to other non-finance companies under the zero/ten tax proposals to be adopted in 2009, and if no such consideration has been given would he explain why not?
5. What confirmation, if any, has the Minister received that the distinction drawn in paragraphs 11 (iii) and (iv) between those companies trading in DVDs/CDs and others, is not contrary to competition rules under JCRA guidelines? Does this policy give an advantage to the DVD/CD market leader already established in the Island?
6. Would the Minister confirm that all fulfilment companies, whether locally owned or not, and whether whole chain (WCC) or third-party service (3PS), provide a similar service, namely importing goods in bulk for individual despatch, thereby adding value, and, if so, would he indicate why they are not all treated in an equal way by the policy?
7. In related statements the Minister has stated that some 100 jobs might be lost in this sector as a result of the revised policy. Will the Minister inform members how this estimate was calculated and also indicate –
 - (a) the total number of companies operating in the fulfilment sector, together with the number of employees and the GVA contribution to the economy?
 - (b) the numbers of companies, employees and GVA in each of the sectors defined by the Minister as:
 - (i) WCC
 - (ii) 3PS
 - (iii) Hybrid companies
 - (c) how many companies have been operating without a licence under the Regulation of Undertakings and Development legislation that will now be required to apply for such a licence, and how many of these licences will be for a 12-month period?
 - (d) how many companies have already applied for a licence and have been waiting for a decision under the new policy since autumn last year, and how many of these companies will receive a 12-month licence only?
8. Will the Minister inform members what provisions of the Regulations of Undertakings and Development legislation require the structure adopted by UK companies which take advantage of 3PS companies (that is described in the policy as “little better than a sham”) to apply for a licence? Would he inform members how some companies have been able to trade without such a licence, and for how long this practice has

continued?

9. Will the Minister inform members how many fulfilment companies are operating in the Island using Offshore Services (OSL), the 3PS arm of Jersey Post? Will he further state –
- (a) what proportion of total postal revenues, in real and percentage terms, is contributed by postal charges from fulfilment business?
 - (b) what profit is generated by OSL as a company?
 - (c) what impact, if any, the new policy will have on the number of companies serviced and on the number of staff employed by OSL, and
 - (d) what consideration, if any, he has given to the impact of the revised policy on the viability of the proposed incorporation of Jersey Post?

Answer

1. In relation to part 1 of the question, a revised policy was issued to the media by 11.30am after I had finished answering questions in the Assembly. In relation to part 2 of the question, I stated in my first answer that "I will be publishing later this morning a new revised policy in respect of fulfilment". I was not asked to explain in full the details of the revised policy. However, I personally sent members by e-mail a full copy of the revised policy on the same day.
2. I sought and received extensive legal advice whilst preparing the policy that was issued on 28 February 2006. This advice will be made available as part of the ongoing Scrutiny Panel inquiry subject to the principles regarding the release of confidential legal advice which has yet to be agreed.
3. No such confirmation has been received.
4. A change of beneficial ownership is notified to Regulations & Undertakings for approval. Each such case will be evaluated on its individual circumstances.
5. We have no absolute confirmation that the policy could not be challenged. The policy sought to preserve the integrity of the Island in commercial and financial matters as is required under the RUD law.
6. Whole-chain companies (WCC) and third party service providers (3PS) do not provide a similar service from the Island. Therefore it is legitimate to differentiate their treatment within the content of the Fulfilment Policy.
7. It is not possible to accurately estimate the number of job losses. The Economic Development Department will be working with all Fulfilment companies to develop new markets with the intent of maintaining current employment levels. Much of the information that has been requested in 7a to 7d is considered to be commercial in confidence. Detailed analysis will be provided to the Economic Affairs Scrutiny Panel as part of their ongoing enquiry.
8. Article 2 of the RUD Law states that anyone commencing an undertaking in the Island requires a license so to do. The definition of an undertaking is any trade business or profession whether or not carried out for profit.

9. There are 11 companies currently using the services of Offshore Solutions.

- (a) The 2006 budgeted group turnover is £56m, of which postage related to the whole of the fulfilment sector in Jersey is £27.6m (49%), of which potentially 10% could be lost as a result of this policy although this is not likely to occur until 2007.
- (b) Due to its initial investment in warehousing infrastructure and facilities, OSL did not make a profit in 2005. OSL is budgeted to contribute £1.2m to Group Overheads and Profitability in 2006, although at this stage in the year (March) it is still too early to say what the actual outturn will be. In generating this contribution OSL pays the same Postage Prices as its competitors in the local market place. The main customer (approximately 50% of OSL business) is UGD who are unaffected by the Policy. Jersey Post has contingency plans for any loss of business as a result of this policy.
- (c) The policy will reduce the number of companies serviced by OSL significantly and is likely to have an effect on the number of jobs in OSL. However, it is too early to quantify this at present.
- (d) Full consideration was given to this policy when modelling the future financing of Jersey Post International Limited, before the Second Commencement Act and Transfer Regulations were lodged. The future Chairman, Managing Director and Finance Director of JPIL have confirmed they believe JPIL will continue to be a going concern if the fulfilment policy is implemented as planned.