

STATES OF JERSEY



DRAFT ANNUAL BUSINESS PLAN 2010 (P.117/2009): COMMENTS

**Presented to the States on 22nd September 2009
by the Economic Affairs Scrutiny Panel**

STATES GREFFE

COMMENTS

The stated aim of the Economic Development Department is –

‘to encourage and facilitate economy wide productivity improvement in the medium term which will lead to sustainable economic growth with low levels of inflation coupled with economic diversification and the creation of job opportunities’.

Whilst the Panel agrees with this statement its initial thoughts are that the Department should provide a public statement in conjunction with its Business Plan, as to what it means by ‘sustainable economic growth’ or more accurately: ‘long-term economic growth’, the term used in the Department’s Strategic Objective 1. This would have enabled the Panel and more importantly, the public to use it as a guide to measure how far the Department is meeting the true short and long-term needs and obligations in the business world, and in-turn social and environmental needs on a local and global scale. Furthermore, it must also be borne in mind that the survival of our cultural and historical events and sites, things which remain at the heart of Island life, largely depend on the success of the economy.

The success of a diverse and sustainable economy partly depends on the skills of its workers. The Panel believes that a breakdown of figures showing how much funding each industry is receiving to support its skills base (reference: page 32 of the ABP), should be published to see if the Economic Development Department are achieving their goals of developing ‘sustainability and diversity within the economy’; to assess whether or not the Skills Executive and Jersey Business School are meeting the needs of islanders and worth the investment of tax-payers money.

Economic diversification is a frequent and strongly stated aim of the States and Economic Development Department. Despite this, one has to ask: will the proposed £172,400 cut in the Rural Initiative Scheme and £506,700 cut from the Tourism budget be conducive to this key objective? Industry leaders and professionals that the Panel have spoken to over the year, say that investment is crucial for the survival of these industries and the overall long-term sustainability of Jersey’s economy.

The strategic aims of the Department for the Rural Economy are: ‘greater diversity and enterprise’; ‘sustainable and internationally competitive’; and an ‘increased productivity with a target of 2% real growth’.

In recent years, the Island has seen consecutive Government cuts in the Tourism and Agricultural sectors, whilst they have edged closer to dissolution. In real terms, it is fair to say that these ‘traditional Jersey’ industries have not been supported adequately by the States. Yet it also must be recognised that changes in national and international markets have also affected their decline. Nevertheless, reductions in the investment from Government in already failing industries has done too little to stimulate the development of more sustainability and diversity within the industries themselves; and it must be said that there is no evidence to suggest otherwise.

In relation to Tourism, the proposed cuts of: £196,800 in Destination Marketing and Communication; £47,000 in Events; £298,200 in Joint Marketing; £12,600 in Research and Statistics; and the recent reduction of airlines pulling out of Jersey, leaves the Panel very concerned that this will further add to pressure on already-struggling tourism operators and providers to ‘pack-up’ and leave the industry.

It should surely be no surprise and the question must be asked, when one considers the original Oxera report, as to whether this is actually the real intent – such cuts clearly do not appear to be encouraging to the growth of the Tourism industry; in fact they appear to be achieving the opposite, which will leave a reduced need in the island to develop skills in this field.

Whilst the Panel supports the diversification and the general investment in the finance industry, and further detailed investigation into the intellectual property rights and e-commerce sectors, it questions, in a time of economic downturn, what seems to be almost a sole focus on Finance and the brushing away of our long-established industries – Agriculture and Tourism, which are potentially highly successful.

Finally, we recommend that before the Economic Development reduces the budgets of the Agriculture and Tourism industries, that they meet and consult with industry leaders and professionals, to determine ways forward to encourage growth in these sectors and economic diversification, as set out in their own aims. At the same time we believe that they must develop a public statement outlining their definition of ‘long-term sustainable growth’.

We also question whether or not ‘productivity’ is always the most appropriate measure of success and would welcome an intelligent definition of productivity in different sectors from the Economic Development Department.