

STATES OF JERSEY

Economic Affairs Scrutiny Panel Aircraft Registry Review

FRIDAY, 4th MAY 2012

Panel:

Deputy S.G. Luce of St. Martin (Chairman)
Connétable M.J. Paddock of St. Ouen
Connétable S.W. Pallett of St. Brelade

Witnesses:

The Minister for Economic Development
Chief Officer, Economic Development Department
Deputy Chief Executive, Economic Development Department
Strategic Policy Manager, Economic Development Department
Project Manager, Economic Development Department

Also present:

Mr. T. Oldham (Scrutiny Officer)

[9:00]

Deputy S.G. Luce of St. Martin (Chairman):

Good morning. Could I, at the outset, just remind people of the code of conduct inside the hearing today. No phones or talking or food or drink and just generally be responsible please and if we could just kick off by ...

Connétable S.W. Pallett of St. Brelade:

Can I just make an apology before we go any further. I have to leave at 9.45 a.m. as I have another engagement that I have to go to so if I sneak out, then it is not any disrespect to the panel.

The Deputy of St. Martin:

I think, to be fair to the Constable, it is in the Royal Court so that makes it even more excusable. If we could just kick off by going round the table for the tape-recording so we can identify ourselves. Obviously, my name is Steve Luce, the Deputy of St. Martin, Chairman of the panel.

The Connétable of St. Brelade:

Constable Steve Pallett, St. Brelade.

Connétable M.J. Paddock of St. Ouen:

Constable Michael Paddock, St. Ouen.

Senator A.J.H. Maclean (The Minister for Economic Development):
Senator Alan Maclean, Minister for Economic Development.

Project Manager:
Sarah Withers, Economic Development.

Chief Officer:
Mike King, Chief Executive, Economic Development.

Strategic Policy Manager:
Chris Kelleher, Economic Development.

Deputy Chief Executive:
Andrew Sugden, Economic Development.

The Deputy of St. Martin:

Right, thanks very much. Thank you again, Minister, for coming this morning. Obviously, we are obviously fully aware that you are a very busy man, especially today and tomorrow, so we are grateful that you have managed to come. We are not going to keep you overly long this morning on the Aircraft Registry Review but this is our first hearing in public to do with this review and we are hoping very much we will have you back later, right at the end, when we have collated all our information and we can ask you more questions. But we would like to feel that today would be very much more an information gathering exercise from our point of view. We have had a few submissions, we have got some more to come, but we are really here today to understand from you where you have been, what you have done and where you are at the moment and how you see things moving forward. Then hopefully, in a few weeks' time when we have collated all the evidence, we can come back and ask you again maybe some more direct questions about things that we have understood. So could I just kick off by asking you, we have had some reports but, from your point of view, what information you have gained, the reports that you have received, information you have taken on board and where you are at the moment with this subject.

The Minister for Economic Development:

We have been considering for some time the potential of an aircraft registry in Jersey. We also fairly early on became aware that Guernsey was also similarly looking at a Guernsey registry. It became obvious to us that we should have discussions with Guernsey about the possibility of a joint Channel Island registry to explore whether indeed that would be a more viable and sensible way to structure a Channel Island registry as opposed to an individual one in both Islands. There are obvious economies of scale and also from a branding point of view; the view was that Channel Islands as a brand, certainly internationally, is quite strong. Underpinning that, we appreciate the fact that it is not the actual registry function that is particularly lucrative from the financial point of view. The regulatory aspects are quite costly in terms of administration and so on. It is the business flows that come from a registry. They are attractive and would be attractive, for that matter, for both Islands. Of course, the decision and discussions about whether it should be either a Jersey or a Guernsey or a joint, there are many factors, pros and cons that flow from that consideration. Both

Islands have undertaken reviews of the potential of registries. We have looked with a review of what Jersey would look like. There are some in the industry that would prefer to have a Jersey only registry with a “J” plate, if you like, and believe there are certain commercial advantages to that. Similarly in Guernsey, they have had a similar review and ongoing work is now in train. Of course, we have been interrupted somewhat by the elections in Guernsey and we are waiting for the new Ministers to be put in place before we can take up and continue the discussions that we have had and decide on time scales and ways forward.

The Deputy of St. Martin:

Right at the outset, there are 2 issues here, one obviously the Jersey versus Guernsey and the Channel Island co-operation together with a joint, but do you not feel that something like an aircraft registry where there are lots, as you have already said, of the additional add-on added value things coming into the financial services sector and commercial aspect, do you not see this as a commercial thing where, dare I say, it is Jersey versus Guernsey rather than a Jersey with Guernsey type of project?

The Minister for Economic Development:

Clearly, we want to win the business from the commercial, the value-added elements, and that would be wealthy individuals basing their aircraft here. It could tie into many of our inward investment activities where we are seeing increasingly wealthy people establishing structures and businesses in the Island who transport themselves around through private aircraft that they purchase. From an investment point of view, there are others who would seek advantages in utilising the fact they have got their aircraft here and their business interests here. They may wish to mortgage the aircraft. They may wish to do insurance business with the Island, indeed set up structures to manage other aspects of their wealth. That is the flowing business which we believe is valuable and we think Jersey can stand up very well in its own right against Guernsey. If somebody was deciding on a Channel Island registry, for example, on the actual function of the registry, they would then be free to make the decision where they wanted to base their other business interests. We do not believe that that would be a disadvantage to Jersey. We think we can win that business, even if it were a Channel Island registry but, clearly, Guernsey will have a view that they will get some of the business, to be fair. If you look at the makeup of the financial services industry, for example, where a lot of the add-on opportunities lie, the Islands do have strengths which are very different. There is more perhaps an insurance element in Guernsey so they might get some of that sort of business; we might get more of the trust element.

[9:15]

The Deputy of St. Martin:

So what you are saying, in effect, is that we could duplicate registries in Jersey and Guernsey and still be in the same competitive field as if we have a Channel Island registry that is joint? We are going to compete for this insurance brokerage sales work, whether it is joint or whether it is separate?

The Minister for Economic Development:

What I was meaning was that a Channel Island registry would be a registry, which would be exactly that. The question is where you physically base it, but where it is

based is largely irrelevant from the actual function of registering the aircraft and doing the regulatory aspects. There are all sorts of debates as to whether or not the regulation is handled in-house or whether, indeed, you outsource it, which is one of the potential models that could be considered. That element of it is, at best, an element that one would seek to wash its face. It is not particularly revenue generating. It is the business flows that go from that so you have the registry and then you seek to win the added business of the individuals who register their aircraft with the registry and they could put that business flow into either Island.

Chief Officer:

I think what is worth mentioning is that people who typically would register their aircraft, that is probably not their first port of call as far as Jersey or Guernsey is concerned. They come in for the overall wealth management capability the Island has. If we can layer on to that an ability to register an aircraft with the Channel Island registry, I think that is of benefit to Jersey. I think your point is well made, if people are coming here purely to register aircraft but that very rarely happens. It is one element of a broader wealth management operation.

The Deputy of St. Martin:

So you see this more so of people who are here already using the registry as a bolt-on whereas I would say is the bolt-on the financial services from people who come here with planes?

Chief Officer:

No, that is not what I am saying. What I was just saying is that both people who are here and people who in the future decide to invest their capital through Jersey in Jersey's wealth management, will see added value from the presence of an aircraft registry. That is a different thing, I think, to what you were saying.

The Deputy of St. Martin:

Yes, that is a different thing to having value-added of the financial services to enable a registry, so which way it comes.

Chief Officer:

Exactly, absolutely.

The Deputy of St. Martin:

Further to that, Minister, let us assume for the moment that a Channel Island joint registry would be the preferred option. How do then we define Jersey as a competitive advantage to Guernsey when Guernsey do not have our equivalent to G.S.T. (Goods and Services Tax) at the moment? Is there something that we can do about that or do you foresee Guernsey having to take that step at some stage?

The Minister for Economic Development:

There is a view that Guernsey will not have much of an option but to go down a similar route to balance their public finances in due course but that is another matter; it is a matter for Guernsey.

The Deputy of St. Martin:

Yes, absolutely.

The Minister for Economic Development:

The competitive issue, you have raised a point that is extremely valid. We have had discussions with Treasury on the basis of a joint Channel Island registry to consider the options of an exemption from a G.S.T. perspective in the initial stages and that is one of the considerations that we are looking at, but clearly there are ramifications, as you would appreciate, to such a move and we need to think very carefully as to how that would work. As I said in my opening remarks, there are pros and cons to a Channel Island registry. You have quite understandably picked up one of the potential risks or disadvantages at the moment and we need to consider that carefully with the joint Channel Island registry proposition.

The Connétable of St. Brelade:

So it would be a possibility in the future that maybe aircraft registry could be zero rated in terms of tax? Is that something that you have looked at?

The Minister for Economic Development:

That is one option that we have to consider obviously under a joint Channel Island registry because, of course, at the moment, Guernsey do not have G.S.T. so there would be a disadvantage.

The Connétable of St. Brelade:

To make it competitive?

The Minister for Economic Development:

Exactly.

The Connétable of St. Ouen:

Do you think that would set a precedent and open up a whole can of worms for the ...

The Minister for Economic Development:

Potentially it would and that is why we need to think very carefully about it. I hasten to add and emphasise that it is only a consideration. Clearly, we have got to look at all the options, at all the risks that exist. This is one area that needs to be addressed based on a Channel Island registry. Indeed, we need to consider, of course, if we do not do a joint Channel Island registry and we plough our own furrow, then Guernsey in the short term have a competitive advantage. It is not always about just price though. We need to bear that in mind very clearly. There are other reasons why people either have a business ... Mike was saying they have a business relationship here anyway and they would want to develop that along with registering an aircraft or, indeed, new business coming in would seek to do business with Jersey for what Jersey offers above and beyond Guernsey.

The Deputy of St. Martin:

Will Guernsey not have a competitive advantage in any case even if we set up a Channel Island registry in the initial stages if they are not charging G.S.T. and we are?

The Minister for Economic Development:

On that element, yes, if that were the case, but as I was making the point, it is not just about the price. There are many other issues. To be fair, as a proposition for an

aircraft registry, we have a disadvantage with the Isle of Man. They have the V.A.T. (Value Added Tax) option at the moment which is a unique selling point as far as they are concerned. We cannot match it. In fact, the only jurisdiction that can match the proposition, as I understand it, of the Isle of Man is Denmark.

The Deputy of St. Martin:

Yes, I was going to come to unique selling points and the U.K. (United Kingdom) and the E.U. (European Union). Notwithstanding the Jersey/Guernsey and the G.S.T. and no G.S.T. thing, are we in a position to compete against the U.K.? Is 5 per cent G.S.T. an advantage at all to get people here? At the moment, compared to the Isle of Man, that would not particularly appear to be advantageous, would it?

The Minister for Economic Development:

The G.S.T. is a whole different issue. At the moment, the V.A.T., there would be no ability to reclaim the V.A.T. on a purchase so we are at a competitive disadvantage to the Isle of Man for that very reason whereas they can, through various structures that could be put in place, corporate structures, the purchase of an aircraft using the Isle of Man registry can reclaim or not have to pay, for that matter, the V.A.T. That would not be the case for somebody utilising the Channel Islands if there was a registry or, indeed, Jersey. On top of that, of course, you have then got the issue about G.S.T. between the 2 Islands.

The Connétable of St. Brelade:

Are there any issues from a U.K. Government point of view of it being seen if you are registering aircraft at either a low rate of tax or zero tax as it being some type of loophole, that it is getting around tax issues by registering here rather than registering in the U.K.?

Chief Officer:

I was just going to say there are comparatively few G registered private aircraft. The majority of private aircraft are a very substantial size and are registered in jurisdictions such as the Isle of Man, B.V.I. (British Virgin Islands), Cayman, so it is accepted practice that people use their wealth management structures as a way of managing their aircraft.

The Connétable of St. Brelade:

It is a tax benefit rather than any type of tax avoidance or ...

Chief Officer:

It is the structuring, yes, it is the structuring method.

The Deputy of St. Martin:

So there is no danger of anything that we might do here antagonising the U.K. Government or anything like that in the way of reducing the G.S.T. on planes? That does not give us an issue but taking that a little bit further, how ...

Strategic Policy Manager:

The point is that if you look at the Isle of Man registry, they started with nothing. They now have over 400 aircraft. They do have the V.A.T. exemption; they are the only offshore jurisdiction to do it so we have not seen the U.K. Government clamping

down on them to say: “We must stop you doing anything that is growing rather than shrinking.”

Chief Officer:

It is not fulfilment.

The Deputy of St. Martin:

That is the thing because I think we are all aware that any excuse given to the U.K. Government at the moment they seem to be grabbing with both hands so we need to be careful, as we all know. What you are saying about the tax situation in the Isle of Man in particular who would have started, they are well ahead of the game and out there with a number of aircraft. Given that they have this exemption, we really do need to be in a position to offer purchases at zero. Would it be correct to assume that we really need to be in that position to attract businesses here in the first place?

The Minister for Economic Development:

I do not think we should look at an aircraft registry in isolation. That is an important point. We have made the point already about the fact that people are here doing business anyway. All we are seeking to do, or not all we are seeking to do, but it is added value that we are looking at here; somebody who has got business in the Island and would find it attractive to add to that the registering of an aircraft.

The Connétable of St. Brelade:

It is the offshoot business that is the ...

The Minister for Economic Development:

It is what flows to it.

The Connétable of St. Brelade:

It is the main aim, yes.

The Minister for Economic Development:

Leading into that is a lot of the work we have done around what the potential value would be and, indeed, which I have not touched on yet, is with a joint Channel Island registry, we have also been looking at shipping registries and whether, indeed, we should pull together a Channel Island registry, including aircraft and shipping because there is a debate with Guernsey as to, first of all, if you do have a Channel Island registry, where the actual function sits. Does it sit in Guernsey and provide employment in Guernsey or does it sit in Jersey and provide employment here? As I have said, the actual function does not create much value but it does create a few jobs and in this climate obviously job creation is important. So we have got that debate and as part of that, we have been discussing a shipping registry. We have a shipping registry that is twice the age of Guernsey. It is 200 years old; theirs is 100 years old. We have got something like 2,200 registered vessels. They have got about 1,600, 1,800, something like that. So whether, indeed, we could amalgamate that as well and have a joint registry for aircraft and shipping, there are a number of discussions. The trouble is we run the risk of getting nowhere if we are not very careful and we have got to define what the most advantageous proposition is going to be and progress on with it, bearing in mind the added value and the value to the economy as a whole.

The Connétable of St. Brelade:

In terms of setting up the registry, I am just interested in what Guernsey was looking at doing. They were looking to enter into some sort of relationship with a partner organisation to set the registry up. Is that the same sort of way forward you see for Jersey if we go down the route of an aircraft registry?

The Minister for Economic Development:

There are various options and I think the decisions that Guernsey were leaning towards and that was with, I hasten to add, the last administration so we do not know whether their views will have changed at all, was to do exactly as you have identified. There are models that outsource the regulatory aspect. That is the fairly costly and intensive element that if you outsource to a specialist agency, the view is it would be a more pragmatic and cost effective efficient way to do it and just deal with the actual registry element on Island. So that does make sense.

The Connétable of St. Brelade:

Presumably that would help with the initial set-up, of course, presumably because they would be bearing the initial set-up cost?

The Minister for Economic Development:

Yes, absolutely.

The Deputy of St. Martin:

Do you have any views at the moment as to whether the third party doing that work would be more advantageous than setting up ourselves?

The Minister for Economic Development:

I was talking specifically about the regulatory aspect of it so outsourcing that, the regulation of the registry, does make sense, I think, or that is the general view. The registry function, I mean, it is possible you could get an operator who would say: "Right, I will take on the whole thing."

The Deputy of St. Martin:

That is what I was meaning.

The Minister for Economic Development:

Yes but there are various legislative issues that would be associated with that that we would need to carefully consider.

Chief Officer:

There is a precedent for third party operations - Chris will correct me if I am wrong - in Aruba. It is often known as the Aruba Model and whereby the function is delivered by third parties, and I think it is fair to say that is not a preferred option of the Department of Transport in the U.K. They want to see the registry ...

The Deputy of St. Martin:

They want to see government control of that a little bit tighter.

Chief Officer:

Yes, the functions that sit around it, such as the surveying in other countries, I think they are quite happy to see that but it is the primary function. I think that is correct, is it not?

Strategic Policy Manager:

That is correct, yes, and the issues are it is a low risk in regards to cost to a government to set something up like that because the Aruba Model, the company that do it pay for all the legislative changes and they pay for the office for the registry. They manage the promotion of the registry and also the regulation with regards to airworthiness of aircraft but if the business goes pear-shaped the Aruba Government could be left in quite a difficult position.

The Deputy of St. Martin:

Of course, I am sure it is correct to assume that there are issues of reputation and regulation here and, as the Chief Officer has already said, it is an add-on to our financial services which are working, well regulated, and usually well respected and we would not want to risk adding an aircraft registry which was not well regulated at the risk of not doing us any good.

The Minister for Economic Development:

The Aruba Model is taking the whole thing, the registry and everything, and outsourcing it, not just one element such as the regulation. The belief that the regulatory aspect could be outsourced is perfectly reasonable. It is outsourcing the actual registry of the whole shooting match.

The Deputy of St. Martin:

That is the bit I am talking about as well, yes.

The Minister for Economic Development:

That is what is described as the Aruba Model but the U.K. are not terribly keen on that so they would not be overly happy if we sought to pursue that particular angle and, frankly, there are risks associated despite the fact that that particular model includes absolutely everything. With Aruba, I think the infrastructure and the whole works were funded. They put a complete package together.

The Connétable of St. Brelade:

Just in terms of possible market, are you looking for new or nearly new privately or corporately owned aircraft or are you looking for aircraft that are currently in the Island as well? There is quite a large body of aircraft that currently sit in the Islands.

The Minister for Economic Development:

The view is that there are many local owners of aircraft who would find a J reg very attractive but it is the opportunity to give those that do business with Jersey already and have their wealth structured here who might wish to purchase and have a Jersey registered aircraft. It is an added piece of business that we believe we can capitalise on.

[9:30]

Strategic Policy Manager:

I think we would be using a similar sort of model to the Isle of Man where an aircraft which is owned by a resident of the Isle of Man can register on the aircraft registry. Then you would restrict the actual aircraft that would be registered on the aircraft by ... it is based on tonnage so it is 5.2 tonnes. Anything less than that you would not bother to register it. It is anything above that but in the first phase the discussions that were had were very much in the private aircraft and I guess with Guernsey we would be looking to possibly take on the commercial aspects of something like Aurigny and Blue Islands but in the first stage it was very much about private aircraft rather than ... I mean, the risk is much greater with commercial aircraft and hence that is why, if we do go down that route, we are looking at just purely private.

The Connétable of St. Brelade:

So it is not the intention to look into large commercial airlines groups?

Strategic Policy Manager:

Not in the first instance, no.

The Deputy of St. Martin:

There are various weights and measurements whereby some people get registered here or there or what have you. Have you got a particular cut-off point which you are considering at the moment which you think would be the most suitable?

Strategic Policy Manager:

I think the 5.2 tonnes would be the area that we would be starting off but ...

The Deputy of St. Martin:

What about on the upper limits?

Strategic Policy Manager:

I do not think there is an actual upper limit. We looked through the registry papers. There was not an upper limit for private aircraft. It is slightly different to the shipping registry.

The Minister for Economic Development:

The shipping registry works on a tonnage base as well where category 2 currently is 450 tonnes. There is another disparity there with Guernsey because theirs is 150 tonnes.

Chief Officer:

I think it is worth saying that typically the aircraft type that tends to be registered, certainly by people doing it as part of their wealth management, runs up to the size of about a Gulfstream or a Falcon which is a 12-seater fairly big thing. There are a few of them at the airport at the moment but above that you are getting into really what are commercial aircraft, but it is converted by often local Air Force one types.

The Connétable of St. Brelade:

You just touched on legislation. Do you see a lot of legislative changes needed or new legislation needed to bring this in? So what sort of a timeframe are you putting on that because that might limit how quickly this could go ahead presumably?

The Minister for Economic Development:

I think it would involve primary legislation amendments to the Civil Aviation Law is one element. There are 3 streams. There is that, the air navigation order, and the security interest law which would need to ... incidentally, Guernsey does not have a security interest law and that is required for security of mortgages. It is done on aircraft so there are 3 basic legislative changes that would be required but it does include primary legislation and as such, with all legislation, which I am sure you are aware of, notwithstanding the constraints on Island in terms of developing legislation, you have got, of course, the final stage of getting Privy Council approval which is currently running at about a year.

The Deputy of St. Martin:

If the decision was made to push ahead with this, and let us assume for this part of the argument that Jersey decided to go on their own and we decided we were just looking at our own legislation, how quickly could we be at a stage, do you think, if we decided to push the button to go to Privy Council?

The Minister for Economic Development:

We would have to first of all make the changes to the laws that I have referred to as we would need to get law drafting time. I do not know, Mike, if there is anything in the schedule for this yet.

Strategic Policy Manager:

We have got to get it. We are quite fortunate in Economic Development where we can prioritise bits of legislation that we may want to push forward a bit quicker. Realistically, you would be looking at 18 months from start to finish with legislation coming through.

The Deputy of St. Martin:

To come into force or 18 months to go to the Privy Council and then another 12 on top?

Strategic Policy Manager:

No, no, 18 months to come into effect.

The Deputy of St. Martin:

So if the decision was made this summer to go for something, we could hopefully look for the beginning of 2014?

Strategic Policy Manager:

Yes.

Chief Officer:

Because I think we are scheduling, either in the latter part of 2012 or 2013, law drafting which is an important thing from a domestic perspective. There are elements that are really out of our control obviously. Privy Council is clearly not in our control.

The Deputy of St. Martin:

Are there any additional complications which might add time to the procedures if we have a joint Channel Island registry because we have to write rules which encompass both Islands or does it make a difference?

Strategic Policy Manager:

Yes, certainly with something like security interest law there would be. If you decide to raise the mortgage from Jersey but then want your aircraft in Guernsey, then the 2 bits of legislation would have to sort of talk to each other and match and so have an understanding between both Islands. For air safety aspects, we have 2 pieces of separate legislation but it will be recognised that again both aircraft could be situated in both Islands because we are not only just talking about aircraft that reside here but would also be registered here, so not dissimilar to the shipping registry so it would be far easier as to where that might be.

The Deputy of St. Martin:

Moving on to the boats, would it not be fraught with difficulty finding that we have got - on 2 issues - one, a large number of boats which are already in a register in Guernsey and the same over here whereas the aircraft registry would be starting new with nothing so it would be easier to start a Channel Island registry? The other thing is do you not think that there would be a lot of ... maybe I am misunderstanding. Would we still have the word "Jersey" on the transom of our boats if we had a Channel Island boat registry or would we have "Channel Islands" on the transoms of our boats because I can see a lot of very angry Jersey boatmen who would like to have their word on their boats.

The Minister for Economic Development:

Absolutely. The initial discussions that have been had around this is that the aircraft element would reside in Guernsey and the shipping element would reside in Jersey and the debate around whether there is a branding of a Channel Island vessel, whether that be a plane or a boat, is one that is still out for discussion. But it would be much more difficult on the basis that you have got, as you have rightly pointed out, an existing registry with existing registered vessels with either Guernsey or Jersey so that is an issue that needs to be overcome.

The Deputy of St. Martin:

Would it be fair to say that the addition of the boats into the mix of how we set this whole aircraft thing up would make it more complicated rather than less?

The Minister for Economic Development:

It does not necessarily have to but I think that is something that as part of the overall mix, as to whether indeed we go for the Channel Island registry, is going to be just a key element that we need to bottom out.

Chief Officer:

It might be that if we move to a category 1 shipping registry, which is now used for the larger boats, the super yachts, that could be effectively kept with the Channel Island registry and for the smaller boats that we currently have, they could be kept separate. The big market that is similar to the aircraft registry is the super yachts.

The Deputy of St. Martin:

So we would retain small offices in both Islands to do small boats maybe?

Chief Officer:

That is an option.

The Deputy of St. Martin:

That is a possibility.

Chief Officer:

But forward market is if, for a shipping registry moving to category 1, are much larger vessels which as I said are registered at the moment in B.V.I. and the Cayman because they are practically the only registers.

Strategic Policy Manager:

I think the slight difficulty we have is that Economic Development would potentially be looking after the registry for both shipping and aircraft if that was the way it was decided but in Guernsey the shipping registry resides with the Public Services Department but the Commerce and Employment Department would be the aircraft registry.

The Deputy of St. Martin:

What difference or advantage or disadvantage does that give them or us?

The Minister for Economic Development:

We are having discussions with different ministries. So in terms of getting decisions, the decision-making process is, of course I would say this, more streamlined in Jersey than perhaps it is in Guernsey. They operate the board system, as you will be aware, but it is just unfortunate that they split in 2 separate committees.

The Connétable of St. Brelade:

In terms of skills, where do you see certainly initially the skills coming from for setting up the registry and then placed down the line in terms of maybe maintenance, airworthiness, things like that, where do you see those skills coming from? Do you see those being developed within the Island?

The Minister for Economic Development:

I think every activity that we are looking to develop at the moment, we are looking to the skills element. You have got a short-term issue where expertise clearly would need to be brought in but ultimately we need to be ensuring that we have the right skills and training programmes in place to ensure the succession planning, which has not been done, I should add, very cleverly in the States historically, but that is something that we absolutely must make certain that we put in place. It will create local jobs initially but the specialist areas will probably need to be imported out. I mean it is possible you might find expertise locally. I never cease to be amazed by the expertise that does exist. We had as an example an inward investment individual in scientific research who advertised for graduates with a very specific requirement and found 2 local graduates that he has now taken on that one would not have imagined we would have had those skills in the Island.

The Connétable of St. Brelade:

So in terms of the registry, that would be more on a temporary basis but any long-term benefit to the Island you see the skills coming from here and we look to develop those skills within Island?

The Minister for Economic Development:

We would absolutely look to do that, yes.

The Connétable of St. Ouen:

Going on from that, what about union structure, people there?

Chief Officer:

No comment on that. One of the things that is very active at the airport at the moment is the expansion of the fixed based operation, you know, the existing Aviation Beauport operation. They are in the process of establishing who should be effectively contracted to expand that capability but that would more than double the capacity for aircraft here so that infrastructure element will be covered off but the more aircraft that are registered here, the more aircraft that are sited here, then the higher the possibility of local competence being built up to keep those aircraft properly serviced and running.

The Connétable of St. Brelade:

Will there be any resource implications from the States point of view in terms of maybe new buildings at the airport? Is that something that we may have to invest in?

Chief Officer:

It is unlikely that we would invest in the buildings. Those buildings would be built by those who wish to own them and the land that they would be built on would be leased to them by the airport but it is currently unused land.

The Connétable of St. Brelade:

So it would be more a private initiative rather than a public initiative?

Chief Officer:

Yes, absolutely. It is part of the airport development plan. As you know, the airport is a regeneration zone within the Island Plan and part of the update of the airport redevelopment plan is the expansion of fixed based operation facilities but they would be built by the private sector, not by us.

The Minister for Economic Development:

It is following the theme the Government should not be running businesses. We should be enabling the private sector to do so.

The Deputy of St. Martin:

You may well be aware that we very recently organised a visit to the airport to investigate and we will be there Monday week to have a look around but there is a lot of land available there that can be used.

Chief Officer:

I think that on your visit, you should even follow up with Duncan and the team about the process that they are going through at the moment to establish who is going to develop that fixed based operation. It is well advanced.

The Minister for Economic Development:

Is it Monday week you are going or ...

The Deputy of St. Martin:

Is it Monday week or ...

Scrutiny Officer:

You will do that on Friday.

The Deputy of St. Martin:

Friday? Sorry I am getting ... my days are so confusing. Anyway on the same theme, we have spoken about the add-on value, insurance brokerage, leasing, fees for the registry, but that is financial and we have just touched on the other bits and pieces of the actual physical running of these planes, the maintenance, there is crewing, there is fuelling, there is storage. Do you see that as an equally important part of it? Is that something that we really would seriously look to develop or would we say no we have got the addition to the financial sector and the financial services business; that is what we were really after? Are we really looking to do the fuelling, the storage and the maintenance and the engineering?

The Minister for Economic Development:

We are looking to do anything that is going to add value and create jobs and we have done some work around the value of a registry within the Island, as indeed I mentioned earlier. Interestingly, both Islands have come up with different estimates as to what the value to their respective economies are going to be and it broadly ranges between around about £18 million to £35 million.

The Deputy of St. Martin:

It is very broad.

The Minister for Economic Development:

It is extremely broad, yes, and it perhaps demonstrates the additional work that would need to be done. Those were 2 independent pieces of work commissioned independently by each Government.

The Deputy of St. Martin:

May I ask if it is public knowledge as to where the major differences were because obviously one is almost double the other? Is there some particular part of the economy which the one report felt was going to be so much more benefited by than another?

The Minister for Economic Development:

I think it was just down to the assessment of following the business that would be attracted.

The Deputy of St. Martin:

It was just purely down to the numbers?

The Minister for Economic Development:

Yes, and you would assess that depending on how optimistic you were feeling. I do not think you want to add anything, Chris. You have looked at them in more detail than I have.

Strategic Policy Manager:

Yes, the £18 million was for both Islands, the report that was commissioned and it is £30 million just purely for Jersey so that is quite a significant difference between the 2. What I would say is that the report that ...

The Minister for Economic Development:

So the £18 million was commissioned by Guernsey though, was it?

Strategic Policy Manager:

It was commissioned by Guernsey but it was looking at the Channel Islands, but the actual one that was commissioned purely by Jersey, the value was at £30 million but a lot of the statistics were based on 2007 figures.

The Deputy of St. Martin:

That was my next question, which was some of the reports which we have studied so far are at least 12-18 months old, some even older, and using statistics which are even older. So do we have an up-to-date figure as to where ... do we have a sort of a feel for where this job might be at the moment and how it might have changed in the last 18 months, given the economic circumstances?

[9:45]

Strategic Policy Manager:

Speaking to a number of individuals because we are still having ongoing discussions with various parties, the numbers of aircraft being registered or purchased is falling numbers, not hugely but certainly speaking to one individual who had been regularly registering 10 aircraft is now looking between 5 and 7, which may not sound a lot in value terms. It is quite significant. The only unique selling point for Jersey in coming ... if you have the Jersey/Guernsey whatever it is, is the actual facilities that would be here. Guernsey does not have a capability of having fixed hangar space. There are plans afoot to extend their actual runway but they do not have the land area around it to enable ... if people do decide to move to the Island and bring their actual aircraft here, they would be able to have the facility there for them to be looked after. Adding to that though, it would have to be on a competitive rate for servicing of aircraft and for the other peripheries because the southern part of the U.K. have invested huge money, the likes of Farnham, and spent a lot of money in developing areas for aircraft to be serviced and surveyed. So I think that is an important thing to say that.

The Deputy of St. Martin:

Do you have a feel for how many aircraft it would need on-Island on a regular basis to maintain an engineering business over here?

Strategic Policy Manager:

If you assume there is probably traffic-wise about 2,200 aircraft that come in and out of the Island every year, you would obviously want to maintain that level. Anything over and above that, if you work on the basis of that.

The Deputy of St. Martin:

Is there not a job of work to do to expand the industry as such on the basis that argument Aviation Beauport used to do engineering and do not any more?

Chief Officer:

That is what is behind the expanding of fixed based operations that I referred to earlier, but I think you will see it yourself when you go to the airport, there is a £29 million 3-engine aircraft parked just on the right as you go in which is parked outside, which damages its operating life because there is no hangar space and if that aircraft were there, another similar aircraft with a greater capacity, you would greatly increase the chances that you have got enough economies of scale to establish an engineering operation here. So that is what is behind the expansion of F.B.O. (Fixed Based Operations) as much as anything else.

The Connétable of St. Brelade:

Before I go, could I just ask one question. It is off the beaten track a little bit but in terms of State responsibility, is there any State responsibility for, for example, airworthiness and obviously if there was an accident, aircraft investigation worldwide for aircraft that are registered here? Would there be some responsibility from the States point of view?

Chief Officer:

The registry has to have the function, just as the shipping registry has a surveying function and if a Jersey registered vessel is in any form of accident, then the registry has to have the necessary competence to be able to investigate that so that is a cost to the registry in terms of function.

The Connétable of St. Brelade:

Is there a cost implication to that?

Chief Officer:

Yes, there is a cost implication but, of course, the shipping registry is a very good example. Do we have full-time surveyors employed as States employees fulfilling that function? No. As and when they are required, are they brought in from competent professional organisations such as MECAB(?) and others, well, yes they are but they are not on our books.

The Connétable of St. Brelade:

So you would be signed up to an agreement but you would buy the extra ...

Chief Officer:

Exactly, you would have a contractual agreement in place to discharge the obligations which you have to have to have a registry. That is part of the agreement.

The Minister for Economic Development:

That was the outsourcing element I was talking about earlier on. Then the actual regulatory oversight and so on would most likely be outsourced.

The Connétable of St. Brelade:

I will have to apologise. I have to go upstairs. Thank you.

The Deputy of St. Martin:

We are nearly there anyway, I think, because we seem to have covered a lot of the angles. Could I just ask before we get towards the end, a question about fuelling? Irrespective of the register itself, is there a possibility that we could turn Jersey into a sort of a cheap fuel stop, you know, like a service station on a motorway for planes moving in and out of Europe or from the U.K. to ... in the same way that boats quite often come here from France or some boats go to Guernsey to refuel because there is an attraction. Is that something that we could be looking at that helps to take this project forward?

The Minister for Economic Development:

In principle, yes. I think the problem we have got is that in order to do that, we have got to first of all make sure that our fuel is competitive in terms of price and that we have the storage facilities at the airport in particular to deal with the quantities that might be necessary. At the moment, I am pretty sure I am right, very few of the commercial operators use the facilities at the airport because we are not cost competitive at the moment from a fuelling point of view and that is a problem.

The Deputy of St. Martin:

Do we have any indication how more cost competitive we would have to be to make ourselves attractive? Is it purely down to tax? I guess it must be.

Chief Officer:

On economies of scale as well. If you take a major airline, for instance, such as easyJet, first thing in the morning, their captain is handed a piece of paper that tells him where he will refuel during the day and that is based on a survey that they have done the day before and where the cheapest costs are on the route. It is a very dynamic situation and, interestingly, larger economies do have higher levels of duty but also they have all the economies of scale that I think offset that to some extent.

The Deputy of St. Martin:

So it would be very difficult for us to put ourselves in a position where our fuel was cheaper than other places?

Chief Officer:

I think it would be challenging, yes, to do that.

The Minister for Economic Development:

Not necessarily impossible though, certainly from a shipping point of view and we are not competitive either on marine fuel and that is why I think you made a comment a moment ago that some Jersey residents go ...

The Deputy of St. Martin:

Even Jersey politicians take their boats to Guernsey or so I am told.

The Minister for Economic Development:

Yes, this Jersey politician who has responsibility for the harbour and the airport unfortunately does not get on very well with the sea and so I do not have firsthand knowledge, but I am well aware that local residents do go to Guernsey because it is cheaper. A lot of that is surrounding the way in which the fuel is dispensed. They do it over the side which for various health and safety reasons we do not or we used to but we do not anymore and, indeed, it is an issue that we have continually been looking at and we do need to find a resolution to. It is inconceivable, in my view, that we are more expensive here than Guernsey for fuelling boats and there is a big opportunity that we are missing out on.

The Deputy of St. Martin:

Yes, if we are talking about that. I am very aware. I must add that I do not take my boat to Guernsey to be fuelled either but I am aware that lots do but we talk about add-ons and additional value, added value and all that type of thing but there is added value to moving fuel which is competitively priced because people stop over. Some would come for the day and have a meal and maybe do a bit of shopping and go away; others would come and stay. The attraction to the boating fraternity and cheap fuel must not underestimated. But anyway that is not why we are here today.

The Minister for Economic Development:

We have introduced more competition within the harbour in terms of refuelling and extra operators to try and force prices down. It has had a limited effect but, as I said a moment ago, there is still a disparity.

The Deputy of St. Martin:

I think we are just about there. I guess a final question would be how soon would you expect to be making some decisions and when do you think you will have information necessary to move forward and decide and hopefully go ahead?

The Minister for Economic Development:

We are keen to have an early discussion with our counterparts in Guernsey. They have just, as you know, had their elections. We are now waiting for ministerial posts to be established. Once that happens, we are seeking an early meeting. We do have regular meetings or have had regular meetings with our counterparts across a raft of different areas to try and build relationships and look at mutually beneficial areas. This is one on the agenda that we need to pick up from the last administration, so I am keen to get a meeting as soon as they have their new post-holders in place and that will be the catalyst to allow us to move forward, make decisions as to both the direction we are going to go, whether it is going to be a joint registry or, indeed, whether we are going to look at the other option.

The Deputy of St. Martin:

So it will be sooner rather than later?

The Minister for Economic Development:

I would certainly hope that we can get a meeting within the next couple of months.

The Connétable of St. Ouen:

So will your decision then lie on the response back from them? I mean if it is sort of a negative response, will you then make the decision to go and crack on here in Jersey or will you still keep trying to pull them on board?

The Minister for Economic Development:

We cannot keep going for ever otherwise we will get nowhere, so I think we will need to make a decision and it will be not be just the response directly that they make, the willingness to do a joint registry and what that might look like along the lines of the various issues that need to be resolved. We need to look at finding solutions for those jointly with Guernsey and, indeed, what we need to consider is the pace at which they are preparing to move themselves, whether this is a priority or not. I mean any activity that you are investing in to try and stimulate activity within your respective economy you prioritise, and clearly we need to make certain that they are prepared to move at the same pace as us.

The Connétable of St. Ouen:

Where on your list of priorities do you see this at the moment?

The Minister for Economic Development:

It is an important activity that we have identified as offering economic benefit to the Island, so it is important. We have got the restraints that we have talked about in terms of all the points we have covered up to now but I see no reason at all why we cannot make a decision and move forward once we have identified the Guernsey position and also overcome hopefully the barriers.

The Deputy of St. Martin:

Notwithstanding those difficulties and barriers, do you see this project, if I can call it that, as one that is worth the effort and that the problems are not insurmountable and that it is going to be worthwhile putting the time and effort into? Do you see light at the end of the tunnel?

The Minister for Economic Development:

Yes, I do not think we would have gone to this stage. We would have dropped it a while ago if we thought there was no value in proceeding with it.

The Deputy of St. Martin:

That is fine. Okay, can I thank you for coming this morning and if I might, on the record, wish you very well next week in China.

The Minister for Economic Development:

Thank you.

The Deputy of St. Martin:

With all your efforts and our thoughts are with you.

The Minister for Economic Development:

Thank you very much.

The Deputy of St. Martin:

We hope you come back with lots of nice things for us to scrutinise.

Chief Officer:

But on that front, I think Wayne just told me that they have just had the meeting confirmed with Ali Baba who are the largest Chinese e-commerce company, so that is a very key meeting.

The Deputy of St. Martin:

Yes we are not here to talk obviously this morning but I did want to say that it is very much in our thoughts and anything we can do to keep the industry we have here going and stimulated to be larger and better is great and the Far East is important. We need to get out there and ...

The Minister for Economic Development:

Yes and we are looking forward to it. We are off on Saturday morning. We are sadly missing Liberation ...

The Deputy of St. Martin:

That is tomorrow.

The Minister for Economic Development:

Exactly. Sadly missing Liberation Day but there we go. We had to go when the opportunity presented itself.

The Deputy of St. Martin:

How quickly do these guys move if they make decisions? Is this a short, medium or long-term? Are we going to get some small interest coming immediately and then medium size in the next 18 months or so and then big or would they move fast if they decide to?

The Minister for Economic Development:

Different businesses move at different paces. They have the capability to move quite quickly. We have already got a Chinese business that has established themselves, albeit through a third party provider, in the Island to access the European market so that has given us great encouragement and we think there is much more we can build and try and create a different cluster.

Chief Officer:

There is no reason, given the scale of the industry here, the competence and the access we have to the U.K. market, that it should necessarily build up from small companies up to large companies. We could get quite significant companies coming very early in the piece because we have an established capability to deliver very effectively into the U.K. market which is what they are looking for, based on the initial approach.

The Deputy of St. Martin:

I presume there is a reasonable amount of urgency to try to maintain some of the industry that we have here at the moment which is in limbo but would then allow us to move forward and expand further in the future?

The Minister for Economic Development:

One of those coming on the trip is one of the large operators, Indigo Lighthouse. They have a large employment base here which they have largely maintained. Obviously this trip is quite important if they see some opportunities which they believe there are and they can have a successful trip, they have made a number of quite interesting meetings and if they can start building up pretty rapidly, they are keen to move fast, as you would appreciate.

The Deputy of St. Martin:

Very well, that is great news. Thank you very much. We look forward to seeing you again soon.

[9:58]