



Economic and International Affairs Scrutiny Panel

Quarterly Public Hearing

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

Monday, 21st June 2021

Panel:

Deputy D. Johnson of St. Mary (Chair)

Senator S.W. Pallett

Deputy S.G. Luce of St. Martin

Witnesses:

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

Mr. D. Houseago, Group Director, Economy

Mr. P. McCabe, Chief Pharmacist

Mr. S. Meadows, Head of Biosecurity

[13:06]

Deputy D. Johnson of St. Mary (Chair):

Good morning, everyone, and welcome to this public hearing of the Economic and International Affairs Scrutiny Panel in connection with its review of the regulations for the licence application, production and export of medicinal cannabis in Jersey. Perhaps I will begin by introducing the panel themselves. I am David Johnson, Deputy Johnson, Chair. On my right I have ...

Deputy S.G. Luce of St. Martin:

Steve Luce, Deputy of St. Martin.

Senator S.W. Pallett:

Senator Steve Pallett, member of the panel.

The Deputy of St. Mary:

Minister, would you like to introduce yourself and your team?

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

Yes. Senator Lyndon Farnham, Minister for Economic Development.

Group Director, Economy:

Dan Houseago, Group Director, Economy.

Chief Pharmacist:

Paul McCabe, Chief Pharmacist at Health.

The Deputy of St. Mary:

Thank you for attending, especially in person. Perhaps we could begin by asking a very general question. We have had 2 public hearings already, but could you, Minister, explain the overall ministerial responsibility for the medicinal cannabis industry and define the roles of both yourself as Minister and the Minister for Health and Social Services?

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

So, the interest of my part in the medicinal cannabis industry stems from the rural economy strategy. The department has overall responsibility for that. Since the last rural economy strategy was launched, one of the key aspects of that strategy was to identify more high-revenue crops to increase the variety and sustainability of the agricultural sector, given the challenges faced by the arable sector currently. So the whole (several inaudible words) tea and cannabis hemp for medicinal purposes.

The Deputy of St. Mary:

Again, given the overlap with the Minister for Health and Social Services, what is his role in particular then?

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

For the Minister for Health and Social Services' role I will hand over to the Chief Pharmacist if I may. It is largely in relation to the licensing and the (inaudible) control of the sector, whereas my responsibility is really the economic and business aspect. So, Paul, perhaps you could elaborate a little bit on that.

Chief Pharmacist:

Yes. (several inaudible words) currently rests with the Minister for Health and Social Services (several inaudible words).

The Deputy of St. Mary:

Okay, so we have a situation where the Minister for Health and Social Services is responsible for issuing the licence but the department is responsible for the mechanics of operation and the regulation?

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

So the agricultural regulation, if you like, falls within our remit. I am not sure if there is a crossover, what crossover with the Environment Department, and as Paul explained, the Minister for Health and Social Services has responsibility for the control of medicines and misuse of drugs, et cetera.

The Deputy of St. Mary:

Could I ask, Minister, what discussions you have had with the Minister for the Environment over the production of cannabis?

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

Well, we have not really had any detailed discussions over the process of production or really cultivation, extraction and manufacture. Conversations between the Minister for Health and Social Services and the Minister for the Environment are based around the planning issues, planning challenges, and really the conversations have just confirmed that we agree that the (several inaudible words). Having said that, I think that the Minister for Planning is mindful of the potential impacts, especially the aesthetic impacts on the countryside, so I understand that the planning authorities are perhaps considering whether that needs to be looked at also (several inaudible words) the majority of the activity carried out by these operations are agricultural, and there could be questions as to whether this goes over into light industry. Certainly, I think the cultivation side is agricultural, then when you get into extraction and manufacture that could be considered more. If we look at some of the large potato operations now (several inaudible words) process for packaging and export in those settings are very much industrial, I believe. So those are the sorts of conversations we (inaudible).

The Deputy of St. Mary:

Okay. I would point out that the potato industry do not turn potatoes into something else before it leaves the Island, where I think the essence here will be when we start turning cannabis flowers into another product on site. That may well be deemed as industrial.

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

(inaudible)

The Deputy of St. Mary:

So, moving on, we do appreciate the Proceeds of Crime Law will need to be amended and I think the current focus is on perhaps income tax regulations, but aside from that, what plans, if any, are afoot to introduce legal regulations for the issue of licences themselves and to regulate the whole industry?

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

Sorry, can you just repeat the last part?

The Deputy of St. Mary:

Well, it is what plans you have as far as introducing new regulations for the issue of licences and to regulate the industry as such.

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

This is probably more one for Paul ...

Group Director, Economy:

Perhaps, Chairman, if I may, I think it is quite important to recognise that this is a kind of formative process. This is a nascent industry. It is a newly emerging new market that has come out of a situation where quite a lot of this activity has not been legal. So it is a bit like the move away from alcohol prohibition, where we are looking at what needs to be done in terms of regulatory environment to support this, bearing in mind that a lot of companies that want to invest in this will be very keen that the regulatory bar is set high and the barriers to entry are high to protect their investments. But it is worth saying that there is a lot of regulation around this space in existence already. We have planning regulation, which the Minister has already talked about, environmental health issues, we have trading standards issues, competition issues, environmental regulation. External to that in the market are G.M.P. (Good Manufacturing Practice) requirements that are E.U. (European Union) requirements to sell medicines, and we have our own Medicines Law, the misuse of drugs legislation and, as you quite rightly point out, proceeds of crime legislation.

[13:15]

So this is a highly regulated space already. In the context of specific licences, I will leave it to the Chief Pharmacist to comment after this, but invariably we will be in a position like the financial services sector where we periodically need to update and review the legislative framework to make

sure it remains fit for purpose as the market develops. Perhaps Paul could comment on the specifics of licencing.

Chief Pharmacist:

Yes. It is a very valid question. Currently, there are not statutory regulations that say what you need to do in order to get a licence. The Misuse of Drugs Law just says you need one to cultivate. So, having gone through this process and developed a framework, I think it is probably worthy of looking at whether the (several inaudible words) altogether in one overarching framework, whether that be a legal one or otherwise.

The Deputy of St. Mary:

Yes, I take that point, it is a nascent industry, but that said, licences have been issued and what we are trying to get at is what more licensing is envisaged and which department is going to be doing it. Perhaps again you could cover that, who is responsible.

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

I think licensing ... I think there needs to be a separation between Planning and Environment, Economy and Health. There needs to be a very clear ...

The Deputy of St. Mary:

I think that the Minister for the Environment says there is a separation already because (several inaudible words) but that is something else. But I am just trying to get ... as I say, we have a situation where licences have been issued and there are more in the pipeline we are told, and I just want to know what licences or what proposals are in the pipeline for expanding the regulatory situation which is in place.

Chief Pharmacist:

Currently, we (several inaudible words) their guidance about how to deal with applications (inaudible) but assessing the applications themselves. So I guess the question is whether we need a separate (several inaudible words).

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

Can I give a little bit of background as to why we are working with the Home Office, if you like, who have extended their cannabis agency to us as part of the U.N. (United Nations) commitment? Would that be helpful?

The Deputy of St. Mary:

(inaudible) we are obviously aware of that and the M.O.U. (memorandum of understanding) but please fire away, yes.

Chief Pharmacist:

So there is the United Nations convention which governs how controlled substances are managed internationally and there are provisions in that around what will be set in place for cultivation of cannabis (several inaudible words) licences for cultivation of cannabis. The U.K. (United Kingdom) is a state party to that convention (several inaudible words) which has been extended to Jersey so they are our (inaudible) cannabis agency. We got the M.O.U. in order to enable us to make licensing decisions (several inaudible words).

The Deputy of St. Mary:

We have had the (inaudible) of having seen the M.O.U., but again on that (several inaudible words) who was responsible for preparing the M.O.U.? Was it the Home Office or yourselves or who had input into its preparation?

Chief Pharmacist:

So the M.O.U. was prepared by the Home Office and their (several inaudible words).

The Deputy of St. Mary:

You had no ... giving your input, did you have any consultation with Environment or the Economic Department on that?

Chief Pharmacist:

Not formally as I recall. It was very much ... because the Minister for Health and Social Services is the licensing authority to issue licences. (several inaudible words)

Senator S.W. Pallett:

There seems to be a lack of formal consultation for any licences. You mentioned it yourself just then. Do you think that might have been an appropriate way forward at a very early stage to have more formal discussion between the 3 departments in regards to how the regulatory system and the licensing process might work? Would that have helped?

Chief Pharmacist:

We did have ... there is a cannabis co-ordination group which has officers on from various departments. It is chaired by Dan and the M.O.U. and (inaudible) discussed at that meeting so there was input in that regard but the M.O.U. was not (several inaudible words).

Senator S.W. Pallett:

I am thinking more politically as well because I think the Minister for the Environment was not aware of some elements of the process, which I think was unfortunate. It does seem to me that there seems to be some disengagement between the 3 departments in terms of this is a particular industry or this is a particular process. We discussed this the other day. Do you not believe that there should be a larger remit for the Jersey Cannabis Agency in terms of its makeup and its remit?

Chief Pharmacist:

I am inclined ... I think I would agree. We have discussed that about having a (several inaudible words).

The Deputy of St. Mary:

Could I just ask, Minister, is there anything in the application for a licence which mentions the Planning Department and the need to acquire all the relevant planning approvals before cultivation starts?

Chief Pharmacist:

The cultivation obviously cannot start until facilities are (inaudible) and obviously that cannot happen until they have had the required planning permissions, is my understanding. So, any licence granted (several inaudible words) in the application guidance if the planning decision means (several inaudible words) revisit that application and come back to it again. (several inaudible words)

The Deputy of St. Mary:

Yes, I will come back to that later. (inaudible) I will accept the point that the M.O.U. is a Home Office document and you are involved with that, but given the aspirations of where the industry is going to go, did you anticipate at that stage that there would be further regulations that supplement it which are perhaps not yet in being?

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

I think the short answer to that is yes, we are at the very early stages of hopefully creating a new industry sector, part of the rural economy for Jersey. We have worked (several inaudible words) they are able to accommodate. As the industry develops, as Dan has said, we are working with (several inaudible words) and we are working with other experts (several inaudible words) legislation has changed, whether it be through the rural economy sector or the health (several inaudible words) or indeed planning regulations to take account of the potential impact or non-impact on the countryside, for example.

The Deputy of St. Mary:

Okay. Perhaps I should apologise for not having mentioned at the outset we have our own professional advisers online, and if they hear me now they are free to come in and ask other questions on certain areas. We are now moving to the commercial perspective. I understand that the Chief Pharmacist and the Minister for Health and Social Services are not responsible for the assessment applications from a commercial perspective, so who is? Who takes the decision as to whether a licence should be granted when the applicant has (inaudible) the guidelines?

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

The Minister for Health and Social Services.

The Deputy of St. Mary:

The Minister for Health and Social Services? Well, that is ... so the guidelines do refer to an environmental impact assessment. Now, that might have more than one meaning, but certainly the Minister for the Environment has not been invited to comment on the facts in the application, which he would normally be required to do so. So is your understanding of an environmental impact assessment the same as that which is enshrined in environmental law or is it something different?

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

Broadly speaking, the environmental impact assessment as enshrined in the planning legislation, I guess, should be adhered to if that is what is required.

The Deputy of St. Mary:

Well, that is what I am getting at. So when you ask for an environmental impact assessment, you are expecting it to have the same information that one would have in planning terms, are you?

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

Yes, I would say so, but that is really a matter for Planning. I have not involved myself too much in the planning side because I think there needs to be a bit of clear water between planning, the business side and the licensing. So I consider that to be a matter for Planning. As I said earlier, I would not expect these operations to be treated too differently.

Senator S.W. Pallett:

So who assesses the environmental impact statement?

The Deputy of St. Mary:

Well, that is the same question, I think, yes.

Senator S.W. Pallett:

Who is ... that is given in regard to the application for a medicinal cannabis licence and what relevant background have they got to do that?

Group Director, Economy:

So, it might be worth clarifying. Currently, there is no statutory requirement for an environmental impact assessment. If I was to read between the lines, and I cannot obviously speak for the Minister for Health and Social Services, I think there was consideration in the first tranche of licences, bearing in mind that we had this trade-off between consultation, development of appropriate regulations and speed at which we get to a point where we can take advantage of a market that is moving really quickly. But at the moment I think the Minister for Health and Social Services, if I read between the lines, and Paul may be able to clarify some conversations he has had with the Minister for Health and Social Services, he was concerned that some consideration was given to neighbours, the environment and so on and so forth, but that was not a formal capital letters environmental impact assessment as would be required in certain planning situations. So it was really just a sort of safety net in the context of the licence commissions to allow that sort of consideration and for the companies that came forward that went to independent advisers to get effectively an environmental assessment of the challenges. I think it is also fair to say that something we discussed this morning at the co-ordination group was the need to widen the base of the Jersey Cannabis Agency to broader considerations around some of these issues, but I would reiterate the fact that the pace is the key to allow people to get into a position to take advantage of the economic development opportunities as quickly as possible with an appropriate regulatory regime. Looking back and looking forward as well, we believe that Paul needs and the Minister for Health and Social Services needs broader technical support to make those licence decisions going forward.

Senator S.W. Pallett:

Could I just follow up on that? You mentioned speed to market and I think we understand the importance of speed to market, we all get that, but there is a risk with that that things are going to fall between cracks. Do you not agree that there is a risk here, that in terms of assessing the environmental impact to those that live nearby to some of these licence applications that they are being assessed in a necessary way and an appropriate way to ensure that they are not having their lives damaged?

Group Director, Economy:

The planning process is the ...

Senator S.W. Pallett:

We are not talking about the planning process, we are talking about the environmental impact process that is involved with this licence application.

Group Director, Economy:

From an officer perspective, the environmental impact assessment in capital letters is driven by the Planning Law and in this case it did require the environmental impact assessment. I think the Minister for Health and Social Services ...

Senator S.W. Pallett:

Can we be clear because there seems to be some mix-up here about an environmental impact assessment for the application and one in the planning process? The view I think we have been given is there is an environmental impact assessment with the licensing application, never mind the planning process. Is that right or not?

Group Director, Economy:

So for the works that have been undertaken, and bearing in mind there is only one facility that is actually being worked, the works that are going on at the moment do not require an environmental impact assessment as they stand. As that starts developing through its various phases it may well do, and that is a matter for planning.

[13:30]

What the Minister for Health and Social Services appears to have done, although I cannot speak for him, is to say at the moment there is not a requirement for any kind of environmental impact assessment in the context of Planning Law, but I want to feel more comfort around that. In spite of it not being statutory in this case at the moment I still want to take a view on whether the neighbours are being fairly treated and whether the ...

Senator S.W. Pallett:

So when is the joined-up thinking going to arrive here where the 3 departments are working together for the benefit of the Island and the benefit of those that live near these applications? Because that is really worrying.

Group Director, Economy:

Well, I cannot speak on that politically but I think there is a case for - and this is something we have discussed recently - a more formal political oversight group that covers the ministries that are looking at this, and I think that would be welcomed from an officer perspective. I think it is easy to ... I would not want a conclusion to be drawn, because I do not believe it, that we are in a situation where things have fallen through the gaps. What is absolutely clear is, a bit like proceeds of crime, as we start to understand how markets function and how businesses operate in those markets, we are going to

have to make amendments to the legislation. Again, at the cannabis co-ordination group this morning we recognised that we need to review a range of legislative issues to make sure that they are fit for purpose, so that is absolutely what we are doing. But again it is to some extent formative. I believe that we are in a really strong position. We are ahead of the curve in a market that is behind and immature in the context of regulation and legislation. We are ahead of the curve but we have to make sure that the standards are very high.

Senator S.W. Pallett:

Okay, one last question from me: why have we issued licences when things are still falling through gaps and cracks?

Group Director, Economy:

Well, I do not believe they are.

Senator S.W. Pallett:

But you just said some things have fallen through gaps.

Group Director, Economy:

No, no, I did not.

Senator S.W. Pallett:

You did.

Group Director, Economy:

Well, that is not what I meant. I do not think things have fallen through gaps but I do think there is a need to update legislation as the market develops and we get market intelligence that just is not there at the moment or, if it is there, it is commercially confidential. So we have done that to the proceeds of crime legislation. We have already, I think ... I talked to the Chief Pharmacist earlier this morning. We need to have a look at the Medicines Law. We need to have a look at the Misuse of Drugs Law. We need to have a look at (inaudible). There is lots of stuff there. That does not mean that it is not being legitimate to push ahead with issuing licences. That is all legitimate and above board, but it does not mean that we cannot improve our regulatory and legislative framework and that is absolutely what we need to be doing because the stronger the regulatory regime, the more transparent we are, the more respected we are and the clearer it is about what we are doing and that adds value to businesses in the market.

Senator S.W. Pallett:

I think that leads into your question, does it not?

The Deputy of St. Mary:

Probably. First of all I want to move on from that. The panel's concern and indeed the public's concern is that on the one hand we have the fact that the licence application is looked at and approved by the Chief Pharmacist. The guidance says environmental impact assessment and we know full well that there is no involvement of the Environment Department. I suspect the Environment Department's inbox would be a lot lighter if there had been something in place because there is genuine concern. The public think things, they might be mistaken, but they believe there is scope for things going wrong there without the public as a whole being involved, and a formal environmental impact assessment does involve the public. It gives them direct representation, so that is a big concern.

Group Director, Economy:

I think my response, Chairman, if I may, would be that if a facility wants to do something different in terms of managing its infrastructure, so just to use as an example the demolition of a glasshouse to put something else up that was more appropriate to the cannabis business, the planning permission at the moment would not necessarily require permission to demolish the glasshouse, but if something else was there that would require significant planning permission and public consultation. So I think it might be a bit dangerous to conflate that with there being no regulation at all. There is but it is as it stands in the statute at the moment.

The Deputy of St. Mary:

Okay, but do you acknowledge that there would be a lot of comfort given to the public if there was a statutory requirement that Environment, with their economic health hat on, had scope for looking at each application?

Group Director, Economy:

I think there is a balance between regulation and allowing businesses to respond to an almost once in a generation opportunity. I think what you could imply from that is that we do not believe the planning rules are strong enough in this case, but ultimately it is still an agricultural activity.

The Deputy of St. Mary:

Okay, the planning rules are not strong enough in this case and obviously there should be more consultation with departments re that. Okay.

The Deputy of St. Martin:

I do have a question. I am not quite sure what it is yet because I am looking at what is ... documents coming from your department, Minister, that is the overall view of the application process and it talks

about the formal application coming along with the necessary information. That goes to the Home Office, a site visit, joint site visit being organised, and then a report coming back from the Home Office to the Minister for Health and Social Services, who then has to consider that. It then goes on to say once the report from the Home Office is received, together with the original application, it is presented to the Minister and he then takes further information; for example, the police in relation to the security report provided by the applicant, and Environmental Health in relation to the environmental impact assessment provided by the applicant. I think the jury is out on whether there are different definitions of environmental impact assessment depending on whether it starts with a capital "E" or a lower case "e", but there is no question as far as the panel is concerned, and after questioning the Environmental Health team and the Environment Department more generally, that none of the officers in that department (several inaudible words) licences and that it would appear that the Minister for Health and Social Services has granting permission (several inaudible words), which is a great surprise, really. To my mind, E.I.A.s (environmental impact assessments) are very carefully defined on the Government website and they obtain specifically to planning issues. So it is a great surprise to me and the panel that an E.I.A. has been approved without any contact with the Environment Department, but I will leave it there, Chairman.

The Deputy of St. Mary:

Moving on from the environment aspects, what are the current issues for determining the project's feasibility and commercial viability, which is obviously your principal interest?

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

What is what?

The Deputy of St. Mary:

Well, an application is made. You have regard to the subject's commercial viability and feasibility. Who assesses that aspect?

Group Director, Economy:

So, we do a lot of research through various entities to ascertain the scale and size of the market, so BDS Analytics, Arcview, Prohibition Partners, to name but a few, but also we work quite closely with applicants who after all are investing private money and generating investment from third parties to drive this forward. What is in the application is really a speculation around what the ... how those companies are going to access that market and take advantage of it. Within those applications are quite a lot of detail around their business plan and their activities, which we review and, therefore, get an indication of the fiscal receipts that we might receive from that organisation. I think from an economic development perspective, like many things, what we have is a framework in place that is the minimum required to create conditions for commercial operators and private sector individuals

to make investments on the basis of their own due diligence. Our job, in my view, is to create the best conditions for success, and what we do have and what the Council of Ministers has endorsed is an investment framework for cannabis. That is effectively threefold. The first one is the Island having the ability to have its own cannabis agency to issue effectively commercial licences to cultivate and sell products. The reason it was important to Jersey from an economic development perspective to have its own cannabis agency is that as long as our parent regulator is content that we are, i.e. the U.K. Home Office, working against the necessary convention that all other advice that we may receive from them is optional and we can actually overlay our own policies around the development of this sector from an economic development perspective as we see fit where we see the market opportunities. Of course, Jersey has the benefit of being a very agile jurisdiction in theory. So that is being done and that was agreed in August of last year. The first commercial licences to cultivate were issued in December of last year.

The Deputy of St. Mary:

Yes, we have some data around that aspect, but before we move on to other sections, the basic situation is that the licence is granted by the Chief Pharmacist/Medical Officer of Health, but to what extent in determining whether that licence should be granted does commercial viability play a part in all the decision-making? Do you give input at that stage?

Group Director, Economy:

About the issuing of licences?

The Deputy of St. Mary:

The issue of the licence stage, yes.

Group Director, Economy:

So I would not speak to the regulator directly and say: "I do not think this is commercial" or: "I do think it is commercial." What we would rely on is the private sector to determine that for itself. It has the framework to make those investments and, of course, all investments in businesses are to some extent speculative. What we do see and what is useful is the costs of investment and the potential output from those investments and what it means in terms of market access and what it means for fiscal receipts in terms of tax. We have quite detailed costs set out in those applications that we have reviewed and we effectively sense check that. The other thing we do is we work with an industry body that advises us on this sort of activity, but ultimately this is people saying: "We have an opportunity in Jersey, unlike many other places in the world, to invest in this market early because of the framework that the Island has established in terms of investment." But we are not going to say to somebody: "You cannot have a licence from an economic development perspective because we have not seen your business plan." That is not what we do.

The Deputy of St. Mary:

(several inaudible words). We have this situation where you are not involved in the grant of the licence, yet you are concerned with the commercial viability of each project.

Group Director, Economy:

We want to generate an industry that generates fiscal receipts that ...

The Deputy of St. Mary:

But at the time of the application for the licence, to what extent are you involved in that individual licence?

Group Director, Economy:

Directly in terms of the licensing decision, not at all, but I refer you, Chairman, to the previous point, which is we do believe that that licensing ... the Jersey Cannabis Agency, in effect, through the Minister for Health and Social Services and the offices of the Chief Pharmacist, does need to be ... this space does need to be broadened to allow us to take a larger view of and more holistic view of the benefits to the Island and some of the challenges (several inaudible words).

Senator S.W. Pallett:

Have you assessed the opportunities based on the development of the cannabis industry internationally or wider afield, how we can fit into that and how best to benefit from that?

Group Director, Economy:

Sorry, say that again?

Senator S.W. Pallett:

Have you assessed how we ... based on the international market how we can best make the most of what we might have here compared with other markets and how they are developing or have we just gone ahead with blinkers on and just gone: "This is what we are going to do here, we do not know where we are going to fit into it internationally or wider afield"? Because there are other jurisdictions doing this that may make us developing very difficult as we move forward.

Group Director, Economy:

I think it is a good question but we know where the key markets are. We know which companies are ... the companies that are currently issued with licences to cultivate know exactly what markets they are looking at and what the value of those markets are and how they are going to access them. Do not underestimate the importance of day to day, week to week liaison with those businesses.

We are very much working really closely with them, particularly those that have actually got infrastructure that is moving towards growing a saleable crop. We understand very, very well, through conversations and through privileged information about their commercial realities, where they are aiming and the key markets are in Europe because it is where the key growth in this market is. It has an advantage over the U.S.A. (United States of America) and the Americas because the G.M.P. standards are perceived as higher from a global perspective.

Senator S.W. Pallett:

Is what we are aiming at more around production of high quality cannabis products or purely cultivation?

Group Director, Economy:

I think the market as a whole ... pharmaceutical T.H.C. (tetrahydrocannabinol) is a gateway industry for a much bigger conversation about what is cannabis going to do globally going forward. So, that is where we are aiming initially.

[13:45]

To do that and to allow people to invest, we have to have the right regime around proceeds of crime and making sure reputationally this is above board, belt and braces, highly transparent, but also our ability to influence who we license that suits our domestic policies. That is what we have. I think there is a third piece around R. and D. (research and development) and intellectual property but the opportunities are not just around medicinal T.H.C. The up and downstream benefits of I.P. (intellectual property), of upskilling staff in the rural economy, et cetera, are huge and we can list them if you would like. But there is a bigger market that will become ubiquitous, which is well-being C.B.D. (cannabidiol), and this is creams, topical applications, additives to drinks, which currently is not licensable but it is a massive market. In the U.K. the value of sales in this space is nearly £700 million just last year alone. So what we are trying to do is to say, right, okay, what does the framework look like just for now, and we are starting with medicinal cannabis as the gateway or what I would describe as the gateway industry, but these organisations that are growing in the Island will, I think, have a weather eye on the opening up of the C.B.D. market for non-medicinal uses, which as I say will be ubiquitous and massive. Does Jersey want a slice of that? It ought to, in my view as an economic development adviser. Also, perhaps more controversially, what about the opening up of the recreational market? Of course, this feels a bit like the end of prohibition of alcohol, and what happened at the end of prohibition of alcohol is effectively people were able to legitimately produce and do commerce around this and Governments started to take a massive tax take from it.

The Deputy of St. Mary:

I think we are beginning to stray into certain areas which Deputy Luce is going to follow up on.

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

We have to take Dan's word about prohibition; none of us were there when it happened. **[Laughter]**

The Deputy of St. Martin:

I am happy to come back to my section. If you like, we could just continue, but if you want to carry on with this, Chairman, that is fine.

The Deputy of St. Mary:

I was going to say at this stage we have our advisers online. Particularly on the regulatory requirements, do any of you gentlemen and lady wish to ask a question at this stage before we move on? (inaudible) we will move on. So, Deputy, go on.

The Deputy of St. Martin:

Okay, thank you. It is just a continuation of the conversation we have just had, Minister. It is quite clear ... great news that there is a £700 million annual industry in the U.K. last year and it is certainly not going to get any smaller. But this is about, as we have already heard from Dan, fiscal receipts for the Island. Can I ask very straight out what fiscal receipts do you expect to get? Have you any numbers on the amount of money coming into the Exchequer from this industry?

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

Yes, treasury have been working with ... it is difficult to quantify that because we do not know how the market (several inaudible words) the Government Plan, which was ... I think we are expecting to see receipts from possibly 2023 but more likely 2024. I think it is estimated that we could receive £4 million in tax receipts, and that is just pure tax receipts. I will be corrected by an officer if I have that figure wrong, because we are planning to ... the proposal, I understand, will be to introduce a corporation tax of 20 per cent on the profits of businesses licensed ... for licensed businesses.

The Deputy of St. Martin:

Are there any exemptions for the cannabis industry in the tax regime at all?

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

Not that I am aware of.

The Deputy of St. Martin:

But will these companies be allowed to offset their expenditure on set-up costs against profit?

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

One of the reasons why the receipts are unlikely to be seen until 2024 is because, yes, the company can ... as I understand it, there are large set-up costs so I think that has to be taken into account. But that was ... I do not know if Dan wants to come in, but we did ... I think one of the conversations was around perhaps looking at a turnover tax as opposed to a tax on profits because that would deliver yields to the treasury sooner rather than later. Dan, did you want to ...?

Group Director, Economy:

Yes. Just going back, Chairman, we do have quite a lot of detail on the anticipated tax take (inaudible). So, as previous, we know through licence applications the area of cultivation. We guesstimate the current value about £3,000 to £4,000 a kilogram in States market prices and that is relatively conservative. But looking at the amount of hectareage at the moment, we are anticipating a tax at 20 per cent to generate about £4.9 million per hectare. At the moment, we have about 0.9 hectares in phase 1, one of which is in quite an advanced state and another not quite so advanced. But phase 2 will take us up to approximately 3 hectares over the next 2 to 3 years and that in itself will generate about £15 million per year in revenue. On top of that, licence applications in the pipeline that are credible represent a further 4 hectares potentially coming forward. So if that comes to fruition and, of course, there are some hurdles externally to jump through, so G.M.P. accreditation and so on and so forth, but if that does reach fruition - and, of course, coming back to the point, this is about us creating the conditions for these businesses to be successful - you are looking at potentially 7 or 8 hectares, around £30 million per annum in terms of fiscal receipts. Going back to the tax, yes, it is based on ordinary business principles as the tax terminology and it will be 20 per cent and you will get all the capital allowances that you would expect under the normal circumstances.

The Deputy of St. Martin:

Could I just ask what specific cannabis products you were quoting there when you said £4,000?

Group Director, Economy:

This is flower.

The Deputy of St. Martin:

Flower. Do you accept that obviously flowers are an agricultural product and they would be exported as such, but you are not expecting, therefore, any processing to be done on Island?

Group Director, Economy:

I think if we do not process on Island we will miss an opportunity potentially. I think the reality is even flower will need some processing in terms of moisture content and so on and so forth. I think

there is a bit of a grey area to say at what point does it become agriculture, harvesting a part of the plant, and processing, and I think that is the conversation I will be having with (inaudible).

The Deputy of St. Martin:

Do you have any numbers at all on what happens to the value of the product if you took your £4,000 worth of flowers and turned them into a finished product?

Group Director, Economy:

So at the moment we are trying to work in real scenarios. So the companies that we are working with at the moment are initially producing ... attempting to produce flower as a raw material that then gets processed elsewhere as a finished medicinal product. The challenge around finished medicinal products is you do need a separate licence to do that. At the moment people do not have a licence to produce a finished medicinal product and, therefore, (several inaudible words) medicines.

Chief Pharmacist:

(inaudible) and obviously the price of growing flowers as a medicinal product is higher than the wholesale price of dried flowers (several inaudible words).

The Deputy of St. Martin:

Thank you. I think that concludes my section.

The Deputy of St. Mary:

Okay. Before we leave the taxation side, you talk about the 20 per cent rate. That is not actually enshrined as such, is it? So I take it that all licence applicants are aware of this, of those rates, otherwise they would be disappointed if they thought it led to tax at a lesser rate.

Group Director, Economy:

Absolutely, Chairman, they are all aware of it. I describe it as an equity (inaudible) but yes, they are working on the basis that they are 20 per cent ...

The Deputy of St. Mary:

Given this anticipated revenue, when do you expect the regulations or the new laws will come in to capture their set-up?

Group Director, Economy:

By the beginning of next year.

The Deputy of St. Mary:

Okay. I think I am right in saying that it is envisaged ... not envisaged, it is a requirement that the applicant has cannabis production as its only activity, unlike Guernsey where I think (several inaudible words). Can you confirm that?

Group Director, Economy:

In the context of tax?

The Deputy of St. Mary:

In the context of tax.

Group Director, Economy:

I am not aware of what the final rules are going to be because this is still in development with the Tax Department, so it is probably a question that they would need to answer.

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

What we want to avoid, and I am sure the treasury will confirm this at the appropriate time, is that the profits that are made through this specific sector are taxed and not wrapped up in perhaps loss-making activity of broader activity. I think indeed they are working on the detail of that now, but that is certainly the intention. I do not think there is anything in the licence that says if you have a medicinal cannabis licence you cannot grow other crops.

The Deputy of St. Mary:

I think perhaps we need to get clarification from the Tax Department because I am fairly sure that that was a distinction they made between production over here and Guernsey so that expenses cannot be offset.

Group Director, Economy:

You are right, Chairman. They are effectively ... I think the revenue policy development board agreed ... I think the wording I have here is agreed to tax entities undertaking licensed activity (inaudible).

The Deputy of St. Mary:

The Minister and I are unsure on that so we shall (inaudible).

(several inaudible words)

Senator S.W. Pallett:

Hopefully we can get through this section relatively quickly because it is an area we have already gone in. It is around the Jersey Cannabis Agency, but I just want to start with the Jersey Cannabis Services Advisory Group, which you have already mentioned in part. It is an informal group but in terms of how it works, has it got any terms of reference? Does it report to anybody? Does it provide any formal advice to the department?

Group Director, Economy:

So one of the challenges that we have had is market intelligence. It is very difficult. So unless you are investing in this and doing it yourself it is quite difficult to get actual numbers that you can rely on. I think the Jersey cannabis advisory group is embryonic. It has met once and it met simply to appoint a chairman. It is a bit like ... it is a voluntary group of people that want to help informally Government with market intelligence and advice around how the market is going to develop because they want Jersey to be successful and they want to have businesses that are based in Jersey to become successful. So at the moment it is very informal. It has met once. It is meeting again this week and the chairman is a chap called Nick Morland, who is the chief executive of a company called Tenacious Labs in the U.K. They have a website and so on and so forth and you can look all that up. I think the point about this group is it comprises the 2 organisations that have actually got cultivation licences and a body that represents a business that wants to headquarter its company in Jersey, so it is very keen on supporting Jersey from a business headquartering perspective and it is also very keen on making sure that we understand the context in the U.K. and what the U.K. is doing, bearing in mind that the U.K. market from a medicinal T.H.C. perspective is probably the biggest. So I think we perceive them as helpful at this stage. They are meeting this week to talk about a range of issues and I am hoping that they will write an advisory letter to either the cannabis co-ordination group or the Minister himself or the Ministers concerned just with a view of what the process is looking like from their perspective, whether this is investable. The absolutely key point at the moment is the pace at which we are moving towards the right environment from a proceeds of crime perspective. You will be aware that those amendments have been lodged with the Assembly and we are very keen to get on with that debate. The challenge we have is that we are now seeing business going to Guernsey and the pace of the development of this sector has really sped up. So, from my perspective, that advisory group can really help us around pace, what sort of conditions they require to be successful. It does not mean that we would necessarily accept all those recommendations because they are quite informal ...

[14:00]

Senator S.W. Pallett:

As much as I think we can understand the importance of Government having feedback from industry and an understanding of where industry wants to go, I think one of the ... why I would be wary or

people may have fears is around that they are nevertheless commercial and how that relationship with Government is working should be open and transparent. The question was around how are you going to communicate that more openly to ensure that we do have a better understanding of how that relationship is working because they are commercial.

Group Director, Economy:

Yes, that is a good point. I see it a bit like the chairman of a marketing board coming and telling me about his business and where his pressures are. It is sort of the same but it has to be taken with a pinch of salt because, of course, they are coming from a particular perspective. But I do not see it as particularly different from that. What we are doing to make sure that there is more transparency of that is to make sure that any ministerial teams, which I hope there will be this week, are formed (several inaudible words).

Senator S.W. Pallett:

And available to the panel?

Group Director, Economy:

Yes, and I do not think I am offering something I cannot deliver, but I think if the chairman of that group were to be invited to speak to the panel this week I am sure he would (inaudible).

Senator S.W. Pallett:

It has been mentioned before you are developing an economic framework for cannabis. How is that progressing and when are we likely to see that? It was estimated to be completed in quarter 2. We are at the end of quarter 2.

Group Director, Economy:

So the framework is ... it is relatively simple to say. Point 1 was to achieve an M.O.U. with the Home Office, and I would say and congratulate Paul McCabe because this is unprecedented. This provides Jersey with a massive economic advantage in this space and that was achieved in August last year with a lot of negotiation with the Home Office. Part 2 is making sure that businesses can invest in Jersey in an appropriate way and in a legal way can invest in markets globally because, of course, this is a global market. That is the proceeds of crime bit. At the moment I think you would struggle to get an end to end bank account if you want to get involved in this space, and people are queuing up to do that. I think the other thing is just where does the value get created in companies? It is because they are investable, and at the moment they are not in Jersey. So the proceeds is really critical but that is the kind of ... those are the 2 big pieces of the framework. The final bit is around R. and D. and that is to be discussed as a kind of batting order in the framework and it is what is Government's role in the development of R. and D., a bit like we have had R. and D. capability

in the past (inaudible), but that is to be determined, to be discussed. So the framework is kind of ... once we get proceeds done, and I really do hope we do because if we do not we will be like the record company that did not sign The Beatles, I genuinely think ...

Senator S.W. Pallett:

So once that gets through you will start to communicate to us about how that is going ...

Group Director, Economy:

Exactly. So it has been quite difficult to be really clear about what the situation is until the situation has been landed, effectively.

Senator S.W. Pallett:

We have already mentioned the Jersey Cannabis Agency is, in essence, the Minister for Health and Social Services. Just to confirm, the Chief Pharmacist is not part of that group or is not ... I know you advise the Minister but not ...

Chief Pharmacist:

(several inaudible words) we have no involvement with that group. We clearly want clear separation between (several inaudible words).

Senator S.W. Pallett:

Okay. In terms of the J.C.A. (Jersey Cannabis Agency) itself, does it report to anybody? Does it report to the Minister, Ministers, C.O.M. (Council of Ministers)?

Chief Pharmacist:

The J.C.A. or the advisory ...?

Senator S.W. Pallett:

Well, both.

Group Director, Economy:

So the advisory body is completely independent. It does not receive any funding. It is not formalised in any way politically or through officers. It just exists to help ...

Senator S.W. Pallett:

Provide advice?

Group Director, Economy:

Yes.

Senator S.W. Pallett:

But the J.C.A.?

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

The J.C.A. is the Minister for Health and Social Services.

Chief Pharmacist:

The Minister for Health and Social Services is the (several inaudible words).

Senator S.W. Pallett:

The J.C.A., does that have formal terms of reference?

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

It is the M.O.U., is it not, to a certain extent?

Chief Pharmacist:

To a certain extent, the M.O.U. provides the framework for the Jersey Cannabis Agency to exist. There are no specific terms of reference for the Jersey Cannabis Agency. It is guided by legislation in terms of what it can and cannot do.

Senator S.W. Pallett:

Is that something that the Minister might consider some wider terms of reference? We have already talked about widening the remit of the board. Is that something that has been discussed?

Chief Pharmacist:

Certainly, widening the (several inaudible words) but I think there is an acceptance that there needs to be a broader group to advise on licensing decisions and that group could (several inaudible words).

Senator S.W. Pallett:

Okay.

The Deputy of St. Mary:

You envisage there the role of the cannabis agency itself being extended to include others or maybe you are thinking about that ordinary group to advise, but the concern I would have is (several inaudible words).

Chief Pharmacist:

Those discussions are happening and we are looking and taking advice on how best (several inaudible words) so definitely there is discussion ongoing around (several inaudible words).

The Deputy of St. Mary:

Well, thanks for that. In terms of conversations (several inaudible words) taking place, do you have any idea of timeline when decisions might be made over that?

Chief Pharmacist:

No, I do not. We have had discussions at the advisory body. We are taking advice from Law Officers on what framework that might look like and what terms of reference might or might not be appropriate (several inaudible words).

Senator S.W. Pallett:

Can I just have one final question in this? It is not one that was on our list but I can understand, I suppose, there will be an interest if we were to use medicinal cannabis products in the Island. But has the Medical Officer of Health had any involvement in any way in the industry to date or been progressing or decision making or discussions?

Chief Pharmacist:

Who, sorry?

Senator S.W. Pallett:

The Medical Officer of Health.

Chief Pharmacist:

The Medical Officer of Health. No, other than obviously when the use of medicinal cannabis was made lawful in 2018, the start of 2019, that was following discussion (several inaudible words). So, effectively, that making the use of cannabis as a medicine neutral or he has obviously started this whole process. The Medical Officer was advancing and we had discussions about the use of cannabis as a medicine.

Senator S.W. Pallett:

But they would not have any involvement in terms of us producing product here and, potentially, selling on Island? Would they be involved in that discussion, potentially?

Chief Pharmacist:

Potentially. But we would need to ensure that not just cannabis but all medicines are used appropriately and in relation to (inaudible) according to that.

Senator S.W. Pallett:

Okay, thanks.

The Deputy of St. Martin:

Can I just ask one final question then and just for clarity in order for it appear on the tape? Where you say that the cannabis agency and there is already legislation in place that dictates to the cannabis agency what it can and cannot do, which specific pieces of legislation are you referring to?

Chief Pharmacist:

The Misuse of Drugs (inaudible) frameworks or the Minister to issue licences in terms of cultivation of cannabis, production (inaudible) controlled in their possession, controlled drugs and supply of controlled drugs and that is the legislation that we use as in ...

The Deputy of St. Martin:

That is why I just wanted to make that absolutely clear.

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

It is in the main part of the negative element.

Chief Pharmacist:

Regarding some medicinal products.

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

Yes, whereas manufacture ...

The Deputy of St. Martin:

I have just got a couple of very quick questions about processing, Minister, and we have got a lot of investment on the Island for infrastructure with cultivation and there would be an increased investment were we to invest in infrastructure for processing. Do you see in the future if we were fortunate enough to have these processing facilities, is that all Jersey-owned U.K. companies or would you be looking for more specific from direct investment, potentially?

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

I have always felt strongly that this should be (several inaudible words) the very nature of this means you have to have infrastructure and substance, so that ...

The Deputy of St. Martin:

No, that is fine. The only other question I will then go on to is that if ... we know this could be very lucrative financially, the processing of this product, it takes it up into another stratosphere of value. Given that and the potential tax receipts, would there be any incentives to a processing industry, to the industry generally, just to start to set up these facilities?

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

Given the potential upside and the high levels of profitability to successful operations, I think it would perhaps be difficult to use taxpayers' money in the way we can use it for other areas, just I think that it might be too early for that conversation ...

The Deputy of St. Martin:

Yes, I accept that. Okay, thank you. Senator Pallett has a couple of questions on input investment, so just for ...

The Deputy of St. Mary:

I think that area, the cultivation and the medicinal production matter, just to confirm that while I understand the argument for cultivation is not (inaudible) other things, when we are talking about production and probably you would obviously see that as being a new industry almost, rather than being ancillary to just drugs.

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

I think it is extraction and is ancillary to that because you can export the plant and extractions from the stalk and then there is the medicinal industry where you actually manufacture, you can take the extraction and you manufacture, as into medicines or as (several inaudible words) and ingredients, if that is the right word, which is (inaudible) to medicinal advantage for companies. Then of course the actual property side, which is good to have another industry that is research and development and feel free (several inaudible words) might make it more intelligible.

The Deputy of St. Martin:

Sorry, all right. I have just thought of another question that sort of popped into my head and it is a question and Dan referred to earlier, did we have any indication of the value of these jobs? Obviously we know in agriculture there is a scheme (inaudible) quality of jobs but do we know what sort of money (inaudible) would expect to be paid in these industries?

Group Director, Economy:

Yes, we do not have the actual detail but there is obviously a range of high-value technical jobs and lower-value jobs. A facility, in my view, means about 50 people. One of the speculative conversations we have with a company that (inaudible) with investment company from southern Europe was looking at approximately 50 staff where they bill an annual salary of about £90 million a year. Then if you look at that at 2 per cent inflation over the next 20 years, which is the length of their business, so long-term investment. But I did not think about £47 million creates a lot of ... if that is the income tax receipts coming from that. But there is also construction costs that better be and better fixed around banking and administration, as well as the industry itself. This is a really, really, potentially, lucrative and beneficial initiative for the Island.

The Deputy of St. Mary:

Would come in useful as more investment and, yes, that is my cue to go to Senator Pallett again.

Senator S.W. Pallett:

Just one more question on that. It is a question we asked the other day of the Health team, in terms of facilities, other than growing facilities, packaging, for example, and production facilities. Do you see them always being facilitated on the site where it is being grown or do you see that, potentially, being separate?

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

On the site the level of activity that is going to be undertaken, I mean, we do not really want to have an industrialised countryside. We have areas, trading estates and appropriate areas for industry and we have areas for agriculture. Depending on what the ... perhaps I ought to pick up where I left off very quickly, which talks about what happens after cultivation and the extraction, then the opportunity for manufacture, which possibly would have to be done on separate sites.

Chief Pharmacist:

Yes, I am going to take it, just because you cast out sites, it is just initially led and someone else you could cultivate, potentially, barley, dried flowers, the extraction facility (inaudible) the G.M.P. requirements that (inaudible) the active substances that are used to start (inaudible) of medicine, which could then supply to another facility (several inaudible words).

[14:15]

Absolutely, yes, so I think there are various ways of delivering it. Another thing is to have ... because you said there have been issues in the production of medicines and set the standards of faulty control measures around it and that (several inaudible words) controls.

The Deputy of St. Martin:

Yes, just to be clear, that applies to the cultivation as well; it is not just about the processing.

Chief Pharmacist:

Cultivation itself, any medicines in manufacturing well you obviously use cannabis like a medicine, establish due diligence (several inaudible words) with raw materials. Certainly we would want to see better (several inaudible words) and then any additional processing in terms of in getting (inaudible) G.M.P. standards so that we can guarantee the quality for starting terms for ...

The Deputy of St. Martin:

There is a G.M.P. standard all the way through.

Chief Pharmacist:

There is, other than the physical growing and once you start to then throw that (several inaudible words) into it and start ...

The Deputy of St. Martin:

The moment it is harvested in the greenhouse it then goes into a G.M.P. ...

Chief Pharmacist:

Unless it is a drying process and ...

The Deputy of St. Martin:

That is the G.M.P. process.

Group Director, Economy:

Perhaps if I may, effectively, there is 3 types of product that require different types of accreditation and standardisation. You are taking raw material which is (several inaudible words) it is not finished product, it can be sent for processing so ... as the botanical drug stuff stints, which is required to be produced at G.M.P. standards and then there is the finished medicine itself. Effectively, there are 3 types of product. I have spoken to the director of development control around the issue of processing and, as the Minister quite rightly says, once we get to that point there will have to be a discussion around the trade-off between the convenience of having a processing plant next to your cultivation plant versus, is this the right place for this sort of stuff? But that is a conversation that we have already ...

The Deputy of St. Mary:

Just moving on, thank you for raising the question. There is general concern and the Minister has replied and said it already but it is probably particularly what they thought (several inaudible words) might suddenly find themselves with a processing plant next door and at least for sure I mean you at least accept but you say, I think, that there are (inaudible) ongoing, that this is an area where perhaps environment legislation needs to be more precise as to what is and is not agricultural and would (several inaudible words).

The Deputy of St. Martin:

I will just press on one tiny little point. When you said after the crop is harvested it goes to a G.M.P. process. Does that G.M.P. process also apply to the disposal of the crop at the end of the process?

Chief Pharmacist:

The G.M.P. does not apply to the disposal of the crop (several inaudible words) been used in the production of medicine and it could be there needs to be measures around (several inaudible words).

The Deputy of St. Martin:

There would be some clear regulation around disposal.

Chief Pharmacist:

Yes. So disposal controls around this generally in terms of (several inaudible words) for example. It is a strict capacity but (several inaudible words) nominate a person to be your (several inaudible words) then I can give this instruction as well.

The Deputy of St. Mary:

Sorry, that the States have already in place, is it?

Chief Pharmacist:

Yes, around instruction control (several inaudible words) ask the question on the licences that are granted and other licences in general.

The Deputy of St. Martin:

Is the method by which it is destroyed (inaudible)?

Chief Pharmacist:

No, it is not but the general framework that is in that it is easily destroyed so that it becomes untreatable.

Senator S.W. Pallett:

Okay, we will move on to what I think is almost the final section. In terms of the benefits of cultivating medicinal cannabis, can you give us an idea in terms of inward investment, how successful it has been to date and how much interest are you seeing?

Group Director, Economy:

We have got, effectively, 2 licences to cultivate, which came from people in businesses that are probably resident in the Island. Most recently we have seen quite a significant producer in Europe come into Jersey wanting to relocate their company in the Island, where there was previously a 20 to 25-year investment plan. As I say, it is a relatively new development and we also have got a number of funds across locally both Jersey and Guernsey in terms of headquartering their companies together, where they see all the benefits they make in the standard terms of the companies that we want to get behind with individuals that we want to encourage into the Island. Plus the benefit of - and this is really critical - growing experience and infrastructure that is, potentially, available for development. We get a lot of enquiries, Scott Meadows is the person that seems to be the key contact point for enquiries and we try to narrow it down to a single point of contact and specific licence queries go to Paul. But we are seeing a lot of interest in company relocations. We have got a lot of interest in people wanting to come here and base themselves as cultivators. The 2 companies that have currently got licences are putting in all sorts of external investment as well. I think the reality is that there is a supply and demand issue in Europe and we are very close to being the first to market. I think people in the world recognise that. What we do need to do is finesse our inward investment offering at this stage and I think until we have got the framework in place, i.e. the proceeds of crime piece landed, it is very difficult to go out and say we are open and we ... proceeds of crime debate we will work them quite quickly and it will give positions to make the amendments that we require by the summer. If that is the case we then go full throttle in terms of, potentially, making that absolutely clear to the world. We are not far off having the first E.U.-G.M.P. approved facility in this Island but that is a rare thing.

Senator S.W. Pallett:

This may be one for Scott but in terms of this actual investment and what investors would expect to see from us as a jurisdiction in terms of regulation, have you had any feedback from them about where they see improvement can be made? If Scott is the person that has been talking to them on a day-to-day basis, he may be the one that ... but can you give us any idea of that?

Group Director, Economy:

The chairman of the advisory group (several inaudible words) anyway. You do have slightly more mature jurisdictions that have, effectively, become a sort of R. and D. hub and that is countries like Israel and they have been doing this since about 2006 one way or another. Of course they are not European and the European market is easy for us to access because we are close it, we understand

it and working to the same set of rules. The message is do not lose your early-mover advantage, keep pushing on. Inevitably, there will be some finessing, I think, but I think we are in a very good place if we can get the proceeds over the line and that is urgent, in my view, we will be in a really, really strong position globally to attract all sorts of investment and Scott might want to add to that.

Head of Biosecurity:

I think part of Jersey's offering as well is being on the N.H.S.'s (National Health Service) doorstep, your climatic stability, compared to some Mediterranean countries. People are looking out to investing in ... and one case in Jersey with an investment opportunity, a very, very high-tech glasshouse. It has minimal energy usage. One of the problems with warmer countries is in peak temperatures is having to cool the glasshouses, so that is a problem we would not have. As Dan talked about the early-mover advantage, the sort of maturing legislative process we have got here and providing the environment to allow us to succeed, are all making it very attractive to responsible companies coming here.

Senator S.W. Pallett:

In terms of making the most of that because clearly there is some interest in that, I know with one of the adviser's questions and I just want to clear this up, a cannabis co-ordination steering group was mentioned, that is the same as the advisory group, is it, or is it ...

Group Director, Economy:

No, I will clear that up for you, it is a good question.

Senator S.W. Pallett:

Okay.

Group Director, Economy:

Because, as we are discussing this afternoon, this is a multi-disciplinary sort of Jersey P.L.C. (public limited company) type challenge. We have all got to kind of work together like officers, politicians or external companies to support this. It does require some co-ordination and working outside of silos. The group I chair is an internal officer group but that joins the dots as far as is possible in what is a formative process. That has allowed us to get to where we are today and I take your point about political oversight, well made. But the officer group, I think, has worked really well. I think it has had 27 meetings in its lifetime, meets once a month and it is entirely an officer group that applied that, just to make sure that the economic development imperative is not lost in discussions around regulation ...

Senator S.W. Pallett:

Can I ask, though, is that like formal terms of reference and there is decisions made or direction taken with then that being formally minuted, so we could have some idea of the direction?

Group Director, Economy:

No. We minute the meetings, which you are welcome to see ...

Senator S.W. Pallett:

I think that would be ...

Group Director, Economy:

Yes, but it is not in there as one terms of reference because it is just officers working efficiently and effectively together ... yes, the officers represented do report back to their own Ministers but ...

Senator S.W. Pallett:

Is it a large group in terms of numbers, I would imagine?

Group Director, Economy:

Seventeen. But there have been gaps and as we move through the process we start to recognise what they are. It is almost like you do not know what you do not know. As I say, I ...

Chief Pharmacist:

There might be somebody from treasury or somebody ...

Group Director, Economy:

Yes, we have got representatives from Law Officers, tax, Arts Council. One of the gaps was Planning and I spoke to Peter Le Gresley about this last week and he has agreed to join that group, so we have that planning element there. That is what we describe as the cannabis co-ordination group, just entirely internal officer group, and then we have the Jersey Cannabis Services Advisory Group, which is, effectively, equivalent to the National Farmers' Union or Jersey Farmers' Union; it sits outside independent.

Senator S.W. Pallett:

Okay. Again, if we can have any information on that, it would be really good. You have probably answered the question. I presume that group has been co-ordinating everything across Government because that was going to be my next question. My last question on this one - I will hand over to the Chair - and there is a word missing in this, so I like to guess what the word is. Will the cannabis co-ordination steering group be appointing a relationship person or a communication person so that they can sort of communicate, possibly with States Members or wider afield, about the direction of

the industry? I know you have the economic framework coming but is that something that would be co-ordinated by or co-ordinated through that group?

Group Director, Economy:

Exactly, you are quite right. We have 2, we have just appointed a new head consular, effectively the shadow economy department, and he has just taken on that. He is now a member of that group recently, so he will be running not just externally but also internally. Because to some extent this ... trying to achieve here. But, again, until we have got the framework embedded it is difficult to say we are planning to do this but we have not quite done it yet. Hopefully, by August or so we will be in a position where we can be really clear about what the offering is, both internally and externally. With that in mind we have got a draft proposition document that will be used to, effectively, be absolutely clear what the state of the framework is from a regulatory and legislative perspective, how you engage with the application process, who you need to talk to or approach that steers you through the process. It is immature at the moment, although we are further ahead than many other jurisdictions. We just want to put that final bit of punctuation in around process of farming and then we are good to go.

The Deputy of St. Mary:

As for this group but do you say it is ... in the sense that it is working (inaudible) perhaps and ...

Group Director, Economy:

Yes, and there is a batting order to the way we do things and that is by necessity. As I say, we are very close to that, that is a key piece, which is proceeds, which is the final bit before we can go out and say, right ...

The Deputy of St. Mary:

Going full circle to the regulation, the licence, and the Minister did say at one stage that Jersey is taking a comparative approach in the relevant industry, identifying (inaudible) any legislative or regulatory barriers. Is that something which this group is going to be doing or has it done and one by obviously some sort of conclusion and just what we think might need to be done to like beef up the industry and the regulations on it?

Group Director, Economy:

Again, I would be careful about the implication around it; we do not have the right framework at this stage. But I think we have got enough to legitimately be pushing forward in the way that we have but only to be issuing licences. We do not have enough to encourage relocation of businesses because we do not (inaudible). However, what we see from the minutes of this morning's cannabis co-ordination group meeting is I have requested from Law Officers and this legislative ... they believe

needs to be finessed and updated to allow us to be able to say we have got globally the best framework process.

[14:30]

We have identified today some of that additional stuff that Scott was talking about around this idea that the industry might want to do stuff around cannabis seed and intellectual property and you need some consideration of plant varieties, legislation to look at that. In actual fact it might be worth hearing from Scott on that particular point, just to give you an example of that this is a formative process that we have got to be adding on in terms of reacting to. Scott, do you want to just talk about N.I.A.B. (National Institute of Agricultural Botany) and plant varieties for a few moments?

Head of Biosecurity:

Okay. Across the U.K., E.U. and the world there is a variety of registration system for plants and this operates for cereals, for carrots, for oats, for grapes and for hemp. But there is not a framework in place for high T.H.C. cannabis that operates in the E.U. I have asked N.I.A.B., who are the sort of U.K. scientific experts in seed-variety testing and registration. I have posed a set of questions to them, which I am not going to list here. I have asked them for an advisory report back from the highest level as to how the future of the registration of high T.H.C. cannabis might operate and also asking some questions about what the commercial opportunities for Jersey may be within that space.

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

Could I just thank Scott and I think, as Dan said earlier, the framework that we have serves us for the Misuse of Drugs Law. I think is a good example, which is written in a way that provided the flexibility to produce the licensing. That is not just about identifying barriers to the existing legislation, it is, essentially, to do with any other industry, including financial services or agriculture (inaudible) and perhaps changes to the law and new legislation that will ... to progress and be accepted to progress.

Senator S.W. Pallett:

Can I just ask a very brief question? You mentioned in search of properties and that has not been mentioned very often. We all scrutinise it in search of property laws when they came through. Have we got a unique selling point in search of property laws and what we could offer in that regard?

Group Director, Economy:

I do not think we have but I think the challenge is to get the early movers in this sector to establish in Jersey. As that market matures (inaudible) for the Island and for the benefit of Jersey. My guess

is - and this is a guess - that the companies that are well advanced now or ought to be well advanced because they tend to be the first leaders in these markets and they will mature under the range of products and benefits will be increasing and will increase over time.

Senator S.W. Pallett:

It is more around the fact that they will be here doing something different and wanting that to be protected.

Group Director, Economy:

Yes, exactly. T.H.C. and C.B.D. medicines are fairly generic, what we want is people ... what we want to encourage in all markets is innovation and I think there will be, inevitably, a move to a different range of products that are more bespoke medicines than sort of generic medicines. I am absolutely clear that that is the direction of (inaudible) an additional piece, that we will discuss the other bigger markets when being C.B.D. and potentially get (several inaudible words).

The Deputy of St. Mary:

A quick question, again, in response to questions raised by our advisers who stated (inaudible) of the Island's reputation as a well registered jurisdiction and a good place to do business is maintained. Are there some positive ways you can demonstrate that? I suppose one of my concerns is that there is a public perception that matters associated with the cannabis industry are perhaps a little off-centre and are there any particular regulations in place - and perhaps I should ask somebody at I.F.C. (International Finance Centre) - to ensure that anyone investing in that area is anything other than absolutely 100 per cent?

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

I think we will do your second question first and that is covering the proceeds of crime and (several inaudible words) financial activity around the industry is bound by the very strong, strict financial regulations we conduct our business (inaudible) financial jurisdictions. I am sorry, I forgot the first question.

The Deputy of St. Mary:

Our reputation I was thinking it is something we all strive for.

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

Jersey is fortunate enough, I think, and this was (several inaudible words) in Canada in 2019 and it is very known and respected for its reputation around its industries. We have very good financial regulation of course, arguably, we have 2 of the most (inaudible) products in the world (several inaudible words) of course our Jersey cow and our dairy industry. I think that is really helpful. The

fact that we are a British Crown Dependency and, as Scott alluded to, we have certain benefits to our geographical location and I think together that makes a very strong impacted package, are responsible and businesses are interested in becoming part of this industry.

The Deputy of St. Mary:

What I was saying probably rather crudely is seeing that cannabis is sort of (several inaudible words) with drugs in its widest form, there are those who are concerned about people investing through J.F.S.C. (Jersey Financial Services Commission) that might not, as I say, necessarily have a ...

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

I think the world is moving on from that train of thought, maybe some members of our generation and older still ...

The Deputy of St. Mary:

Speak for yourself, Minister.

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

I am, as you know, like (inaudible) we want to move ahead and the new generation certainly are much more, I think, open-minded and would not judge cannabis sort of as an illegal narcotic but as something that could make a great deal of positive change to people's lives.

The Deputy of St. Mary:

In effect, you are saying that the current regulations will help to ensure that those who have got no place in Jersey are ... will we apply them much more stringently than ...

Group Director, Economy:

It is a little bit delicate with not the Minister responsible here but the reality is the proceeds of crime legislation will, effectively, have a list of jurisdictions where we feel the risk of corruption and anti-money laundering and so on and so forth, which will all impacts on reputation, it will be illegal to engage with them in this space; that is the safety net around reputation. Obviously financial services providers will have to look to their own risk boards to determine whether they want to engage with this sector. But what the proceeds of crime amendments do do is give quite a strong message to those entities that we believe that there is a very good economic development case here. We also believe that those people that want to invest in this space are absolutely as concerned about reputation as we are because lack of reputation in this space for all the reasons that you have said, that is your devalue to their companies. There is a financial imperative to make sure that this is highly regulated and there is a high bar to entry, so that those people who do end up producing this stuff and investing in it are above board and it is absolutely consistent with ... and is absolutely

transparent. I think we have the framework to allow us to do that. We have a commerce plan for this, so once you have planned the proceeds of crime we can start to articulate some of this stuff, some of the benefits and dispel some of the myths as well.

The Deputy of St. Martin:

While we are talking about absolute transparency, can I ask do you think it is right that all the shareholders are declared in the companies that are growing or bulk-raising cannabis?

Group Director, Economy:

We do have to do due diligence for licensing ...

Senator S.W. Pallett:

But it is only for those that have 20 per cent and above. My question, which was on similar lines as Deputy Luce's, is are you reviewing that because that seems to be a high bar or high barrier in terms of who we are doing checks or who we are looking at in terms of their shareholding.

Group Director, Economy:

Are too high.

Senator S.W. Pallett:

Yes, it is too high, we need to lower it. That shareholding should be lower in terms of making sure people provide information.

Chief Pharmacist:

If I can be (several inaudible words) as well as people and key function in the investment of staff and so we could ask them for (inaudible).

Senator S.W. Pallett:

Is that a recent change in policy because it was not originally ...

Chief Pharmacist:

It was not originally, no, you are right, it is 20 per cent was the original bar but (several inaudible words).

The Deputy of St. Mary:

(inaudible) that applies to an application but do you happen to know if there is legislation to ensure that on transfer of ownership, et cetera, and some information is produced to the authorities or ...

Chief Pharmacist:

I think there is sufficient on the licences that you check (inaudible) notified.

The Deputy of St. Mary:

That would apply even to get back to the high bar what that would apply to, okay. Thank you. Thanks for that.

The Deputy of St. Martin:

I have one final question, if I may, and that was to go back to Dan. He said something which was, I thought, very interesting when we were talking about the new consular appointment. He mentioned this new consular appointment to the shadow environment department and I would like to know what the shadow environment department is?

Group Director, Economy:

Did I say environment? I meant economy.

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

It does not mean that we are in the shadows.

The Deputy of St. Martin:

Sorry, can you tell us what the shadow economy department is?

Group Director, Economy:

You may well be aware that structurally within the civil service my team was transferred into the office of the chief executive to, effectively, join forces with financial services and to economy team. We have now got a new target operating model that, effectively, brings back together both the formally separated functions when the economy went digital and financial services sat in one place and the local economy sat in that. But that now structurally has been mended, so all of economy sits together in one case structurally and sits like this ...

The Deputy of St. Martin:

Can I then ask the Minister, does that come under your control or is that under the control of the Chief Minister?

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

It is under my control. The office, it is not a political kind of change, a political responsibility that is (inaudible) structural change. But if you cast your mind back, I think (several inaudible words) the economy. But then it was set up in its own ... that should sit in its own ...

The Deputy of St. Mary:

Sorry, I have noticed the time and so we have kept you longer than we want, longer than you wanted, I am sure.

Senator S.W. Pallett:

Could I ask very, very brief questions because they are the ones that were around the Law Officers' Department, the Law Draughtsman? But they are just questions I think ... in terms of the relationship you have with the Home Office, who is responsible at the Home Office for granting the licences and working with you in tandem?

Chief Pharmacist:

The Home Office, in terms of U.K. applications, it is the licensing decisions at ops level ... ahead and we have some firearms licensing and, yes, that can be ... (several inaudible words).

The Deputy of St. Martin:

Could I just ask how many people there are in the drugs and firearms unit?

Chief Pharmacist:

I do not know.

Senator S.W. Pallett:

Okay, the last one from me is, in terms of the M.O.U. with Jersey, was there any information used to make that M.O.U. sort of Jersey specific? Because I know they have the law as it is in the U.K. but to make it specific for us, was there any thought about how that was done?

Chief Pharmacist:

The overarching law (several inaudible words) so that applies equally. Our (several inaudible words) that is why we are able to (several inaudible words).

The Deputy of St. Mary:

Sorry to interrupt ...

Senator S.W. Pallett:

No, go on ...

The Deputy of St. Mary:

The points were in drafting (several inaudible words) will be further supporting regulations at this end?

Chief Pharmacist:

I do not think that was a conscious discussion, so I would imagine they acknowledge that we can (several inaudible words) what we might want to do but that that might then require a revisit and then maybe get (inaudible), if necessary, to clarify matters. I think as this was the first lot they had done, so I think in order to review it (several inaudible words).

The Deputy of St. Mary:

Sorry (several inaudible words) to keep it but you say it is first when they have done it. Guernsey has a similar regime, does it not?

Chief Pharmacist:

No, Guernsey does not have the (several inaudible words).

The Deputy of St. Mary:

Okay, that is interesting.

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

We are a Crown Dependency and we are setting our policy and a new element appearing in that policy and (several inaudible words).

The Deputy of St. Mary:

My request fell on deaf ears last time but if the advisers are listening, have they got any other points they wish to raise or are you quite happy, lady and gentlemen? I wonder if they have not heard us. Okay, well if ...

Senator S.W. Pallett:

Nothing further from me.

The Deputy of St. Mary:

Yes. This panel has completed its questioning. Thank you, Minister and officers (several inaudible words) thank you.

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

Thank you.

[14:45]