



SEYMOUR HOTELS

OF JERSEY

Deputy M Higgins
Chairman – Economic Affairs Scrutiny Panel
Scrutiny Office
Morier House
Halkett Place
St Helier
JE1 1DD

8th March 2010

Dear Deputy Higgins

Tourism Public Private Partnership Review

The Seymour Group is supportive and broadly in agreement with the principles and rationale for a Tourism Public Private Partnership (PPP) as proposed, recognizing that the industry should have a more commercially minded body that is directly responsible and accountable for the marketing of the Island as a tourism destination.

Various alternative options have been explored within Version 7 of the discussion paper which, although not exhaustive, generally gives a good indication of some of the types of PPP's that exist elsewhere and provides an outline of a structure which might be best suited to Jersey upon which I offer our comments below.

If the proposals as put forward are accepted then there is no going back. If the level of funding cannot be achieved or is reliant upon too few, making it disproportionate to the return, there will be a disincentive to participate and the whole sector will be at risk. There are no safeguards.

The fundamental issues which require addressing in detail are funding, membership participation and benefit, accountability and medium to long term cost exposure. (It is appreciated that aspects of these issues may only be properly addressed when the principle has been agreed and a structure is in place, or indeed, they may have already been addressed although not included in the document).

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To give the PPP a fighting chance and to prove its worth in its early development the budget that is proposed to be transferred from EDD to the PPP needs to be ring fenced and set at least to the quoted 2009 levels. Recent budget cuts have taken place within States Departments and it is not clear how these may affect the proposals going forward.

The aim to attract corporate funding from the wider non-directly related tourism private sector is good although the amount maybe unrealistic as businesses already have many other competing demands upon their resources – has there been any formal testing amongst the businesses identified in Appendix 5 – i.e. retailers, service providers and commerce in general – to gauge the potential level of financial support?

The proposal states that membership costs will be based upon the number of employees (4.4 p11). Whilst this might work to encourage participation of non-directly related tourism businesses it should not be the sole condition for all – i.e. for the accommodation sector a combination of star rating and number of registered beds would be fairer given the wide range of price, type, size and style of accommodation available in the Island; for pubs, clubs, restaurants it could be based upon the approved maximum occupancy of establishments as determined by their licensing approvals. Retailing zones could be identified according to high/low levels of pedestrian traffic and membership rates set accordingly.

A real issue that will need to be addressed is how those organisations which are directly engaged in or benefit from the tourism sector but do not wish to become members will be treated alongside those that are committed to the PPP. What, other than not being afforded the opportunity to participate in promotional activities organised by the PPP, will be the differentiating or identifying factors?

For instance, how will the many non-registered accommodation providers, attractions, activity providers, beach cafes, kiosks etc in the Island be positively encouraged to join the membership scheme. A suggestion could be to widen the remit of the Tourism Investment Fund to the private sector and in particular participating members?

The registered accommodation sector is under particularly intense competitive pricing pressure (both on and off Island) and unfortunately the number of properties continues to decline. Therefore to maintain and increase the income stream suggested in respect of advertising revenue generated by the Guide is again difficult to equate especially as so much more marketing spend is now

being diverted by individual businesses to online activities and this looks set to continue.

'Increased Joint Initiatives' – this will undoubtedly raise more funding than is currently the case if the right opportunities are presented to the membership. However, it is difficult to square the additional amount identified from this source and the further additional amount identified by the *'Redirection of Existing M&P Investment from Direct into the PPP'* (both Appendix 5). Surely these are one and the same - in which case is the total (an additional £187,000) really achievable?

Within the executive summary it is stated that the proposal *'...will and can only work to the greatest effect if ALL marketing and promotional activity in the Island is either under the direct control or can, to a great extent, be influenced by the PPP'*. The former part of this statement is highly unlikely although the marketing strategies employed by the PPP should certainly act as a point of reference for individual businesses' own destination related marketing activities.

It is evident that much considered thought has been given to the area of staff transfer from the present Department and the many real issues that need to be covered under this heading. However, the subject of pension provision and possible gap funding for existing staff members requires to be clarified in respect of the long term responsibilities of the proposed new organisation.

It is stated that Board members will be remunerated for the services they provide although it is unclear from the information provided of either the total amount or where this will be charged.

Although the short term costs of staffing, administration, IT and establishment have been identified, greater attention needs to be afforded to the cost elimination and subsequent revenue recovery exercise which has been attributed to the *'Value of Central Services'* currently provided by the EDD. Also what exactly is included in *'a new IT specification with a one off set up cost of £210,000 and annual running costs of £160,000'*? The medium to longer term costs of all the foregoing remain open to concern especially as these are eventually intended to be wholly financed through the revenue generating objectives of the PPP – if these do not materialise where does responsibility for failure lie?

The proposed staffing structure of the new organisation, its demands upon States' provided IT services and occupation of premises does not appear to be

significantly different to that which presently exists. It must therefore be questioned how much autonomy the new organisation will be allowed. If the Jersey Tourism Department did not currently exist and a PPP was being proposed from scratch, how would it be organised? What are the comparable implications in respect of financial, physical and human resource?

Upon which criteria will accountability of the new organisation be judged? It is important to determine whether all stakeholders (public and private sector) will be receiving equal and best value for money.

It is stated within the document that '*...the PPP will be charged with delivering a series of outputs, measured by Key Performance Indicators (KPIs) that would be agreed with the Minister for Economic Development*'. Presumably (this being a partnership) these KPIs will also be agreed with the industry by the Board? It is not apparent from the document exactly how the Board of the PPP will work with the private sector and, apart from the opportunity to be 'briefed' 3 times per year, what avenues will be available to the latter to actually have influence over direction.

There is an unfortunate 'feel' to the proposal that the PPP will be in name only and in essence be a UK government style quango. The existing Department suffers from, and is stifled by, having too many political masters so a clear statement and understanding of the level of independence of the new organisation is required for all.

With regard to the stated Strategic and Operational Objectives and the associated KPIs these require further clarity. They need to demonstrate that there will be a clear distinction in results between those currently being achieved by the existing Tourism Department and those being set for the PPP – it is assumed that the targets will be set higher than at present (2% GVA?). The reasons for this are firstly that the States' will be better minded to support the proposals both politically and financially (and hopefully thereafter more encouraged to support the industry in the long term and over wider issues); and secondly, that the industry needs to be able to clearly understand the short, medium and long term differences a fully participating PPP could make to their own bottom lines to encourage early and greater commitment.

Finally although the proposal has been in discussion status for a number of years it would benefit from having all the financials and budgets updated to 2010 values and also project the income and expenditure plan at least three, although preferably, five years hence.

In conclusion, as indicated at the outset, the Seymour Group is supportive of the principle and rationale of a Tourism PPP. There are questions of detail that remain to be answered but these should not be insurmountable (if they have not already been addressed) nor should they at this point prevent further progress.

The Economic Development Department and the Jersey Hospitality Association should be congratulated in their combined efforts in arriving at the present stage – it has not been an easy journey but their determination to approach the matter jointly clearly demonstrates the need for change from within both the public and private sectors.

The industry should be allowed to have a more positive influence over its own destiny and the method being offered by the proposed PPP goes a long way to delivering this objective. The funding mechanisms are critical and require a leap of faith by all parties but as stated in the proposal document, retaining the status quo is *'an unacceptable outcome'*.

I would summarise, therefore, our points for consideration mentioned above:

1. Ring fencing of budget transferred at 2009 level.
2. Review the method of calculating the cost of member participation.
3. Confirm the value of *'Increased Joint Initiatives'*.
4. Review the wording of the control of Marketing and Promotional activity.
5. Staffing costs to be identified over a longer term with particular regard to the pension liability and whose responsibility it is.
6. Remuneration of Board Members.
7. Other administration and IT costs to be identified over a longer term with details to be given of the proposed IT installation.
8. Autonomy and accountability of the new organisation.
9. Agreement of KPIs with Minister and Industry and confirmation that this is not a 'quango' answerable only to the States of Jersey.
10. Clarification and definition of KPIs.
11. Updating of Budget Figures to 2010 levels and project forward 5 years.
12. In the event of failure where does ultimate responsibility lie?

Yours sincerely



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