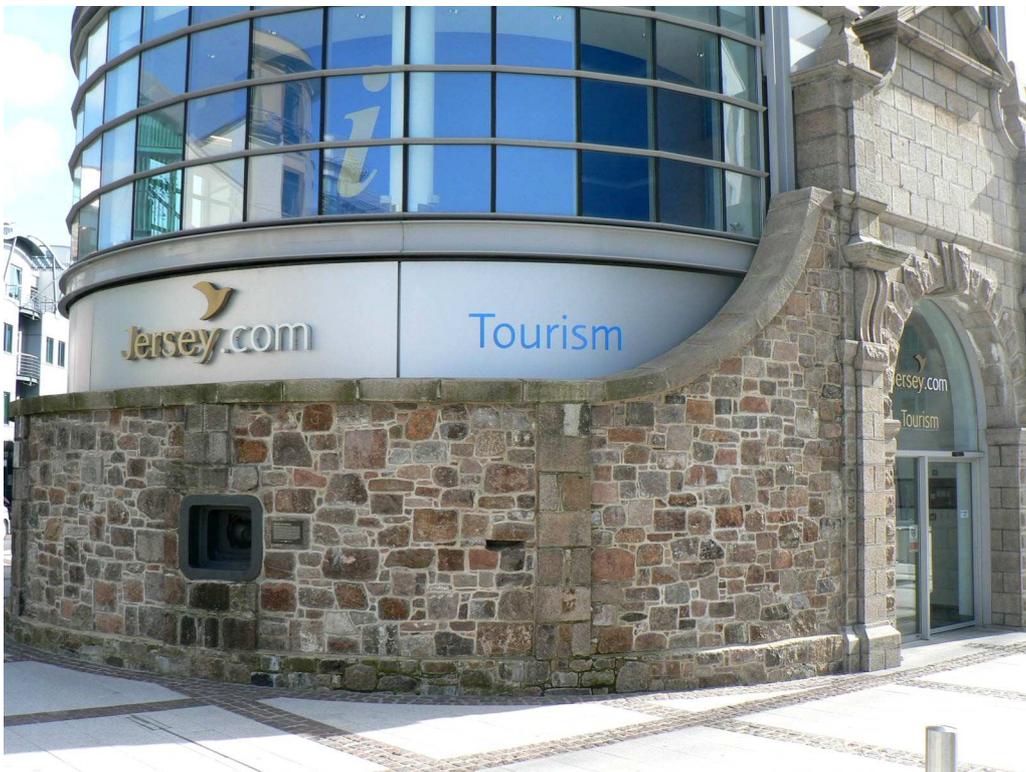


States of Jersey
States Assembly



États de Jersey
Assemblée des États

Economic Affairs Scrutiny Panel



Tourism Public Private Partnership

Presented to the States on 25th June 2010

S.R.8/2010

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1. PANEL MEMBERSHIP AND TERMS OF REFERENCE

1.1 The Economic Affairs Scrutiny Panel is comprised of the following members:

Deputy M.R. Higgins, Chairman

Deputy C.F. Labey, Vice-Chairman

Deputy S Pitman

Deputy D.J.A. Wimberley

Deputy J.M. Maçon

1.2 The following Terms of Reference were established for the Review:

- To review the rationale behind the proposals for a Tourism PPP.
- To identify alternative options to the Tourism PPP that have been considered.
- To consider the implications that the introduction of the Tourism PPP would have on industry stakeholders, public and private.
- To examine any further issues relating to the topic that may arise in the course of the Scrutiny Review and which the Panel considers relevant.

2. CHAIRMAN'S INTRODUCTION

- 2.1 For many people, tourism represents a key part of the Island's heritage and cultural identity in much the same way as agriculture. For decades it has been a major contributor to the Island's economy, offering not only considerable direct business and employment opportunities in, for example, hotels and visitor attractions, but also improving the viability of heritage sites, restaurants, bars, entertainment, shops and transport providers/links, all of which have a symbiotic link with the Finance Industry. It has contributed in no small part to our high standard of living.
- 2.2 Whilst tourism still contributes significantly to the Island's economy (£238 million between 2007 and 2008), the declining visitor numbers witnessed over the last decade mean the industry has now slipped into the shadow of the dominant finance sector. To have come to the position where we rely so heavily on a single industry has to be a major concern to us all. Furthermore, it is rather hard to equate this position with the strategic commitments contained in the States of Jersey Strategic Plan 2009 – 2014 (under Priority 2, page 9), to maintain a strong, sustainable and diverse economy and to lay the foundations for a genuinely diverse economy.
- 2.3 Given the context, the Panel has given its full attention to the proposals for a Public Private Partnership to replace Jersey Tourism, and we are pleased to present our findings and recommendations in this report. I would like to express the Panel's thanks to all those stakeholders who we have heard from during the course of this Review and place on record our support to see a strong, revived, vibrant tourism industry for many years to come.



Deputy M R Higgins
Chairman
Economic Affairs Scrutiny Panel

3. EXECUTIVE SUMMARY

- 3.1 Jersey's Tourism industry remains an important sector of the Island's economy, with £238 million spent in the Island by visitors between 2007 and 2008, and offering economic diversity and employment opportunities away from the Finance industry. However, there has been a significant decline in visitor numbers over the past decade. Key reasons for this were explained to the Panel as being the increased availability to Jersey's core market of cheap airfares and alternative destinations.
- 3.2 Proposals to replace Jersey Tourism with a Public Private Partnership organisation have been developed, primarily by the Economic Development and the Jersey Hospitality Association at the latter's instigation, as a means to seek to address the critical issue of falling visitor numbers, to better harness the marketing and commercial expertise of the private sector, and to secure a funding commitment from it to combine with a substantial States grant to improve marketing spend. However, it is not clear to the Panel that the rationale for establishing a full PPP are necessarily addressed by the creation of such an organisation. Furthermore, the Panel found that there has been inadequate consideration of alternatives to the PPP option; attention has been focussed on looking at different types of PPP.
- 3.3 The Panel did find shortcomings in the communication between Jersey Tourism and the Tourism Industry stakeholders, particularly around the development of marketing strategies. It is clear that the Minister for Economic Development should continue to work towards improved communication with the Tourism industry, however, a full PPP is not the only option to provide better communication between the States and the industry; indeed the Tourism Marketing Panel is a 'halfway' partnership option that has recently been established to address this issue.
- 3.4 There remains significant uncertainty and inconsistency surrounding many details of the proposed PPP. Notable differences in the visions of the operation of the PPP between the JHA and the Economic Development Department were apparent. The Panel formed the impression that the JHA's vision for the role of the PPP appears to be heavily focussed on the advertising aspect of marketing, with concerns raised by other stakeholders about what that emphasis may mean to such things as events programmes. There is also a contradiction between the JHA and the

Economic Development Department regarding what authority/autonomy a new Chief Executive and Chairman would have in choosing the structure, and staffing levels, for the organisation, with the JHA seeing far greater strategic freedom than the Minister envisaged. The Minister for Economic Development and his Chief Officer underlined that the Public sector interest, including for example strategic direction and the employment opportunities for existing Jersey Tourism staff, was safeguarded in that the PPP organisation would be subject to an agreed Service Level Agreement (SLA) in order to receive its grant. The absence of this SLA in draft form however has not helped dispel any confusion and has contributed to the discrepancies.

3.5 There is also significant uncertainty over the funding of the PPP. The level of States grant funding is not guaranteed, with a declining budget trend over recent years and the looming prospect of the Comprehensive Spending Review cuts. Equally, the ability of industry to achieve its proposed levels of funding for the PPP is not guaranteed. The JHA is relying on attracting additional contributors from the retail sector to assist achieving the proposed industry funding levels, but it has not been established that the retail sector will be willing and/or able to contribute funding for the PPP. To further compound funding concerns, this proposal comes at a time of general economic uncertainty. In addition, there are concerns that set up and administrative costs are prohibitive to the successful establishment of the PPP, and its ability to be able to use additional funding for the aim of improving marketing.

3.6 The Panel also found that the falling trend of the Jersey Tourism budget demonstrates a questionable political commitment to the Tourism industry. It also became apparent that the Economic Development Department is akin to a 'mothership', and its multi-sector focus has contributed to the JHA opinion that States attention on the industry since Ministerial Government was adopted in 2005 has been diluted. The Panel recommends that the Minister for Economic Development should demonstrate political commitment to the industry by addressing the declining budget and establishing longer term funding guarantees as a platform for stability. The Panel welcomes the Minister's commitment to work towards addressing the shortfall in the TDF budget, which has received only £2.2 million of the £10 million it was proposed to receive, and recommends that the Minister should bring an associated proposition to the States before the end of 2010.

- 3.7 In view of the uncertainties and outstanding issues, the Panel has reached the conclusion that the current PPP proposals should not be pursued at this stage, with the case for its adoption not adequately made. Instead, it is the Panel's view that the Tourism Marketing Panel should be given time to establish itself, and its experience used to determine whether full PPP proposals require re-assessment in the future.

4. KEY FINDINGS AND RECOMMENDATIONS

4.1 KEY FINDINGS

- 4.1.1 Tourism remains an important sector of the Jersey economy, offering direct and indirect employment and business opportunities, and contributing to diversification from the Finance Industry. **(6.1.10)**
- 4.1.2 There have been shortcomings in the communication between Jersey Tourism and the Tourism Industry stakeholders. **(6.1.19)**
- 4.1.3 The Economic Development Department and Industry do not appear to have taken into consideration the high cost of living in Jersey, and the resultant high cost base of the industry, as part of the rationale given for PPP. **(6.1.20)**
- 4.1.4 It is not clear that the rationale given for establishing a PPP, including declining visitor numbers and a greater choice of holiday options available to Jersey's traditional core market, are addressed by a PPP. **(6.1.23)**
- 4.1.5 The Jersey Conference Bureau appears to be successful in bringing together and marketing the Conference sector. The option of creating smaller sectoral organisations which might be PPP's, has not been formally investigated **(7.1.10)**
- 4.1.6 There is no single off-the-peg solution which can be copied from elsewhere as direct comparisons are difficult and have not been made. **(7.2.6)**
- 4.1.7 There are differences in the visions of the PPP structure between the JHA and the Economic Development Department. **(8.3.16)**
- 4.1.8 Whilst the JHA leadership's commitment to a PPP is clear, the commitment of its broader membership and other businesses outside its membership is not as clearly established. **(8.4.8)**
- 4.1.9 The JHA vision for the role of the PPP appears to be heavily focussed on the advertising aspect of marketing. **(8.5.7)**

- 4.1.10 Although the Economic Development Department state the requirement for a Service Level Agreement, there is no such draft available. **(8.5.8)**
- 4.1.11 Alternatives to pursuing a PPP have been inadequately considered; attention has been focussed on the different types of PPP. **(9.3)**
- 4.1.12 A full PPP is not the only option to provide better communication between the States and the industry; the Tourism Marketing Panel is a 'halfway' partnership option that has recently been established to address this issue. **(9.10)**
- 4.1.13 There is a contradiction between the JHA and the Economic Development Department regarding how many of the existing Jersey Tourism staff it is anticipated will work in the PPP. **(10.2.6)**
- 4.1.14 Issues around the terms and conditions of employment of present Jersey Tourism staff who may move to the PPP have not been resolved. **(10.3.6)**
- 4.1.15 Jersey Tourism's annual net revenue expenditure between 2003 and 2009 shows a declining trend. **(11.3.4)**
- 4.1.16 The section of the Jersey Tourism budget attributed to Research and Planning is not ring-fenced for Jersey Tourism, but is available for use in relation to all sections of the Economic Development Department. **(11.3.5)**
- 4.1.17 The level of States grant funding is not guaranteed. **(11.3.10)**
- 4.1.18 The Economic Development Department is a 'mothership'; its multi-sector focus has contributed to the JHA opinion that States attention to the industry since Ministerial Government was adopted in 2005 has been diluted. **(11.3.15)**
- 4.1.19 The falling Jersey Tourism budget demonstrates a questionable political commitment to the industry. **(11.3.16)**
- 4.1.20 The JHA is relying on attracting additional contributors from the retail sector to assist achieving the proposed funding levels from industry. **(11.3.24)**

- 4.1.21 It has not been established that the retail sector will be willing and/or able to contribute to industry funding for the PPP. **(11.3.25)**
- 4.1.22 The ability of the industry to achieve its proposed levels of funding for the PPP is not guaranteed. **(11.3.32)**
- 4.1.23 There are concerns that set up and administrative costs are prohibitive to the successful establishment of the PPP, and there would be less funds available for marketing. **(11.3.38)**
- 4.1.24 The case for the adoption of a full PPP has not been adequately made, with uncertainty surrounding too many details. **(11.3.39)**
- 4.1.25 The proposed £10 million Tourism Development Fund budget has never materialised. Only £2.2 million has been made available to the Fund since the £10 million budget was agreed in principle by the States in 2001. **(11.4.11)**
- 4.1.26 The Minister for Economic Development has committed to work towards addressing the shortfall in the Tourism Development Fund budget. **(11.4.12)**

4.2 RECOMMENDATIONS

- 4.2.1 The Minister for Economic Development, and Ministers in general, should ensure that demonstrably sufficient analysis is given to alternatives, before resolving to pursue a particular model. **(9.4)**
- 4.2.2 The Tourism Marketing Panel should be given time to establish itself, and its experience used to determine whether full PPP proposals require re-assessment in the future. **(9.11)**
- 4.2.3 The Minister for Economic Development should demonstrate political commitment to the Tourism industry by addressing the declining budget and establishing longer term funding guarantees as a platform for stability. **(11.3.17)**
- 4.2.4 The Minister for Economic Development should continue to work towards improved communication with the Tourism industry, and to harness the valuable knowledge and experience contained within it. **(11.3.40)**

- 4.2.5 The Panel believes that the PPP as currently proposed is flawed. If a PPP proposal is brought forward in the future, the Minister for Economic Development should ensure that, unlike the current proposal, there is a clear vision with all objectives and key operational details agreed by stakeholders. Furthermore, there should be commitment to achievable funding strategies from both the public and private sectors. **(11.3.41)**
- 4.2.6 The Panel supports the Minister for Economic Development's commitment to work towards addressing the shortfall in the Tourism Development Fund budget. The Minister should bring an associated proposition to the States before the end of 2010. **(11.4.13)**

5. INTRODUCTION

- 5.1 The previous Economic Affairs Scrutiny Panel (2005 – 2008) was notified in November 2008 by then Minister for Economic Development Senator Philip Ozouf, that following the 2006 Locum Report on tourism in Jersey and subsequent work undertaken by his Department, a proposal paper for a PPP '*PPP Discussion Document Version 5*' would shortly be taken to the Council of Ministers for consideration as was available for Scrutiny. As there were States elections that month, it was passed on in December 2008 to the newly constituted Economic Affairs Scrutiny Panel, with its current membership, to consider the proposals for Economic Development Department based Jersey Tourism to be replaced by a Public Private Partnership outside of the States, funded by a States grant and by industry contributions. After consideration of the draft proposals, the Panel recognised the significance of the potential changes and, having also identified a number of areas of concern, agreed to undertake a Review.
- 5.2 The Panel began its Review in March 2009, and set about gathering the views of stakeholders and the public, starting with an advertising campaign in the Jersey Evening Post. The Panel was grateful to the Jersey Hospitality Association (JHA) for its assistance in circulating a submission invitation to all of its membership, and to Jersey Tourism for undertaking the same task via its Tourism Weekly newsletter. The Panel also wrote directly to the main passenger air and sea operators for their views. Public Hearings were held with the Minister for Economic Development on two occasions, as well as with the Jersey Hospitality Association, Jersey Tourism Staff, Jersey Conference Bureau and the Tourism Development Fund representatives.
- 5.3 The proposals seek to address the critical issue of falling visitor numbers through better harnessing of the marketing and commercial expertise of the private sector, and by securing a funding commitment to combine with a substantial States grant to improve marketing spend. Whilst the principles have remained constant, the proposals have changed somewhat since this Review began, over such details as costs associated with establishing and administrating the PPP outside of the States infrastructure and personnel issues such as terms of employment of existing Tourism staff. The re-drafting of the proposals by the Department has led to some delays in the Panel's work, but having received the final proposals *Discussion paper on the development of a Tourism PPP – Version 7* in January this year, it

has now been possible to complete our work and present our findings and recommendations, with the evidence that led to them, in this report.

5.4 The Panel begins the body of its report in Section 6 by examining the rationale behind the proposals, before moving on in Section 7 to set out examples quoted to it in support of a PPP, from within Jersey and from outside. In Section 8 it looks in further detail at what the new PPP would look like, and does so initially by setting out the current operations of Jersey Tourism. When looking at the structure, the Panel examined the visions as outlined by both the private sector and the Department, and we explore some of differences that those visions appear to contain.

Section 9 looks at the options and alternatives that were considered to the PPP. The Panel was very concerned from its initial consideration of the proposals about the impact on existing Jersey Tourism staff of the uncertainty over the PPP and its impact on them if adopted. In Section 10 the Panel covers the evidence it received on those staff concerns, including consideration of terms of employment and redundancies.

5.5 The Panel was also concerned by the crucial matter of funding, which if it is not forthcoming in the levels prescribed would raise serious questions as to the merit of forming a PPP with the associated upheaval. For instance, in the face of the Comprehensive Spending Review and historically declining budget, can the level of the States grant be adequately guaranteed? Equally, is it realistic to expect the private sector to increase its contribution to a central pot, particularly in the current economic climate and in the context of a 'struggling' industry? There are also concerns explored over the impact of set up and IT/administrative costs negating the value of any additional funding that may have been contributed. The Panel addresses these questions and concerns in Section 11.

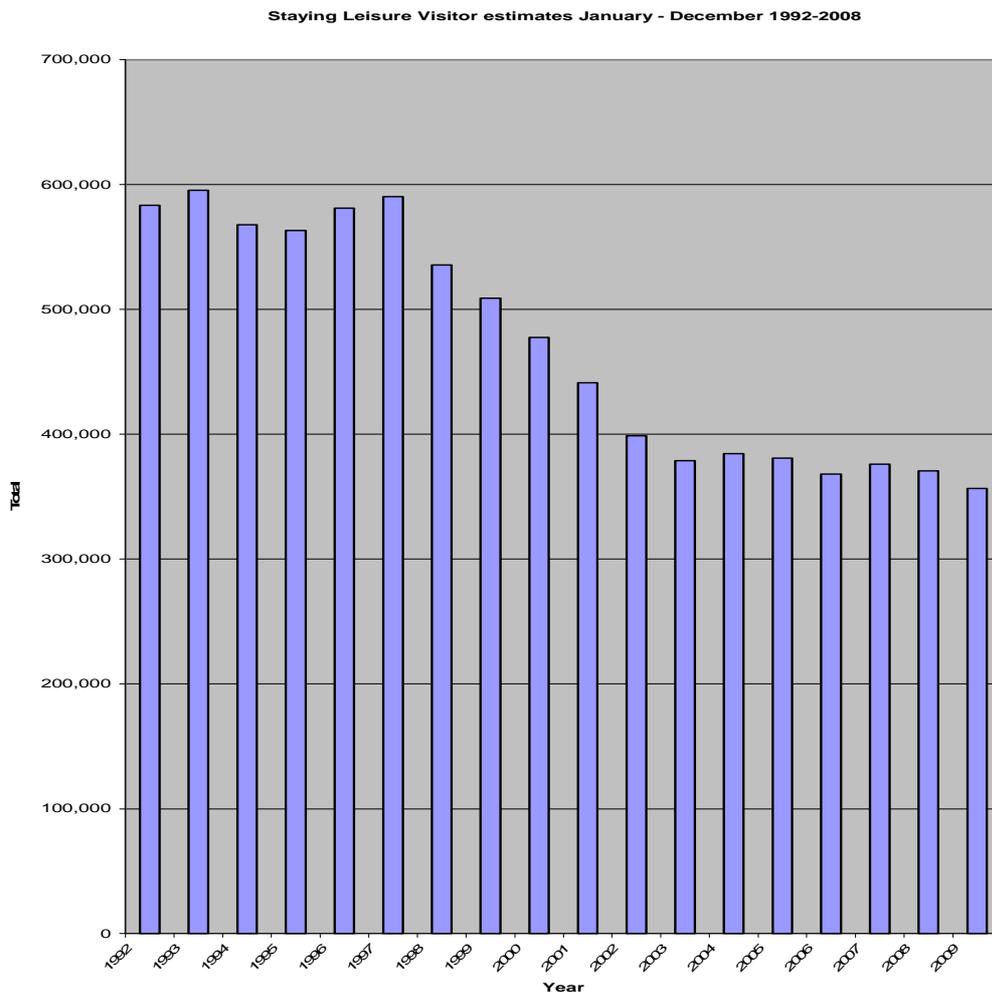
5.6 All of the evidence that the Panel has gathered and considered, the background information, the public hearing transcripts and written submissions that lead to its findings and conclusions outlined below can be viewed on the Scrutiny website at www.scrutiny.gov.je or by contacting the Scrutiny Office.

6. THE BACKGROUND TO THE PROPOSALS

6.1 Rationale

6.1.1 Declining Visitor Numbers

6.1.2 It is well established that visitor numbers to Jersey have, since the mid-late 1990's, shown a considerable decline. The table below shows that from a figure of 595,428 in 1993, the total number of paying staying leisure (thus excluding a) day trippers and b) business visitors who also stay) visitors had fallen to 356,629 by 2009. From 2008 to 2009, the percentage change in total staying leisure visitor numbers was a fall of 3.8%.¹ Main reasons given in explanation for this decline include the wider options of cheap flights to more destinations available to UK holidaymakers (Jersey's major market) and the increasing cost of living in, and therefore visiting, Jersey.



¹ Economic Development Department: Visitor Statistics 1992-2009

- 6.1.3 The Minister for Economic Development outlined to us how the downward trend in visitor numbers had led to the exploration of ways to try to address the decline, explaining how over a period of time Tourism has had to deal with a challenging, changing and very competitive market. As such it had been decided that we to look at the structure in the way in which the States delivered support to Tourism and in particular how the Island was marketed. The Panel was told that a number of options were considered and it was felt that a public private partnership was going to be the best way in which to harness the talent of the industry itself and make sure that it was fully involved in the process to provide its input and expertise; effectively marketing Jersey as a holiday destination.²
- 6.1.4 In the face of this trend of decline in visitor numbers, the Panel heard from industry representatives from the Jersey Hospitality Association that they had come to the conclusion that action had to be taken, and at the earliest opportunity, to address the matter. They explained to the Panel that the reality was that the core market of the U.K. had become much more prepared to look at more international holidays. Also through the low cost airlines, the cost of travelling much further afield now is much easier for a conventional family in the U.K., Jersey's core market. It was not necessarily that Jersey has performed badly, but that the rest of the world had become available to the core 85 per cent plus of Jersey's tourists. According to the JHA, people had become less uncomfortable with the option of passports, foreign currency, foreign culture, foreign food, whereas before they much preferred a 'safer' destination. The JHA position on stemming the declining trend was summed up by the Managing Director of Cimandis, who said:

*'It is not about failing, it is about recognising that here in 2010 if Jersey wants to continue to retain the levels of tourism, economic contribution that we are seeing now, and get back to a growth picture, we have to communicate very, very effectively to our core target market.'*³

- 6.1.5 This approach to the situation was corroborated to a large extent by the Chief Officer of Economic Development. Addressing the question of why Jersey is not getting as many tourists here as before he also explained how the primary market in the U.K. has changed with the emergence of low-cost air travel which gives people in the U.K. far more options in terms of travelling from the whole network of

² Public Hearing, Minister for Economic Development, 22nd February 2010

³ Public Hearing, JHA, 19th February 2010

regional airports in the U.K. was something that has had an impact upon Jersey. He added that the way the market presents itself to Jersey and the way Jersey presents itself to the marketplace is very different to that which it was 10 years ago and that tourists could not be forced to come to Jersey. It is the Department's view that with a closer collaboration between the private and the public sector there is a probability that Jersey could increase the quality of the promotion of the Island and increase through that the product offering.⁴

- 6.1.6 Addressing the level of more recent decline, which as the graph in 6.1.2 shows has slowed considerably since 2002, the Chief Officer did emphasise that the trend in Jersey compared favourably with other destinations, and that currently the industry was in reasonable shape. He explained:

*'compared to other destinations; take business visitors out of it for a minute - we performed pretty well last year; 3.8 per cent down, I think, at the end of the year on staying leisure visitors. The PPP, and this is, I think, E.D.D.'s view and it is certainly a view that is shared by the industry and I am sure they have spoken to you about it already, delivers the possibility of being able to improve that. But it is about improving something that is not in the doldrums because we are performing reasonably well. But if there are opportunities to improve it and there are opportunities to bring the private and the public sector - government and the industry - in the Island together and the travel operators as well, then I think it is something that we feel is the right thing to do.'*⁵

- 6.1.7 Other figures relating to the contribution of the Tourism industry to the Island's economy also emphasise that Tourism, despite declining visitor figures, remains a significant sector. Jersey In Figures reports that between 2007 and 2008 total on-Island visitor expenditure was £238 million, an average of £327 per visitor (all categories). There were 145 registered accommodation establishments and 12,700 registered tourism bed spaces.⁶

- 6.1.8 Nevertheless, the decline in visitor numbers is apparent, and it was also explained to the Panel by the JHA that there was now a real appetite for change within the industry, which was why the J.H.A. came forward with such a proposal back in

⁴ Public Hearing, Minister for Economic Development, 22nd February 2010

⁵ Public Hearing, Minister for Economic Development, 22nd February 2010

⁶ Jersey In Figures 2009

2005. At that time there were changes to the machinery of government, and a degree of uncertainty as to where the Tourism Department would sit in the process. The underlying issue for the JHA was not a criticism of the way Jersey Tourism operates but certainly centred around its position within a government department. The Chief Executive of the JHA explained that:

‘a PPP organisation would enable Jersey Tourism to be free from day to day government policies in many respects. Obviously it would enable the operation of an entity to be more commercial obviously to maximise revenues for reinvestment in the promotion of Jersey as a visitor destination. So one’s appetite has changed ... a lack of commercial experience can sometimes limit the ability to react to being fleet of foot and react to situations sometimes because it is constrained by government policy. I think in the context of the PPP working to a structured business plan it would enable a more fleet of foot type of operation and responses in a very quick and efficient way.’⁷

6.1.9 This rationale was also supported by the Managing Director, C.I. Travel Group who informed the Panel:

A marketing organisation such as Jersey’s tourism department must be allowed to operate free of day-to-day government interference and focus the full resources on creating increased demand for Jersey as a tourism destination. The lack of commercial experience within the department today limits the ability of the organisation to understand fully the mechanics of the market and respond effectively to the challenges that individual operators and sectors face. The Jersey Conference Bureau and Jersey Finance represent good models of how a PPP can work effectively by creating a closer working relationship between individual members and the central marketing function.’⁸

Key Finding:

6.1.10 Tourism remains an important sector of the Jersey economy, offering direct and indirect employment and business opportunities, and contributing to diversification from the Finance Industry.

⁷ Public Hearing, JHA, 19th February 2010

⁸ Written Submission, Managing Director C.I. Travel Group

6.1.11 Combined Funding

6.1.12 Whilst the precise details of the funding structure envisaged are covered in depth in Section 8, it should be noted here that another key aspect of the rationale behind the PPP centres on amalgamated funding, ie the bringing together of the public and private sector funding streams to offer a more co-ordinated and structured funding pool to develop and deliver marketing strategies and other functions of the PPP. In return for funding commitment, it is an approach that offers industry stakeholders greater responsibility for the future direction of tourism marketing and indeed the shape of the industry in general, with the associated accountability that funding commitment carries with it – but ultimately offering the possibility of a more cohesive, holistic approach than previously seen. The Minister for Economic Development explained:

‘...to crystallise it quite simply, it is getting greater involvement....We believe that a partnership arrangement where the private sector is involved and accountable and can put and bring their expertise is going to add significant value. We believe also in the longer term you will be able to draw in additional funding from the private sector that can be more effectively targeted for better results.’⁹

6.1.13 From the industry perspective, a view was given by the Chief Executive, Jersey Hospitality Association stressing that there would be a much greater sense of industry voices being listened to in return for the financial commitment, with money being more effectively spent as a consequence:

‘I think there is an important issue as well that in the PPP world where you would have a private sector funding structure in place where there are contributions being made from the industry to the entity in order to operate in a true PPP spirit, where the private sector would be channelling that investment through corporate contributions, direct income, joint marketing activities, et cetera, I think there would be a greater need to listen to the private sector and the expertise therein rather than the situation it currently evolves as far as marketing plans are concerned. It is like you are a stakeholder and in that context of being a stakeholder with those 3 pockets of contributions being made from the private sector I believe that a PPP would

⁹ Public Hearing, Minister for Economic Development, 22nd February 2010

*have a more informed and a more structured communication process for the delivery of a marketing plan that touched all aspects of the industry rather than possibly just reacting to possible niches that do not need reacting to and some that are missed that do need reacting to.*¹⁰

6.1.14 Consultation

6.1.15 It was brought to the Panel's attention by the JHA that it had also become concerned about the approach of the Tourism Department to consulting with the industry, particularly in relation to marketing strategies and ideas. It felt that there was a lack of meaningful consultation which marginalised the expertise within the industry, something that could be addressed by a PPP.

6.1.16 The Chief Executive of the JHA told the Panel how consultation had not been very strong. Using the 2010 programme as an example of that he explained that the J.H.A. submitted a 2-page paper of ideas for marketing, but very few of those had been incorporated. He argued that when so many businesses depend on a strong marketing and promotional campaign it was wrong to exclude those industry views. In support of how the PPP could promote better consultation, he explained:

*'We know there are budget constraints and we know there are pressures on finances and everything like that, but we strongly believe that if that had been a PPP the consultation process with industry would be strong, it would be direct. I would not say it would be unanimous in everything that the industry wanted you were able to do, but I think there would be a greater consultation briefing rather than: "Oh, leave it to us, we are the marketers, we know what is best." Well, sometimes it is good to consult, as you are doing today, and the end result I think would be a much different end result.'*¹¹

6.1.17 Also representing the JHA, Mr P Luxon, Managing Director, Cimandis emphasised the improved consultation that the PPP could provide to harness industry experience and expertise. He told the Panel that an inherent part of the PPP is that engagement and consultation between the industry and those operating the P.P.P would become much deeper and much closer, and would therefore get the benefits of both sides, in terms of best place to spend the money. He explained how, until recently, there had been a top down approach to marketing strategies:

¹⁰ Public Hearing, JHA, 19th February 2010

¹¹ Public Hearing, JHA, 19th February 2010

‘That is how it has been up until now and we believe that the PPP would allow that line to move to where it is a much more collaborative process. There have been genuine efforts by J.T.D. to become more collaborative but at the end of the day, at the moment, the way the relationships are structured, that tends to be developed and then presented.’¹²

- 6.1.18 Addressing the concerns of the JHA around the current and recent levels of consultation between the Tourism Department and industry on such things as marketing strategies, the Minister argued that the industry did have the opportunity to be heard and input into the process, explaining that the ‘Marketing Panel’, with 6 members of the private sector, together with 2 from the Tourism Department, had been set up precisely to assist the formation and delivery of the marketing strategies for the future. He continued:

‘... I think that type of structure is a step in the right direction and a first step towards a formal P.P.P.... It was one of the suggestions that was raised as part of Locum’s thoughts as to how you could progress to a full PPP. Aside from that, we had the experience of the Tourism Task Force that was set up in response to the global financial crisis and the effects it was appearing to have at the very early stages on the tourism industry... Again, you are involved in the industry and the decision-making process and pulling in the expertise that they have. I think it is essential. I am delighted with the way it has come together. I am delighted, in particular, with the individuals that have come forward and are prepared to contribute towards it.’¹³

Key Finding:

- 6.1.19 There have been shortcomings in the communication between Jersey Tourism and the Tourism Industry stakeholders.

Key Finding:

- 6.1.20 The high cost of living in Jersey, and the resultant high cost base of the industry, do not appear to have been considered as part of the rationale given for PPP.

6.1.21 The PPP Objectives

¹² Public Hearing, JHA, 19th February 2010

¹³ Public Hearing, Minister for Economic Development, 22nd February 2010

6.1.22 The objectives of the proposed PPP organisation are set out in the in the document Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010.

They are:

- To provide a comprehensive marketing and promotional service to drive increased profitability and productivity of Jersey's visitor economy. This service will include providing a range of visitor services, brand management, destination marketing, festival and events programming, publishing and information provision.
- To harness, via the Board of the PPP, industry leading expertise from both within Jersey and our key UK market.
- To work with EDD and other States departments to ensure that government policy, strategy, legislation and regulation fully support the growth of the sector.
- To generate, through a Private Sector Funding Structure, industry funding to add to Government investment.
- To operate more commercially and, in doing so, maximise revenues for reinvestment in the promotion and marketing of the Island.
- To enjoy increased support from the industry who would have an involvement in the decision making process thus generating a stronger sense of partnership.
- To deliver the visitor economy elements of the States Strategic Plan and therefore contribute to the long term economic success of the Island.
- To operate with a private sector culture and deliver quicker and more effective decision making.¹⁴

Key Finding:

6.1.23 It is not clear that the rationale given for establishing a PPP, including declining visitor numbers and a greater choice of holiday options available to Jersey's traditional core market, are addressed by a PPP.

¹⁴ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

7. CASE STUDIES

7.1 Inside Jersey

The Panel heard from the Minister for Economic Development, the JHA and other stakeholders, such as the Managing Director, C.I. Travel Group, that the Jersey Conference Bureau in particular with its clear industry comparison, and Jersey Finance Ltd represent good models of how a PPP can work effectively, by creating a closer working relationship between individual members and the central marketing function.

7.1.2 Jersey Conference Bureau

7.1.3 The JCB was established in 1996 and was the first Public Private Partnership in the Island, with the purpose of promoting the Island as a conferencing centre for meetings' destination. It operates as a corporate entity with issued shares organised as a Not for Profit Purpose Trust. It has a rolling 3 year budget under the management of its members. Current funding is approximately £320,000 with an approximate public to private sector ratio of 3:1. Public sector funding comes from the Economic Development Department and is accounted for in the Tourism Marketing element of the Department's budget.

7.1.4 The JCB Board is elected from and by its members. The Chairman is approved by the Minister for Economic Development and non-voting representatives from Jersey Tourism and the JHA who act as advisers. This has enabled the JCB to market the sector with members deciding policy and strategy.

7.1.5 The PPP proposal includes the integration of JCB into the new organisation. It is proposed that many of the lessons learned and good practices adopted by the JCB can add significant value to the PPP, particularly during the start up phase. Integration would also generate cost savings by eliminating duplication in areas such as membership management and financial accounting.¹⁵

7.1.6 The background to the JCB was explained to the Panel by its General Manager:

'There was a Conference Bureau within Jersey Tourism. The industry as a whole felt that the conference and meetings incentive issue is quite a niche

¹⁵ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

*market. It needs quite specialist marketing....So, they felt that if they could have more input into how it should be marketed, it would work better. Jersey Tourism were very happy to give the money towards it. They gave the funding they were ... giving to the Conference Bureau within Jersey Tourism to the new body... A lot of changing of laws to allow it to happen, and we have various things like service level agreements for that funding. It also meant that the private sector was able to put money towards that body. Therefore we have to be a purpose trust that limits everybody's liabilities as such. But it was there because it was a niche market within an overall tourism spend, and the industry felt that it could be better marketed if they were able to at least co-ordinate that activity.'*¹⁶

- 7.1.7 The Panel was told by the General Manager that the JCB membership spanned a broad spectrum, and stood at about 50 partners including a number of hotels, restaurants, activity providers and travel companies. However, he explained that membership fees are not cheap, but partly the reason for that is to make sure that the membership does not become too large and diluted, ending up with a brochure that to any potential conference organiser becomes too difficult to go through. He explained:

*'So, we never say no to membership, but the way it is priced and the way it is categorised, it does mean we will always tend to end up with those hotels that either host a lot of conferences and meetings or get a lot of the overflow accommodation.'*¹⁷

- 7.1.8 He also elaborated on the level of business activity it has been able to bring to the Island:

*'The last few years it has been round about 35,000, 36,000 room nights. This year we are hoping for a small increase on that, which equates to somewhere in the region of about £7 million to £8 million pounds depending on how you value it.'*¹⁸

- 7.1.9 The JCB has been seen as a very successful model, to such an extent that the Panel was told by the Director, Jersey Tourism, that:

¹⁶ Public Hearing, Jersey Conference Bureau, , 22nd June 2009

¹⁷ Public Hearing, Jersey Conference Bureau, , 22nd June 2009

¹⁸ Public Hearing, Jersey Conference Bureau, , 22nd June 2009

*'The PPP proposal is ... almost a mirror of the Conference Bureau, effectively.'*¹⁹

Key Finding:

7.1.10 The Jersey Conference Bureau appears to be successful in bringing together and marketing the Conference sector. The option of creating smaller sectoral organisations which might be PPP's, has not been formally investigated.

7.1.11 Jersey Finance Limited

7.1.12 Jersey Finance was formed in May 2001 and is a non-profit making organisation whose key objective is to promote and develop the benefits of Jersey as an international finance centre. It is jointly funded by members of the local finance industry and the States of Jersey, the States grant in 2010 being £1.8 million.

7.1.13 It actively represents the finance industry's needs and concerns with regards to legislation, regulation and other key areas of innovation that can enhance our jurisdictional product offering as well as providing tools and resources to create opportunities for finance industry professionals to promote their individual organisations, products and services. It is also a central contact for journalists and anyone connected with the finance industry, both locally and internationally, as a source of comment, industry news and information.²⁰

7.1.14 The Board of Jersey Finance consists of three representatives from the Finance Industry, two States' representatives, two independent representatives from the business community, the Chairman, Chief Executive and Technical Director. The current Board is:

Jonathan White, Chairman
Geoffrey Grime, Vice-Chairman
Geoff Cook, Chief Executive
Hans Baerlocher, Managing Director, UBS
Julie Coward, Managing Director, Basel Group
Martin De Forest-Brown, Director of International Finance, States of Jersey

¹⁹ Public Hearing, Minister for Economic Development, 22nd February 2010

²⁰ <http://www.jerseyfinance.je>

Mike King, Chief Executive of Economic Development, States of Jersey

Clive Spears, Chairman of Nordic Capital Limited

Martin Spurling, CEO of HSBC Offshore Islands

- 7.1.15 The Chief Executive Officer, Economic Development, explained how key aspects of how the Department protects the Public interest over strategic and policy objectives in the way it engages structurally with Jersey Finance Ltd, would be adopted within the Tourism PPP. In turn, that structure helps to safeguard against vested interest and domination by a particular sector:

*'I think the important thing to recognise is that if you take the Jersey Finance model I think is a good one from my perspective. Jersey Finance gets its funding from E.D.D. and we agree a business plan and a marketing plan which is done in great detail and that is used to justify the level of grant. The strategy and policy still stays with government and the grant is issued on the basis that the business plan and the marketing plan are consistent with that strategy and policy. One of those things is to make sure that we do not allow certain market segments to be totally dominant because we have a very good quality, a very broad audit document here.'*²¹

- 7.1.16 The Minister for Economic Development further explained:

*'Do not forget, if you look at Jersey Finance as an example, it quite simply would not have worked if that was the case and one of the sectors there had fallen out. The reason for that is that you have various checks and balances in place. You have an independent board; you have an independent chair which is appointed by the Minister for Economic Development in the instance of the PPP. I think those checks and balances and the fact that there is a membership fee that is going to be charged, clearly that is going to be an important part of the overall funding to increase the budget for the entity itself. So if you have one sector becoming dominant you are going to get members falling out. It just will not work; it would not be sustainable long term.'*²²

²¹ Public Hearing, Minister for Economic Development, 22nd February 2010

²² Public Hearing, Minister for Economic Development, 22nd February 2010

7.1.17 The Panel wrote to the Minister asking for further information relating to the funding, role and structure of JFL. Those questions and the Minister's response are attached as Appendix 3.

7.2 Outside Jersey

7.2.1 It was explained to the Panel that it is very difficult to identify valid comparisons to Jersey Tourism, with other organisations being too big, too city orientated, or some without the national issues of Jersey. The Director, Jersey Tourism elaborated on the point:

*'There is one point that is worth making when comparing us with other places and that is in Jersey, because we are, in tourism terms, a national state, it is very difficult to compare us with any other jurisdiction in the U.K. You have VisitBritain, who is responsible for the whole of the British Isles at the top level; you have an England organisation; you have literally 4 different layers of organisations all promoting tourism to a given region. Here we have one organisation that has to deal with all of those different layers at the same time and that does tend to make life different.'*²³

7.2.2 The Locum Report illustrated some examples of Tourism PPP that might merit consideration in the development of such an organisation in Jersey, although it too noted that the circumstances in Jersey are unusual. It explained that there has been considerable change in the past 10 years in the way in which cities, sub-regions and regions in the UK and Europe organise the functions relating to their visitor economy, often with some all of those functions placed into a form of not for profit PPP organisation. **New Forest Tourism** is highlighted as a well regarded example of a PPP in which the local authority employed the staff and provides the office and administration infrastructure, but operates otherwise as a participatory partnership.

7.2.3 In cases, such as **Experience Nottinghamshire**, **The Mersey Partnership** and **Marketing Manchester**, a destination-marketing organisation originally set up within a city has taken over responsibility for tourism marketing and services for the rest of their sub-region. A main feature is that these new organisations are partnership organisations (to a greater or lesser extent), set up as non-profit

²³ Public Hearing, Minister for Economic Development, 22nd February 2010

making companies limited by guarantee. In most cases, staff are employed by the company, although some may be on secondment from the local authority.

7.2.4 **CV-One in Coventry** is an independent PPP that manages all aspects of the marketing and management of the city centre, including Council owned car parks, events, the tourist information centre and all marketing activity of the city to locals and outsiders. This is similar to **LeicesterShire Promotions**, an independent company limited by guarantee.

7.2.5 Ultimately however, the Locum report recommended that:

There is no single best practice template that Jersey should simply emulate. It should instead work out what it wants to achieve and what form of structure is best likely to achieve that. There are, however, clear trends that seem to represent current best practice. They include bringing together destination brand management, tourism promotion, town/city centre management and marketing, and events management into an independent partnership organisation.²⁴

Key Finding:

7.2.6 There is no single off-the-peg solution which can be copied from elsewhere as direct comparisons are difficult and have not been made.

²⁴ Locum Report: Marketing Jersey, September 2007

8. STRUCTURE – HOW WILL IT LOOK?

8.1 What Tourism Does Now

8.1.1 Jersey Tourism currently forms part of the Economic Development Department. There are 25.5 full time employees consisting of permanent civil servants, a contracted UK based employee and some seasonal posts within the visitor services centre.

8.1.2 The breakdown of the roles of Jersey Tourism in terms of business activity and staffing is as follows:

- Director, Jersey Tourism
- Marketing Manager and team x 9
- Public Relations Manager and team x 2
- Festival and Events Manager and team x 2
- Visitor Services Manager and team x 5 and also 5 summer seasonal staff members

8.1.3 In addition 2.5 staff are retained by the Jersey Conference Bureau, a PPP which receives a significant provision of its budget from Economic Development/Jersey Tourism.²⁵

8.1.4 The managers of the sections identified above report to the Director of Jersey Tourism, who is responsible to the Chief Officer, Economic Development. The Chief Officer in turn reports to the Minister for Economic Development, currently Senator Alan Maclean.

8.1.5 In the 2010 Economic Development Business Plan, the activity of Jersey Tourism is set out, with an expenditure breakdown, through its 2010 objectives:

Key Objective	2010 Net Expenditure £	2010 Expenditure Including Overheads	Key Performance Indicators	Target / What will success look like
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²⁵ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

Communicate Jersey's core attributes of appeal to major UK tourism market segments. Leverage positive editorial exposure in relevant media titles from the Jersey visitor event programme, to maximise media value for existing and potential sponsors, & grow awareness for future years.	232,121	256,387	Number of press visits. Opportunities to see (OTS) Return on investment per 1000 of target audience. Third party evaluation process tracking message delivery and photography. Key spokesperson tracking.	Significant positive editorial Jersey coverage across the range of UK media (TV, radio, print and online) to targeted audiences.
Communicate the core appeal of Jersey as a tourism destination in non UK tourism markets, through positive editorial exposure. Utilise the Jersey visitor event programme to maximise media value for existing and potential event sponsors & grow awareness for future years.	226,121	250,387	Number of press visits. Opportunities to see (OTS) Return on investment per 1000 of target audience.	Positive editorial Jersey coverage through TV, radio, print and online, primarily in France & Germany plus adhoc coverage worldwide.
To establish a Tourism board to benefit the local tourism industry.	71,192	77,824	An integrated management structure of the tourism industry.	Improved co operation and partnership with the tourism industry.
Develop Jersey's potential as a conference and incentive destination. Contractual commitment to fund the Jersey Conference Bureau.	316,200	332,377	Meeting, conference and incentive business promotion.	Increase in number and value of meetings, conference and incentive business and revenue from membership scheme.
<u>Events</u>				
Develop and implement an annual programme of events to encourage new business to Jersey, increase stay and on island spend.	192,104	208,281	Customer satisfaction analysis. Visitor value during periods of key events.	Lively, animated and well attended events which act as marketing communication platforms, are on brand and which animate the holiday experience.
Develop a range of products and experiences to encourage new business to Jersey and maintain visitor satisfaction.	124,104	140,281	Customer satisfaction analysis. Visitor value during periods of key activity, maintenance of walking statistics.	Range of activities including guided walking programme, night and farmers' markets, street theatre and monthly activities.
Grants and sponsorships - Battle, Jersey Seniors Classic and Air Display.	353,136	361,872	Customer satisfaction analysis. Visitor value during periods of key events.	Lively, animated and well attended events which act as marketing communication platforms are on brand and which animate the holiday experience.

Band of the Island of Jersey.	10,000	10,000	Customer satisfaction analysis. Visitor value during periods of key events.	Programme of music for civic occasions and general animation for visitors throughout the summer season.
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Joint Marketing

Support the promotion of Jersey through trade channels - working with Tour operators, travel agents & trade media. These channels delivered approx 53% of visitor volume and £71M in value.	683,103	710,600	Increase in sales via trade channels, currently 53% of all SLV business.	Increase in trade sales by 2%.
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Research and Statistics

Measure marketing/industry performance through effective management of visitor economy data.	125,000	125,000	Compilation of visitor statistics, annual report, and some adhoc work.	Quality data produced on a monthly basis.
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Visitor Services

Operate information and sales outlets to ensure that potential and actual visitors are directed to relevant segments of the Jersey offering and to maximise revenue.	317,326	461,300	Increased revenue from retail items. Client satisfaction.	Increase in visitor numbers to the centre.
To maintain and grow market share of CRS bookings into the local industry.	-51,000	-51,000	Improved accessibility to Jerseylink system.	Increase in number and value of bookings made using CRS.

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8.2 The Economic Development Vision

8.2.1 The Economic Development proposals for the structure of the PPP are set out in the document *Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010*:

4.1 Governance

The PPP would be constituted as a Purpose Trust. The organisation would have an independent Board, led by a chairman appointed by the Minister for Economic Development

4.2 Constitution of the Board

An eight member Board (appointed using the Nolan Principles of public appointment) with responsibility for approving plans for all aspects of policy, financial planning and operations would meet on a monthly basis (for more on the

responsibilities of the Board and the Minister see paragraph 8.3.11). The Board would comprise:

- A Chairman to be appointed by the Minister for Economic Development, who would be independent from both Government and the Industry. This post would be suited to a candidate with a broad business experience at senior level who would be suitably remunerated.*
- The Chief Executive of the PPP whose presence will provide the link between the Board and the organisation and will allow the Board to hold the Chief Executive to account for the performance of the PPP.*
- Political representation – A States member to be appointed by the Minister for Economic Development who would have the prime responsibility for ensuring that policies were consistent with States’ strategies.*
- Economic Development Department’s representation - The accounting officer for the department or his nominee with specific responsibility for ensuring that the board policies are consistent with those for Economic Development and to oversee the adherence to Financial Codes of Direction as applied to private organisations funded by the States.*
- A board member from the industry in Jersey. It would be probable that this individual would represent a member company or a member of an industry representative body.*
- A marketing professional to take specific responsibility for advising the board on marketing strategy.*
- A Finance professional to take specific responsibility for advising the board on financial matters.*
- A UK industry professional, who would not necessarily be involved with promoting Jersey but who would be in touch with trends and issues affecting the industry in our main source market.²⁶*

²⁶ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

- 8.2.2 In order to attract and retain an appropriate quality representation, the Board members would be remunerated for the services they provide.
- 8.2.3 The *Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010* outlines that the Locum Report concluded that the functions currently performed by Jersey Tourism are appropriate and should be continued as they mirror good practice elsewhere. However, the competitive landscape is constantly changing and Jersey must also change to maintain and grow market share. The emergence of e-commerce and internet in the market place with the associated need to match consumer requirements dictates significant change in the marketing and promotion of the Island.
- 8.2.4 An independent PPP, established outside the EDD structure, will require functions which are currently provided centrally to EDD's Jersey Tourism team by the States of Jersey. These include financial management and processing, information technology provision/support and human resources. These are all necessary and will need to be provided either by direct employment or under a contract either with the States of Jersey or with a private sector supplier. Both options will have one-off and recurring cost implications for the PPP.
- 8.2.5 It will also be imperative to deliver, through an account management function, membership services which, from the experience of the Jersey Conference Bureau (JCB), are financial and resource intensive.
- 8.2.6 As the existing JCB employees are already working in the areas of accounting and membership services, we have assumed an amalgamation of this function within the PPP, creating greater utilisation of the key competences. However, it is proposed to retain the role of Conference Manager and the JCB membership scheme as separate entities as they have a track record of proven success. They could continue to flourish alongside the PPP membership scheme and deliver added value and increased productivity. To account for this added requirement an estimated cost for a further 3.5 posts has been included in the cost estimates (plus the 2.5 JCB posts).²⁷

²⁷ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

8.2.7 In summary:

1. The PPP would be independent of Government and established as a purpose trust.
2. The PPP would be a stand-alone organisation that would not benefit from centralised EDD support such as HR, Finance or IT and as such would incur additional costs. This is examined later in the paper.
3. A governance model comprising a Board and an organisation headed by a Chief Executive Officer would be established. Comparable models in existence are Jersey Finance Limited and the Jersey Conference Bureau.
4. The PPP would deliver an annual business plan including a marketing and promotional programme.
5. The PPP would be charged with delivering a series of outputs, measured by key performance indicators that would be agreed with the Minister for Economic Development.
6. Whilst the PPP would receive funding from the Economic Development Department at a level equivalent to current budget expenditure, this funding would be dependent upon the PPP's ability to generate a significant level of private funding which in turn would secure the public financial support on an ongoing basis. A significant increase in industry funding will be required to offset some of the additional administration and service costs and present the potential to increase the effectiveness of Jersey's annual centralised, fully co-ordinated marketing campaign.²⁸

8.3 The Jersey Hospitality Association/Industry Vision

8.3.1 It is clear to the Panel that the JHA, having consulted with it membership through development process, is unequivocal in its support for a PPP in Jersey, indeed it raised the first proposal for a PPP back in 2005 and has since been heavily involved in the development of plans with Economic Development and Locum Consulting to the point at which they stand today. In that respect the JHA and

²⁸ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

majority of its membership has 'signed up' up to the vision and structure presented by the Department and outlined in the above Section, as emphasised by the Chief Officer, Economic Development who said:

*'...you have to remember that the discussion paper that you are scrutinising is something that was not just drawn up by E.D.D. It was drawn up by E.D.D. and the Hospitality Association. Now, you know, you can ask people who currently sit outside the J.H.A., or in fact even some of the members, and there is probably a difference in view overall. But there has been pretty broad support for this from the industry.'*²⁹

8.3.2 It was certainly the case in the evidence that we gathered that both the Department and JHA are agreed on the principles behind a PPP and what it could deliver, above all the better harnessing of industry expertise through improved collaboration and the amalgamation of funding streams from the private and public sector to use in a co-ordinated, structured manner.

8.3.4 However, the Panel became concerned during the gathering of evidence from the JHA that there were some key details within the vision on which the JHA expectations appeared to diverge somewhat from those being presented by the Department. One issue of the key areas that appeared to demonstrate differing expectations was the precise role of the Chief Executive and his/her autonomy to choose the structure he/she wanted to see for the PPP, and where ultimate responsibility would lie.

8.3.5 The PPP Chief Executive

8.3.6 The impression that the Panel formed of the JHA view of the role that the new Chief Executive would undertake, was that of a dynamic, experienced marketeer who would take the leading role very early on, in conjunction with the Board Chairman, in developing the structure of the new organisation and the staff that would fill the posts created from that structure:

Managing Director, Cimandis:

'... (we would)...have the board, the chairman and the chief executive who will decide exactly how they would subset it based on where J.T.D. is now. It

²⁹ Public Hearing, Minister for Economic Development, 22nd February 2010

*is a matter of detail that is irrelevant to try and get right at the early part of the concept.*³⁰

8.3.7 The importance the JHA placed on the dynamism and marketing experience of the Chief Executive was shared by Condor Ferries who told the Panel that for a PPP to work effectively in stimulating the tourism economy in Jersey it is of the utmost importance that the Chief Executive is able to offer dynamic, commercial leadership, setting out a clear vision and developing effective strategic plans. They said that this individual must also be adept at balancing the need to develop and manage private sector funding streams whilst delivering not just the visitors needed today but also creating an appealing product which will compete effectively in an increasingly sophisticated tourism marketplace.

8.3.8 Condor also told the Panel that it is clearly very important to ensure that island businesses like accommodation providers and attractions are supported in the current season, but that it is equally if not more important that any PPP consider the longer term future and address the “big” strategic questions to create a sustainable tourism model which will increase resilience of the island economy.³¹

8.3.9 In addition, the JHA saw the Chief Executive and Board as having ultimate responsibility for tourism strategy and finances. In a letter to the JEP in response to a PPP related article by Peter Body, its Chairman Mr R Jones said:

‘For the record, the PPP would have an independent board of directors comprising eight members. They would have responsibility for approving plans for all aspects of policy, financial planning and operations, not the Economic Development Minister.....’

8.3.10 Furthermore he commented:

*‘The Economic Development Minister will not be in charge of the "purse strings" as stated in the article. It will be the PPP Board which is responsible for a three year rolling business plan’*³²

³⁰ Public Hearing, JHA, 19th February 2010

³¹ Written Submission, Condor Ferries

³² Public letter, Mr R Jones, JHA

- 8.3.11 In response to those claims, the Chief Officer of the Economic Development Department responded by email to the Chairman of the JHA, commenting:

...I would not like to think there has been a misunderstanding so, for the avoidance of any doubt:

The relationship between EDD and the PPP will be governed by a Partnership Agreement that will define, purpose, respective roles, process and requirements to secure funding. This agreement must be compliant with Financial Direction 5.4

The Minister for Economic Development will retain responsibility for setting tourism policy and any associated legislation. To discharge this responsibility EDD will have a small (one person) policy team. This is exactly the structure we operate with financial services/JFL where the Department and JFL work closely to achieve the best outcomes.

When brought into being, the PPP will be an EDD grant-funded body that will be the largest single recipient of a grant by a factor of at least two and will have to comply with States Financial Directions. This means that, whilst the PPP organisation formulates and the PPP board approves the annual business and marketing plans as part of an annual grant approval process, in all cases the Minister must approve the plans to enable grant funding to be awarded. Again, this is the same structure as JFL.³³

8.3.12 PPP Staffing

- 8.3.13 Linked to the apparent misunderstanding over how the structure will be created and who would have responsibility for creating it and subsequent strategy, there was also some difference in the vision for the existing staff moving over to the new PPP (staff matters are considered in greater detail in Section 10). Again the JHA appeared to understand that it would be the role of the Chairman and Chief Executive to choose the structure and therefore the staff they wanted for the PPP.

³³ Email correspondence, Chief Officer Economic Development Department

Managing Director, Cimandis:

... circa 25 people in the Jersey Tourism Department. Some of those people are doing fantastic jobs and out-delivering against their role. There are others that perhaps have not had the experience and the training... the whole secret is to make sure you have got somebody leading an organisation that knows exactly what they are doing and has that experience and then has the ability to develop the people that he has in the team. All the way through this process the arrangement is that the PPP, once formed - chairman, board, C.E.O. - from that point ... they work out what structure they need to make the PPP work. We have made some assumptions in this to give a shape, as E.D.D. have, but it is only them and then of course those people that are in J.T.D. (Jersey Tourism) at the moment with that relevant experience that naturally can move over, assuming that they choose to. It may be that some other people are needed that have skills that do not exist already. I think it is a combination of getting the right structure to begin with, taking the people that have got knowledge and have been working there and then obviously you have got to then train them and make sure they have the skills to discharge against the new direction that the PPP will take, critical.

Deputy M.R. Higgins:

I think what you just said there also applies that you ... I think you will not have rooms for all 25, not necessarily all of them will meet up to the criteria that you feel is needed for this new hobby.

Managing Director, Cimandis:

The PPP is very clear on this. It talks about those people that both wish to and are invited to move across to the PPP will do. Those that are not will be offered relocation elsewhere in the public sector.

Deputy M.R. Higgins:

Have you had discussions with E.D.D., at this stage, about who will be invited to move across?

Managing Director, Cimandis:

Absolutely not. It would be inappropriate and it would be insensitive because the only way that that sort of decision or shape could take place is once the chairman, the board and the chief executive is in there because the leader is

going to have to lead this and he needs to understand who he has got in the team and what he needs in the team.³⁴

- 8.3.14 The Minister for Economic Development however made it clear that he did not envisage staff changes, unless existing staff chose not to move, and highlighted the Department's position, contrary to the JHA vision, around where ultimate responsibility would lie for strategic decisions. He also said:

'I think what we have to focus on here is that, first of all, there is an extremely good and talented group of individuals filling the services within Tourism at the moment and there is no desire to change that at all as far as the individuals are concerned.... It is important to get certainty put in place and, as Mike rightly points out, ultimately the decisions come down to a proposal and an effective agreement being put in place. If that is not forthcoming then it would not happen, quite simply.'³⁵

- 8.3.15 Responding to the JHA vision on this matter, the Director, Jersey Tourism made it clear that he did not accept its vision and highlighted that the position was misinformed, telling the Panel:

'...I think some of the misinformation has not been helpful. The kind of comments it would appear that were made to your panel last week, from people like the Hospitality Association and so on, have not been very helpful. We get a lot of feedback that things are going to be different and so on. But that is misinformation'³⁶

Key Finding:

- 8.3.16 There are differences in the visions of the PPP structure between the JHA and the Economic Development Department.

8.4 The JHA commitment to PPP

- 8.4.1 As has been established and acknowledged, the initial impetus for the development of proposals for PPP can be traced to the JHA. Since the idea was taken up by the

³⁴ Public Hearing, JHA, 19th February 2010

³⁵ Public Hearing, Minister for Economic Development, 22nd February 2010

³⁶ Public Hearing, Minister for Economic Development, 22nd February 2010

Department, the JHA has continued to be heavily involved in developing the shape of the proposals. It is clearly committed to the concept of the PPP, however, it was of note to the Panel that the JHA has confirmed that it will not join the PPP from the start, but will instead, in order to maintain its independence, in parallel with the proposed new organisation for a period of three years until 2013 when it will review its position and decide whether to merge with the PPP.

- 8.4.2 This had led to some questioning of the motivation behind this stance, as it might be expected that if Jersey Tourism is to be fully incorporated into the PPP, the JHA should follow suit. The Director of Jersey Tourism outlined his reservations on the matter to the Panel:

‘The other thing that I think probably is worth just touching on now is the Hospitality Association and their desire to remain outside of this thing until, I think they state, 2012. That, I have to say, from our perspective does not fill us with confidence because if you really believe that this is the right thing to do, why would you not subscribe to it? So, it is asking the States to put all of its assets into something and people who are really pushing for it are not prepared to put their assets into it. I have a feeling that that is not a recipe for a good, ongoing relationship.’³⁷

- 8.4.3 The JHA explained to the Panel its reasoning behind the decision to essentially wait and see what happened with the PPP. The Chief Executive of the Jersey Hospitality Association said that as a membership organisation it was dependent its members agreeing to a change in its constitution and, if that was a subsuming of its entire entity into a PPP, that would have to be done in a properly-constructed formal way. He continued:

‘It is not something that our members have told us: “No, we want you to just run in parallel with this entity” be the good neighbour, as such, do everything we can and, believe me, we have worked very hard to get to this point over the last 4 years. Do everything we can to run in parallel and make it a success, government and the private sector working together in harmony.’

The Deputy of St. Mary:

Running in parallel and contributing £110,000 and then £150,000 ...

³⁷ Public Hearing, Jersey Tourism Management, 22nd June 2009

Chief Executive, Jersey Hospitality Association

*I did not say that. I said that what we said was the target is £110,000 from the private sector. As I say, we want to make that a success and, should our membership decide that some of that contribution would come from the association that is always a scenario that we could look at.*³⁸

8.4.4 The British Institute of Inn keeping, Jersey Branch, supported the JHA on its continued role outside the PPP, recommending that it should continue with its current role of acting as a representative body for the industry and shouldn't be merged with the Tourism Department. The JHA could then keep its Training, Recruitment and Quality Assurance activities without there being problems incorporating them into the PPP. It could continue to receive grant aid to run their training programme as an independent industry service provider.³⁹

8.4.5 There was some concern expressed to the Panel over the JHA as a truly representative group of the industry. For example, the Marketing Manager at Jersey Tourism told us:

*'I think it is interesting when we talk about the Hospitality Association my personal view is that they are not truly representative of the industry. If we deal with the industry, we deal with people we work with. Personally I do not think I have ever gone through the Hospitality Association for anything.'*⁴⁰

8.4.6 In addition, the British Institute of Inn keeping, Jersey Branch, also commented on its concerns over the representation of the JHA, saying that Jersey Hospitality is not necessarily wholly representative of the industry and service providers, commenting that there was an apparent assumption that the JHA is an efficient and independent representative body for the Tourism industry.⁴¹

8.4.7 The Panel would concur that there are some industry stakeholders that the JHA don't represent, but for its part the JHA has not claimed to speak for each and every stakeholder. Furthermore, it is undoubtedly the main representative body of the industry, representing a broad range of the industry including accommodation providers, tour operators, attractions, restaurants, and carriers.

³⁸ Public Hearing, JHA, 19th February 2010

³⁹ Written Submission, British Institute of Inn keeping, Channel Island Branch

⁴⁰ Public Hearing, Jersey Tourism Management, 22nd June 2009

⁴¹ Written Submission, British Institute of Inn keeping, Jersey Branch

Key Finding:

8.4.8 Whilst the JHA leadership's commitment to a PPP is clear, the commitment of its broader membership and other businesses outside its membership is not as clearly established.

8.4.9 Also of concern to the Panel was to hear of some disharmony that exists between the JHA and some of the current senior members of the Jersey Tourism staff, which does not bode well for a future PPP that is designed to foster a close partnership between the two sides. The Director of Jersey Tourism told us about his unhappiness at some of the 'misinformation' that he felt the JHA has provided to the Panel and in press articles regarding the plans for the PPP. We also heard the following exchange involving the management team at Jersey Tourism, beginning with the Marketing Manager:

'Well, the Hospitality Association actively exclude us. We are not permitted to attend any members' meetings.'

Development Manager:

We do not get their newsletters.

Marketing Manager:

We do not receive any communications from them despite requests.

Deputy M.R. Higgins:

That is interesting because obviously see PPP as a very co-operative body and it looks like there is no real co-operation at all.⁴²

8.5 Events – concern about 'Industry' commitment

8.5.1 Throughout the evidence received from the JHA and from some other industry stakeholders, demonstrated above in outlining the rationale and, for example, regarding the skills the Chief Executive of the PPP is envisaged to possess, there is significant emphasis placed on the advertising aspect of the tourism marketing mix.

8.5.2 There was some concern expressed to the Panel that there was a danger that the PPP, with this apparent emphasis on advertising as opposed to a demonstrably holistic

⁴² Public Hearing, Jersey Tourism Management, 22nd June 2009

approach to marketing from key industry stakeholders, posed a threat to certain aspects of the current event offering, that currently forms a significant part of the tourist 'attraction' and marketing mix.

- 8.5.3 The Product Development Manager at Jersey Tourism, whose responsibilities include creating reasons for people to visit, including festivals and events, walking products and cycling explained that what her team does is considered to be part of current marketing activity. However, with regard to the PPP and key industry stakeholders, she explained:

*'...I do not know how keen they would be to put funding into Battle of Flowers, Air Display, Fête de Noué, Liberation Day. A lot of those events are not perceived as being that cool. You know, whenever I read about events in the paper it is always about Jersey Live and Grass Roots and Branchage which are fantastic events, but there is a whole gamut of events and activities that take place during the year, probably about 50 odd events and all of that is part of the promotional activity. They are the reasons to visit, they form part of the campaigns that our P.R. (Public Relations) team work on and, of course, the marketing.'*⁴³

- 8.5.4 The Chief Executive Officer of the Battle of Flowers wrote to the Panel to outline that her organisation was concerned that the creation of the PPP could lead to funding issues for Battle. She explained:

*...in the letter published in the Jersey Evening Post...the President of the Jersey Hospitality Association ... states that 'the Economic Development Minister will not be in charge of the purse strings' and that this responsibility would be discharged by an independent board of directors who would have responsibility for all aspect of policy, financial planning and operations. We cannot take any comfort from this as it clearly leaves the future funding for Battle in the hands of the new board who may not be mandated or minded to continue with any level of financial support.'*⁴⁴

- 8.5.6 The Director of Jersey Tourism told the Panel that whilst there may be some concerns about how some of the industry stakeholders view some events, there were measures that could be put in place to address them:

⁴³ Public Hearing, Jersey Tourism Management, 22nd June 2009

⁴⁴ Written Submission, Battle of Flowers

*'I think what would have to happen though is that there would probably need to be a service level agreement between the States and the new organisation to make sure that those things were funded on an ongoing basis because if you left it to a private organisation, they may not want to fund ... The Battle is often criticised by the industry as being too expensive. Jersey wants to see the Battle of the Flowers continue so I think that would have to be covered by some sort of agreement at a particular level to ensure that it did so.'*⁴⁵

Key Finding:

8.5.7 The JHA vision for the role of the PPP appears to be heavily focussed on the advertising aspect of marketing.

Key Finding:

8.5.8 Although the Economic Development Department state the requirement for a Service Level Agreement, there is no such draft available.

⁴⁵ Public Hearing, Jersey Tourism Management, 22nd June 2009

9. ALTERNATIVES AND MODELS

9.1 In response to the JHA's calls in 2005 for action to address such issues as those outlined above through the introduction of a PPP structure, the Economic Development Department commissioned Locum Consulting to undertake an examination of a range of alternative models for a PPP, based upon best practice elsewhere. From an initial discussion paper which was considered by both the JHA and the Economic Development Department, a final report was presented in 2007 which contained agreed principles between the parties on a PPP.

9.2 There was early agreement by the public and private sectors on the likely merits of pursuing a PPP, and it therefore appears from the evidence heard by the Panel that consideration of 'alternatives' has focused more on different types of PPP than actual alternative ideas. The approach was outlined in the Panel's Public Hearing held with the Minister and Officers from Economic Development, when the Director of Jersey Tourism told the Panel:

'There are 3 ways of doing this: option 1 is not doing it at all, option 2 is the halfway house, I think we might term it, and option 3 is the full situation. In terms of looking at other alternatives obviously the Locum Report, which I think you have had a copy of, produced a series of options which were there and predominantly the support from the industry was for the full option 3 situation. I do not think there was much appetite for the middle route, as it were.'

The Deputy of St. Mary:

The Tourism Board route? So you are saying that not much work was done to look at that because it seems to be fairly near to where you are evolving towards in the natural course of events.

Director, Jersey Tourism:

Other than the Locum Report and the work that you see in the paper, that was the work that was done, I think, essentially.

Chief Executive Officer, Economic Development:

Locum did the Destination Audit. They then did a specific piece of work on the organisational implications of this - the PPP - and within that they both evaluated and cited a number of examples of different types of PPP, structure some of which are restricted to tourism marketing.’⁴⁶

Key Finding:

9.3 Alternatives to pursuing a PPP have been inadequately considered; attention has been focussed on the different types of PPP.

Recommendation:

9.4 The Minister for Economic Development, and Ministers in general, should ensure that demonstrably sufficient analysis is given to alternatives, before resolving to pursue a particular model.

9.5 The Panel explored further why this full approach had been chosen ahead of perhaps settling with the half way option that had been established with the Tourism Marketing Panel. The Minister for Economic Development explained how there has been a period of evolution, culminating at this stage in the recently established Tourism Marketing Panel. It was hoped that this was a stage in the evolution towards a full public private partnership. The Minister explained further:

‘So it is just one step putting in place this particular marketing group which is private sector, private sector expertise, and not expertise, I might add, from just within the Island. There are marketing experts from the U.K. (United Kingdom) who have experience of Jersey who are part of that group which we believe will add significant value.’⁴⁷

9.6 The Tourism Marketing Panel has been formed to advise on future marketing planning and activity. The membership of the new Panel, below, was decided after a broad list of applications, with selection taken under the guidelines of Jersey Appointments Commission:

⁴⁶ Public Hearing, Minister for Economic Development, 22nd February 2010

⁴⁷ Public Hearing, Minister for Economic Development, 22nd February 2010

- Alicia Andrews, Head of Sales, Marketing and Retail, Condor Ferries
- Patrick Burke, Managing Director, Atlantic Hotel
- Anna Marie Dowling, Managing Director, Grand Hotel
- Robert Mackenzie, Managing Director, C.I.Travel Group
- John Markham, Commercial Director, Preston Travel Group
- Robert Parker, Chairman, Hotel de France
- Andrew Shrimpton, Director, Dolan Hotels
- Ian Taylor, General Manager, Market Development, Flybe
- Steve Cartwright, Chairman of the Jersey branch of the Chartered Institute of Marketing has been invited to act as an independent member.

9.7 The Panel Chairman is Mike King, Chief Officer of Economic Development, who on behalf of the Department is accompanied by the Strategy Development Manager, and, by invitation as required, the Director of Tourism, David de Carteret and Marketing Manager, Simon Le Huray.⁴⁸

9.8 It appeared to the Panel that the Director, Jersey Tourism, himself had some sympathy to the idea that it may be better at this time to take small steps, perhaps even stopping short ultimately of a full PPP with the Tourism Marketing Panel. He told the Panel:

‘Personally I think that we are probably trying to take too big a leap in one go. I suspect that it would be more sensible to sort of try and take some bite size moves towards this, but certainly the concept of a board coming in but with the organisation staying roughly the same could work quite well.’⁴⁹

9.9 The Minister was asked about the merits of not just stopping with the private sector expertise that could be harnessed with the introduction of the Tourism Marketing Board, potentially avoiding the upheaval and inherent expense of creating the full PPP – what was the extra incentive offered by a full PPP? He responded:

‘Well, I suppose to crystallise it quite simply, it is getting greater involvement. If you look at the industry themselves within this particular area, you can look at the success of an organisation which is a good example, which is Jersey Finance which, again, has been very successful in promoting the finance

⁴⁸ <http://www.jersey.com/business/Pages/default.aspx>

⁴⁹ Public Hearing, Jersey Tourism Management, 22nd June 2009

industry externally. It is a very similar model to the one proposed here. There are other models that exist elsewhere in the world. We believe that a partnership arrangement where the private sector is involved and accountable and can put and bring their expertise is going to add significant value. We believe also in the longer term you will be able to draw in additional funding from the private sector that can be more effectively targeted for better results.⁵⁰

Key Finding:

9.10 A full PPP is not the only option to provide better communication between the States and the industry; the Tourism Marketing Panel is a 'halfway' partnership option that has recently been established to address this issue

Recommendation:

9.11 The Tourism Marketing Panel should be given time to establish itself, and its experience used to determine whether full PPP proposals require re-assessment in the future.

⁵⁰ Public Hearing, Minister for Economic Development, 22nd February 2010

10. STAFF MATTERS

- 10.1.1 As previously illustrated (see 8.1) there are 25.5 full time staff within Jersey Tourism, consisting of permanent civil servants, a contracted UK based employee and some seasonal posts within the visitor services centre. Gross costs for this team were £1,200,000 in 2008 excluding JCB staff that cost an additional £95,000. The cost of conference bureau staffing is met from the grant from Economic Development to the JCB which is combined with the membership income to form the annual budget for bureau activity.
- 10.1.2 In the document *Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010*, it is estimated that the separation of the organisation from the Economic Development Department would increase the staff requirement by an additional 5 posts, to provide support services to the Board and management team of the PPP, membership services and to ensure that a number of other key services such as finance, human resources and administration are provided for.
- 10.1.3 2.5 of those posts would be compensated by the amalgamation of the Jersey Conference Bureau and the transfer of the JCB Manager. The Jersey Conference Bureau (JCB) has a total staff of 2.5 (1 based in London and 1.5 based in the Jersey Tourism building in Jersey). The gross cost of this team is £95,000.⁵¹
- 10.1.4 Clearly, the proposals to move Jersey Tourism from within a States Department to being a PPP organisation have led to disruption and concern amongst existing staff wondering what the future entails for them. The Panel is aware of the pressures that this proposed change has placed on the staff, and indeed this was one of the main factors that shaped the Review, and acknowledges the professionalism of the staff in the way it has dealt with the ongoing process.
- 10.1.5 From the beginning of its Review, the Panel was committed to examining how the change could impact on the existing staff, and in evidence gathering has covered areas including the sensitive but fundamental questions including; whether jobs will be offered to all existing staff, if so what terms they would be employed on (e.g. would existing terms be honoured?), and if not what alternatives would be offered to them.

⁵¹ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

10.2 Jobs for all existing staff?

- 10.2.1 *Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010*, explains that it is anticipated that the majority of the current employees of the Jersey Tourism team will continue within the new PPP. An employee who is unwilling to accept such a transfer should be allowed to make that decision. However, where this occurs, such an employee should be considered to have voluntarily terminated his contract rather than transferring it and he would not, therefore, have title to any redundancy terms provided by the States of Jersey.
- 10.2.2 It also outlines that where there are no equivalent roles for a Jersey Tourism employee in the new PPP or where there are significant differences between the role that an employee currently undertakes and other roles that remain vacant within the newly created PPP, it would be inappropriate for the States of Jersey to require that person to transfer. In these circumstances, the States should offer alternative suitable employment for those employees within the public sector or agree mutually acceptable redundancy terms.⁵²
- 10.2.3 When the Panel heard from the JHA, it suggested that the Chief Executive, Chairman and new board of the PPP, when it is created, would decide the new structure and what the different roles would be, and who would fill them. They indicated that some of skills required would be found within the existing staff, but ultimately that some would not.⁵³
- 10.2.4 The Minister told the Panel that there is an extremely good and talented group of individuals filling the services within Tourism at the moment, and there is no desire to change that at all as far as the individuals are concerned.
- 10.2.5 This point was emphasised by the Chief Executive Officer, Economic Development, who told the Panel that he did not envisage any of the functions that are undertaken by Jersey Tourism not being undertaken by the PPP, nor any of the people who work for Jersey Tourism not having a place in that structure. He continued:

⁵² Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

⁵³ Public Hearing, JHA, 19th February 2010

'... making it absolutely clear, any activity of the PPP and the public sector funding related to it is governed by a business plan and a marketing plan ... that has to be approved by the Minister. So, both in terms of the secondment and the subsequent process, we have built into that protection for the existing staff.

Deputy S. Pitman:

So you do not envisage any redundancies?

Chief Executive Officer, Economic Development:

I would hope not. I think that we will be working very closely with the chairman of the board of the new organisation to make sure that it delivers all of the functions that that are delivered by Jersey Tourism. I would very much hope that that is delivered by the same people because I think we have got a very good team.⁵⁴

Key Finding:

10.2.6 There is a contradiction between the JHA and the Economic Development Department regarding how many of the existing Jersey Tourism staff it is anticipated will work in the PPP.

10.3 Transferred or Seconded?

10.3.1 There has also been some concern for the staff regarding the terms on which those who moved to the PPP would do so. Original proposals appeared to be lead to a transferral of staff, but this could impact on existing terms of employment. The terms could of course have an impact on a range of issues including such things as salaries and pensions.

10.3.2 On the pensions matter, *Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010*, highlighted that a feature of earlier transfers of public sector employees has been the continuation of membership of the Pensions and Public Employees Contributory Retirement Scheme PECRS. The newly created organisations to which the employees have been transferred have been accepted as “admitted bodies” for the purposes of PECRS and employees have retained

⁵⁴ Public Hearing, Minister for Economic Development, 22nd February 2010

their membership of the pension scheme. It is felt that a similar approach should be adopted in the case of the creation of the Tourism PPP.

10.3.3 The preferred option indicated by the Treasurer of the States is for existing members of staff to be seconded to the new organisation whilst continuing to be States employees within the PECRS scheme. Separate pension arrangements would have to be made for new employees by the PPP ⁵⁵

10.3.4 It was clear to the Panel at its final hearing with the Minister that a final decision had yet to be made, although there has been a resolve to find a method that would protect existing terms, which was leading towards a preferred use of secondment. When asked whether the PPP employees moving from Jersey Tourism would cease being public servants and move on to totally new conditions of service the Chief Executive Officer, Economic Development said:

‘...I think the one thing we have to complete resolving is the time limit, if there is one, of the secondment. The reason for seconding people is specifically because we can absolutely ensure that they retain the same terms and conditions of employment as they enjoy as Jersey Tourism employees. I think that is right, I think it is fair and I think it is just.’⁵⁶

10.3.5 The Director, Jersey Tourism elaborated:

“Seconded” means that those people would continue to be employed by the States of Jersey and would be placed in the PPP but still continue to enjoy the benefits. I think the term is no less favourable than those which are currently enjoyed by other members that are working for the States of Jersey.

Deputy S. Pitman:

Will they be in the same role within the PPP?

Director, Jersey Tourism:

Not necessarily, no.

⁵⁵ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

⁵⁶ Public Hearing, Minister for Economic Development, 22nd February 2010

Deputy M.R. Higgins:

How long is the secondment for?

Director, Jersey Tourism:

That is a question that we have yet to answer. That is a question at the moment that we are trying to deal with at the States Greffe because secondment should have a fixed period and at the moment we have not defined a fixed period. So that is something that needs to be resolved.⁵⁷

Key Finding:

10.3.6 Issues around the terms and conditions of employment of present Jersey Tourism staff who may move to the PPP have not been resolved.

⁵⁷ Public Hearing, Minister for Economic Development, 22nd February 2010

11. FUNDING

11.1 It is clear that achieving a reliable funding structure is a fundamental requirement if the proposed PPP is to be implemented. The Panel heard that one key benefit of the creation of a full PPP was that it could lead, in the longer term, to additional funding from the private sector that, combined with the public sector funding, could be more effectively targeted to achieve better results marketing and resulting visitor numbers. But equally, without that additional funding being achieved, the merit of creating a PPP would need to be questioned. And in particular these current uncertain economic times, can the proposed, required public and private sector funding be guaranteed?

11.2 The proposed PPP budget

11.2.1 Public Sector

11.2.2 It is proposed that a public sector grant will be provided to the PPP by the Minister for Economic Development, subject to his agreement of the Board's Business Plan and an agreed Service Level Agreement. With regard to the Public sector grant to the PPP organisation, it is proposed that the PPP would be established with a grant equivalent to the programme and staff related costs of the Jersey Tourism team. Reflecting the independence of the PPP, no grant provision will be made to replace the value of central services provided by the States to Jersey Tourism. By way of indication the following figures are used to demonstrate the level of grant that can be anticipated⁵⁸:

Jersey Tourism budget – 2009	£
Core Programme	4,450,000
Staffing	1,200,000
Value of Central Services	332,700
Value of current commercial activities (private sector)	1,015,000
Total	6,997,700

11.2.3 The public sector grant of the £4,450,000 for marketing and promotional activity with a further £1,200,000 of staff costs, would be supplemented by an industry

⁵⁸ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

contribution of £1,015,000. This is largely generated through industry contribution to joint marketing activities and through advertising revenues. If the PPP proposal is adopted it is anticipated that with an additional industry contribution of £110,000, in 2010 the process of increasing industry contribution would be commenced and expectations are that these could be increased by £150,000 in the following year and then further increases being added annually. It should be noted that this additional income does not compensate for the additional costs involved and that a much more ambitious target will be required if additional marketing activity is to be undertaken.

11.2.4 This leads to a proposed budget breakdown for the PPP as follows ⁵⁹:

Proposed Budget-Turnover for PPP		2009 Base Year	2010	2011*
Income				
Income from EDD for marketing activity			4,450,000	4,450,000
Income from EDD staffing			1,200,000	1,200,000
Income from Industry			875,000	1,025,000
Jersey Conference Bureau (Industry membership)			90,000	90,000
Accommodation brochure (Advertising revenue)			250,000	250,000
Total		6,755,000	6,865,000	7,015,000
Expenditure				
Staffing at proposed new level		1,200,000	1,386,500	1,431,350
Additional administration costs		Included	650,100	440,100

⁵⁹ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

Total staffing & administration costs		1,200,000	2,036,600	1,871,450
Marketing programme value (EDD grant + industry spend – staff and administration)		5,555,000	4,828,400	5,143,550

11.2.5 Private Sector

11.2.6 The Private Sector Funding Structure should generate revenue from three sources: corporate contributions, direct income and joint marketing activities. At present Jersey Tourism raises revenue through a variety of means including advertising, direct income, on-line bookings, retail, etc. – the 2009 breakdown is as follows ⁶⁰:

Joint marketing contributions	490,000
Retail sales surplus	10,000
Exhibition participation	25,000
Jerseylink	120,000
Miscellaneous publishing in What's On, Pure Jersey etc	120,000
Sub Total for Joint Marketing	765,000
StayJersey (formerly Jersey Accommodation Guide)	250,000
Jersey Conference Bureau membership fees	90,000
Total	£1,105,000

⁶⁰ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

11.2.7 In *Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010*, it was made clear that:

...whilst income from StayJersey and Conference Bureau membership fees is assumed to be constant, income in the areas of Joint Marketing can and must increase. It is in the area of corporate contribution (the second P in PPP) that significant additional funds must be raised.⁶¹

11.2.8 As demonstrated below, the JHA has set out the additional revenue which might be expected with a breakdown of the individual component sums which would add a possible £312,000 to the marketing spend which could be available to the PPP.

Industry Funding Plan Proposal ⁶²

Current industry contribution to the M&P programme is circa £1,080k

Year 1 2009 £110k uplift, year 2 2010 £150k uplift, £260k in total with a further aspirational, not contingent, target of £150k in years 3 & 4, 2011 & 2012 respectively.

The PPP agreement considers three main sources of industry contribution – membership scheme, increased joint initiatives and corporate contributions.

JHA Strategic Planning Group has met several times since the PPP Draft 4 has been finalised to consider how the target of £260k industry contribution uplift could be best achieved, thus enabling any remaining obstacles to be removed from preventing speedy progress to the full implementation of the PPP structure during 2009.

It will be for the newly formed PPP team to actually decide on which initiatives to implement and when, however the JHA is happy to provide clear indications of intent and assist in delivering the required commitment from the hospitality and tourism sector.

⁶¹ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

⁶² Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

Membership SchemeEst £ value

Open to any business who wishes to be involved in the marketing and promotion of Jersey as an island destination, outline details in the PPP document.

50kIncreased Joint Initiatives

Current activity of circa £740k per annum, plus the Guide at £250k per annum, this trend has shown positive increases in recent years, anticipated further progress in this area of +5%, including a £50k uplift in the guide income to 2007 levels.

87kRedirection of Existing M&P Investment from Direct into the PPP

Industry players invest and allocate M&P monies both jointly but more importantly individually on specific activity to stimulate interest, booking and new business. If only 5% of current spend could be directed through the PPP to leverage the cost benefit ratio by pooling funds then a cumulative target of £100k per annum is possible. If JTD or the PPP can provide innovative initiatives, then the industry will happily engage in partnership.

100kCorporate Contributions

Target all island businesses who currently do not contribute to the M&P budget in any way even though their business benefits from the hospitality and tourism sector product i.e. retailers, service providers & commerce in general.

75k**312k****11.3 Funding Concerns**

11.3.1 Whilst it is clear that all sides recognise that adequate funding is fundamental to the success of the PPP, the Panel has considerable concern over the ability of both sectors to guarantee the levels of funding required to justify the creation of a successful PPP.

11.3.2 States grant concerns

11.3.3 The Jersey Tourism budget has declined significantly in the last decade. This raises the key question of whether this trend is likely to continue in future years, and how this would impact on the merits and success of a PPP? It also leads the Panel to question whether Tourism generally has adequate, high level political support. The following figures dating from 2003 to 2009 show the pattern and extent of that expenditure decline:

	2003	2004	2005	2006	2007	2008	2009
Quality Development	5,737	152,334	43,000				
Advertising & Media	1,887,120	2,242,779	1,817,000	1,717,000	2,247,000	1,845,000	1,640,000
Consumer/ Media Relations	543,373	418,273	403,000	346,000	885,000	675,000	440,000
Public Relations	528,602	859,280	589,000	557,000	549,000	562,000	360,000
Marketing Services	218,557	374,858	333,000	164,000	551,000	431,000	156,000
Distribution	286,446	396,284	344,000	307,000	214,000	191,000	
Trade Relations	1,846,164	2,014,957	1,820,000	1,634,000	386,000	977,000	707,000
Product Development	818,212	839,601	774,000	860,000	989,000	906,000	510,000
Visitor Services	409,676	392,621	346,000	303,000	282,000	324,000	90,200
Research & Planning	998,884	860,012	704,000	688,000	2,047,000	1,410,000	246,000
Conference Bureau							236,000
Staff							1,210,000
Net Revenue Exp	7,542,771	8,550,999	7,173,000	6,576,000	8,150,000	7,321,000	5,595,200

Notes:

In 2008 following the Historic Child Abuse case the tourism marketing budget was increased by £600,000.

In 2009 following the economic downturn the tourism marketing budget was increased by £800,000.

Prior to 2009 staff costs were included with the activity cost and Conference Bureau included with research and planning.⁶³

	2003	2004	2005	2006	2007	2008	2009
Research & Planning as stated EDD	998,884	860,012	704,000	688,000	2,047,000	1,410,000	246,000

⁶³ Minister for Economic Development, Written Answer, States of Jersey, February 2010

R&P ACTUAL including JCB	365,000	365,000	365,000	365,000	365,000	365,000	365,000
Net Revenue Exp	7,542,771	8,550,999	7,173,000	6,576,000	8,150,000	7,321,000	5,595,200
NRE ACTUAL	6,908,887	8,055,987	6,834,000	6,253,000	6,468,000	6,276,000	5,714,200
change on previous year		1,147,100	-	-581,000	215,000	-192,000	-561,800
% change on previous year		16.60%	-15.17%	-8.50%	3.44%	-2.97%	-8.95%

NOTE: if the sums for extraordinary support due to the Abuse Inquiry and the credit crunch are deducted from the total net revenue expenditure for 2008 and 2009 in the above table to give the figure as budgeted, then the decline in the Tourism budget is even more marked than in the table above.

Key Finding:

11.3.4 Jersey Tourism's annual net revenue expenditure between 2003 and 2009 shows a declining trend.

Key Finding:

11.3.5 The section of the Jersey Tourism budget attributed to Research and Planning is not ring-fenced for Jersey Tourism, but is available for use in relation to all sections of the Economic Development Department.

11.3.6 Addressing the declining Jersey Tourism budget, the Minister said that there had been challenges, but argued that there had not simply been cuts as some of the budget that had previously been attributed to marketing for tourism had been directed going to Jersey Enterprise to try to help businesses such as those found in the tourism industry to become more profitable and more successful. He also told the Panel that any group, in any sector, that receives support from government would say that they do not have enough support and they do not have enough funding. However, despite a falling budget he would argue that:

'...there has been tremendous strides in recent years in the way in which we deal with our budget as a whole at Economic Development but also the way

*in which we get, if you like, better value, a better targeted spend for marketing. You can see that by the way we have managed to turn around a decline. There was an ongoing decline for about 10 years or so until 2006 when we suddenly started to see a change and we began to look at the way in which, from a strategic point of view, we deal with marketing. It is more effective than it was and I think it has begun to deliver some results... We believe that the PPP is moving what we have at the moment on to a new level which will be more effective.*⁶⁴

11.3.7 The Minister also explained that 41% of the Economic Development budget was attributed to Tourism, by far the largest amount by sector. For example, the part of the budget attributed to the finance industry stands at approximately 15%.

11.3.8 In addition to the overall budget decline that has been seen in the past, the Panel is aware that further cuts to the budget are expected as States expenditure in general is curtailed as a consequence of the current economic situation and the States structural deficit. Addressing this budgetary uncertainty, the Panel heard from the Minister that:

'we do have a pot which is constrained and it is going to become more constrained as we move forward with the difficulties that the Island has from a budgetary point of view. Departments have less money and we have to make sure that what we have is spent as effectively as possible.'

11.3.9 The Panel also had the opportunity to speak to the Minister about his Department's plans to meet the challenges of the Comprehensive Spending Review, whereby each Department is charged to reduce expenditure by 10% over 3 years (2% in 2011, 3% in 2012 and 5% in 2014 giving a total of 10%), adding further uncertainty to the level of grant proposed to be provided to the PPP. Although at early stages in reviewing what that would entail for his Department, the Minister acknowledged that:

'... like all departments, difficult decisions are having to be taken as to where the savings are going to be made but largely it is across the board, and it is not, I should point out, just a question of the 2 per cent for 2011. Of course we have spending pressures like anti-money laundering, for example, which

⁶⁴ Public Hearing, Minister for Economic Development, 22nd February 2010

*is a pressure that we have to find funding for of over £300,000. So it is more than 2 per cent in real terms for our 2011 budget. But it will be, broadly speaking, across the board.... I should say that in 2011 it will be much easier to deliver than it will be in the subsequent years which are going to be far more challenging, as I am sure you would appreciate, and indeed I know that other departments are also going to find problems.'*⁶⁵

Key Finding:

11.3.10 The level of States grant funding for the PPP is not guaranteed.

11.3.11 In light of the budget cuts seen over a number of years, the Panel raised the issue of whether there was adequate political support for the Tourism industry with the States. He told the Panel that:

'Well there is a political commitment; we are spending 41 per cent of our budget on supporting tourism; we are putting money into Jersey Enterprise to help support businesses within the tourism sector. I do not think there is any doubt about ...

The Deputy of St. Mary:

With respect, Minister, you are spending 41 per cent of the budget and we are seeing a gentle decline. So maybe that is not enough and I will just put it to you.

The Minister for Economic Development:

*I think the industry would perhaps argue that it is not enough and that is understandable. I think what we need to concentrate on is using the funds that we have in the most effective way that we can to ensure that we get the right people to the Island.'*⁶⁶

11.3.12 When asked about whether there was a possible lack of political focus enough on the Tourism sector, when, for example, there is an Assistant Minister for Harbours an Assistant Minister dealing with agriculture but not one specifically focussed on tourism the Minister countered, telling the Panel:

⁶⁵ Public Hearing, Minister for Economic Development, 10th April 2010

⁶⁶ Public Hearing, Minister for Economic Development, 22nd February 2010

‘...tourism is important, and it is because it is important that I have a focus myself on tourism. I think it is appropriate and right that the Minister should attend to matters relating to tourism and that is exactly what happens.’⁶⁷

11.3.13 Addressing the levels of political support, the JHA had told the Panel that the previous Minister for EDD, Senator Ozouf, and indeed the current Minister, Senator Maclean, had been very supportive and encouraging of the importance of tourism, as has the current Chief Officer. However, prior to the change in 2005 to Ministerial Government, Tourism had been a department in its own right, with its own political leader, champion within the States and supporting political board. Therefore:

‘...we have to accept within E.D.D. the range of mandate and agendas that they have is of great complexity, we have to recognise tourism cannot possibly be getting as much focus as it probably did before, so we think in many ways tourism has moved slightly into the shadows, not by any intent but just by a matter of prioritisation’⁶⁸

11.3.14 As a result, the JHA argued that a move to a PPP would be of benefit, because:

‘...with tourism moving to a PPP it is still linked to government but outside of government, then the Jersey Tourism Department staff ... would then have an ability to be distant from the maelstrom of all the other things and just concentrating on tourism and the marketing promotion of tourism, and we think that that will be the single biggest boost to this whole process, better focus, therefore more effective, therefore more able to engage with the industry, be able to move quicker and be able to be far more targeted in what we do spend our money on.’⁶⁹

Key Finding:

11.3.15 The Economic Development Department is a ‘mothership’; its multi-sector focus has contributed to the JHA opinion that States attention to the industry since Ministerial Government was adopted in 2005 has been diluted.

⁶⁷ Public Hearing, Minister for Economic Development, 22nd February 2010

⁶⁸ Public Hearing, JHA, 19th February 2010

⁶⁹ Public Hearing, JHA, 19th February 2010

Key Finding:

11.3.16 The falling Jersey Tourism budget demonstrates a questionable political commitment to the industry.

Recommendation:

11.3.17 The Minister for Economic Development should demonstrate political commitment to the Tourism industry by addressing the declining budget and establishing longer term funding guarantees as a platform for stability.

11.3.18 Industry funding concerns

11.3.19 In addition to concerns over the future reliability of the level of the States grant, there are perhaps even greater ones over the ability of the Private sector to guarantee its proposed funding.

11.3.20 It should be said that the Panel did hear from the JHA that it believed the required uplift could be achieved, even in the current difficult economic times and with the challenges facing the industry, and welcomed the acceleration of the process from a 4 year phasing to a 2 year delivery is the right way forward. One reason given as to why the money would be forthcoming was the simple but stark logic that the PPP would fail if it wasn't, and this would not happen given the inherent industry support for it to work.

11.3.21 In terms of how it would achieve the funding required from the industry, the JHA pointed out the scale of the increased joint marketing activity over the last 3 years had shown growth year on year which was a good indicator of what may be expected. They also explained that it would be an aim to route more of the existing money spent individually by hospitality operators on their own marketing and advertising through the PPP, which would not therefore necessarily mean businesses seeing costs increase.

11.3.22 Furthermore, the JHA proposes to persuade some businesses that have not been contributing into the marketing of Jersey to come on board:

'King Street has an awful lot of retailers who benefit absolutely from the number of tourists that come to the Island. Per se, the High Street are not

members of the J.H.A. and have not been contributing to any of these linked promotions, so we think that the net needs to be expanded, and we have spoken to some of those retailers who have got the point. Now, they will not be queuing up to say: "Yes, count us in, tax us" but if they can see that there is a sense in contributing some money to maintain the tourism visitor levels, therefore the spend in their businesses, as businessmen they are going to be able to work out the marketing investment, cost, benefit return.⁷⁰

11.3.23 It was with concern however, that the Panel heard from the President of the Jersey Chamber of Commerce, that he had no knowledge of this likely funding request to retailers:

'Well, the funding issue and your points with regard to retailers funding, that has not come across my radar, let us put it like that. I have to be very honest with you there. So I really cannot comment any further than that. I will have to discuss it with our retail committee because we have not ... as I just said, it just has not come across our radar.'

Key Finding:

11.3.24 The JHA is relying on attracting additional contributors from the retail sector to assist achieving the proposed funding levels from industry.

Key Finding:

11.3.25 It has not been established that the retail sector will be willing and/or able to contribute to industry funding for the PPP

11.3.26 The Panel was concerned that there don't appear to be any measures in place for guaranteeing the industry funding levels, which creates uncertainty over the PPP receiving adequate funding. The JHA was able to present plans for how it believed the funding targets could be met (see JHA Industry Funding Proposal), but it remains the case that there are no guarantees. When asked about what they had done to establish how realistic the projected figures were figures to gauge the likelihood of them being met, the JHA told the Panel:

⁷⁰ Public Hearing, JHA, 19th February 2010

‘Three things: (1) we have taken some assurance from Locum who have confirmed to us that Jersey...is perfectly capable of achieving this level of contribution...(2) all of our members and the industry have had it shared with them and we have had 2 people that have said: “We are very apprehensive, is it right to be asking for more? Can businesses give more and is there a risk that it will get spent on establishment costs?” ... (3) we have been to speak to some owners of businesses on the High Street and shared with them the principles that I have just outlined in the concept of why sharing the pain across all businesses that benefit from tourism, and we have not had anybody that has said: “There is the door, tax me or no chance.” We have not had anybody saying: “Please, yes, send us a bill, that would be great” but the principle is, and we are all businessmen on the J.H.A. Committee, and we have tested with ourselves how do we feel about it. All I can tell you is that it is relatively informal but the reason that we have put this forward is because we would not be happy to have our name attached to the doing of it. If this (the PPP) failed, then we would recognise that we have, not misled, but that we have sort of assumed things that we should not have done...it is about: “Overall is the quantum doable?” and my answer to you is that we have no doubts at all.’⁷¹

11.3.27 The Minister was asked how he could be certain that the public sector will be able to provide the required funding, particularly in the view of the current economic conditions. He emphasised that there are no guarantees, but that having had the *Locum Audit Report*, spoken at length to the Jersey Hospitality Association and other individuals within the tourism sector, the belief is that the industry has bought into the concept. He told the Panel that it therefore understood the need for additional funding and where the funding is going to come from, which would give the PPP every chance of success. The Chief Officer of Economic Development also reminded the Panel that there is already significant contribution made by the industry to joint initiatives:

‘...we should not believe that the private sector does not contribute at the moment. It contributes a very significant amount of money to our joint monthly activity... You are talking about a body as the PPP that has the remit of marketing and promoting the Island. Everybody has a vested interest in that happening and there is a possibility that we will get contributions from the

⁷¹ Public Hearing, JHA, 19th February 2010

*broader private sector...is it going to double the marketing budget? Well, no, it is not. But is it going to supplement it to the extent that it means that the public sector does not have to? Well then, yes, it potentially can.*⁷²

11.3.28 However, he did accept that in terms of firm commitments, there were no guarantees. He told the Panel that:

*'...the sense that we get from the people who sit within the J.H.A. certainly, and you are talking about probably some of the leading players in the industry here, is that those contributions will be forthcoming, particularly when they see those contributions being given to an entity that sits in somewhere where they have some sense of ownership...I think it will be challenging. I think it is challenging in the current environment...But there has been pretty broad support for this from the industry.'*⁷³

11.3.29 The Panel heard from a small number of individual industry stakeholders who raised concern over the funding structure. Responding to an earlier draft of the proposals than those contained in the final Version 7, the Chairman of Dolan Hotels wrote to the Panel, saying:

I have read Version 5 of the discussion paper on the formation of the PPP and I have serious reservations about a major assumption within that document, the funding model, ongoing costs and the subsequent marketing programme value.

The final paragraph of page 3 states that "it (PPP) will and can only work to the greatest effect if ALL (document's emphasis) marketing and promotional activity is either under direct control or can, to a certain extent, be influenced by the PPP".

I would suggest that it is unrealistic to expect every business in the private sector to place their marketing under the PPP.

I am aware that there is a contingency outlined on page 5 for a Tourism Board should the additional private sector funding not be forthcoming but

⁷² Public Hearing, Minister for Economic Development, 22nd February 2010

⁷³ Public Hearing, Minister for Economic Development, 22nd February 2010

surely EDD must start the process of a change to a PPP on the basis of more than just hope.

Notwithstanding my views detailed above, I may be totally mistaken and the private sector funding may be forthcoming but it is at this point where the proposals are fatally flawed and must be reviewed before any further advances to the PPP are made.⁷⁴

11.3.30 The Managing Director of C.I. Travel Group also expressed concern over the funding expectations:

The ... objective ... of increasing private sector investment in marketing the destination and reducing both as a proportion as well as in real terms, the cash allocated by The States is not so straightforward. The proposal for financing a PPP indicates an increasing investment by the private sector from a fairly low level of £110k in Year 1 to £560k in Year 4.

It has to be questioned whether this proposal is realistic for an industry that is still reducing in size. The number of hotel and guest house closures continues and it is possible that the market supply will contract by a further 10 - 20% in the 4 year period of this scheme. In addition an increasing number of visitors are making their arrangements through international on-line operators and airlines, from whom it will be extremely difficult to encourage direct financial support. As a result the number of stakeholders able and willing to contribute will decrease and the target figure for private sector contributions cannot be guaranteed.⁷⁵

11.3.31 Condor Ferries also contacted the Panel offering the observation that many businesses currently active in the tourism economy in Jersey, currently collaborate with Jersey Tourism through their co-funded marketing work stream to deliver visitors to the island and thereby create clarity in the marketing messages disseminated on behalf of “brand Jersey”. These businesses will all have individual commercial objectives to meet and must employ their marketing budget in the ways they deem best to accomplish these goals. It warned that if the PPP is to succeed in attracting a portion of this marketing budget is to be diverted into the wider PPP

⁷⁴ Written Submission, Chairman, Dolan Group of Hotels

⁷⁵ Written Submission, Managing Director, C.I. Travel Group

budget it must be possible to identify how the PPP will help achieve the businesses goal as well as the wider goals as it is highly unlikely that these businesses will be able simply to “make up the shortfall” resulting from reduced EDD spend. Members of the PPP must be able to demonstrate real expertise in the field and an ability to take a strategic and independent view of the strengths and weaknesses across the sector, sidestepping partisan interests.⁷⁶

Key Finding:

11.3.32 The ability of the industry to achieve its proposed levels of funding for the PPP is not guaranteed.

11.3.33 Set up and running costs

11.3.34 As part of the Economic Development Department, Jersey Tourism currently enjoys the benefit of a number of centrally provided services that would be required to be funded by the PPP if established, giving rise to significant one-off set up and ongoing running costs. The Department has been clear that the administration costs are to be funded from within the PPP’s own budget, with no provision made within the grant it will give to the organisation. As shown below, figures established in preparation for a possible introduction of the PPP in 2010, produced a total for additional running costs for non staff of £650,100 in 2010 and £440,100 in 2011⁷⁷:

Breakdown of additional administration costs

	2009 Base Year Included	2010	2011
General administration		280,100	280,100
IT set up(hard & soft)		210,000	0
IT annual costs		160,000	160,000
Total	332,700	650,100	440,100

⁷⁶ Written Submission, Condor Ferries

⁷⁷ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

11.3.35 Direct costs attributable to Jersey Tourism within the Economic Development Department budget have been calculated at £332,700, as follows:

- Supplies and services £121,700
- Administration costs £38,800
- Premises and Maintenance £172,200

11.3.36 The above figures were presented as estimates calculated using the extensive buying power of the States, which may not be replicated within a smaller independent organisation.⁷⁸

11.3.37 The Panel was concerned that these costs could swallow up the money that is supposed to be used to achieve better marketing, a point raised for example by the Managing Director of C.I. Travel Group:

...certain administrative services currently provided by central government departments would no longer be available and additional costs of £230k will need to be paid for out of the PPP funds to provide these services. There is therefore some considerable concern at the ability of the new PPP to maintain a budget capable of delivering an effective marketing strategy in an increasingly competitive marketplace.⁷⁹

Key Finding:

11.3.38 There are concerns that set up and administrative costs are prohibitive to the successful establishment of the PPP, and there would be less funds available for marketing.

Key Finding:

11.3.39 The case for the adoption of a full PPP has not been adequately made, with uncertainty surrounding too many details.

⁷⁸ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

⁷⁹ Written Submission, Managing Director, C.I. Travel Group

Recommendation:

11.3.40 The Minister for Economic Development should continue to work towards improved communication with the Tourism industry, and to harness the valuable knowledge and experience contained within it.

Recommendation:

11.3.41 The Panel believes that the PPP as currently proposed is flawed. If a PPP proposal is brought forward in the future, the Minister for Economic Development should ensure that, unlike the current proposal, there is a clear vision with all objectives and key operational details agreed by stakeholders. Furthermore, there should be commitment to achievable funding strategies from both the public and private sectors.

11.4 The Tourism Development Fund

11.4.1 The Tourism Development Fund (TDF) exists to consider and evaluate requests for funding of tourism related projects, operating as an advisory panel appointed by the Minister for Economic Development with Officer support provided by the Department.

11.4.2 As the proposed remit for the new organisation is largely tourism marketing related, it is proposed that the TDF maintain a relationship through the presence of a senior representative at PPP Board meetings, but that the administration would remain with the executive of the Economic Development Department.⁸⁰ The Chairman of the TDF Board outlined his support for that proposal:

*'The question that has arisen is should the Tourism Development Fund even be in that organisation under the umbrella of the board that would be responsible for PPP, or should it remain within the department? There is a clear recommendation from the consultants that it should remain within the department. I think that at the moment we are taking the view that the panel should remain independent. We think there are very sound reasons for that independence, and the corporate governance we have now seems to have worked well in the past, which would posit that we would continue under the umbrella of E.D.D.'*⁸¹

⁸⁰ Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010

⁸¹ Public Hearing, Tourism Development Fund, 25th June 2009

- 11.4.3 The States of Jersey agreed in principle in December 2001 that £10 million should be set aside over the following five years for a new Tourism Development Fund that would replace the Tourism Investment Fund. In 2003, £1,200,000 was transferred to the fund. In 2004 and 2005 no funds were transferred in to the Fund and in 2006 £1,000,000 was transferred to the fund. The TDF Board is concerned that so little of the agreed £10,000,000 has been transferred to the Fund since the States agreement to do so.⁸² Its Chairman explained to the Panel:

‘The process of drawing down is coming up very quickly, because we are running out of funds. Now, the background to this is you could see there is £10 million set aside; there must be £10 million somewhere, on deposit or whatever. No, the money is not on deposit. These are all questions that we asked. The £10 million is not on deposit. Okay. How much have we spent? I think as of January we spent a little under £2 million, £1.8 million or something. So, we had £700,000 or £800,000 in the pot. The question was asked of the Minister: “What happens next?” and he said: “Well, when you run out of money you ask for another chunk, another tranche, and that goes to Treasury with a recommendation from us, and then Treasury reacts.” To which we have said: “Right; and if they say no, do we fold up shop or whatever?” Well, the chances are they will not say no. It may have to go before the States. In other words, it seems to be unknown. But we will very shortly request another tranche of funding in line with our understandings of the guidelines.’⁸³

- 11.4.4 At present the TDF fund is limited to providing grants to States Departments and to not-for-profit organisations. However, the TDF Board is of the opinion that if the terms of the scheme allowed them to award grants to private sector investors that they would receive projects with the capacity to have greater impact on visitor numbers. TDF Board Member Mr M. Graham, General Manager Bosdet Foundation (Les Ormes), told the Panel:

‘If there were not some changes made I think there would be little point in giving more funding. For instance, while we should be very careful, should we allow some commercial aspects? If there was someone in the community who wants to come up with a new product which would be a fantastic thing for

⁸² Tourism Development Fund Annual Report, 2009

⁸³ Public Hearing, Tourism Development Fund, 25th June 2009

Jersey, but they were a private individual as opposed to a States department, at the moment we could not help to make that happen.... there would be rules about paying money back or whatever the deal might be - pound for pound or something. But unless you can start doing that, Jersey tourism is not going to develop...'

11.4.5 He continued:

'...It does not have to be a bad thing that they are going into making money. It is almost as long as the scheme gets money back or we end up with more business in the Island, it would be worth it. But if we want to go forward that has to happen. We cannot just have each Government department coming to us saying: "We want it for a marketing budget. We want it to pay for some pavements or something."'⁸⁴

11.4.6 The Panel asked the Minister for Economic Development about the situation regarding the funding of the TDF and what those funds could be used for. He told the Panel that he felt strongly about it, explaining that the Tourism Development Fund had done an excellent job to date but had been limited in terms of the budget it has had available. He acknowledged that the States had agreed funding of £10 million but that the TDF had only received about £2.2 million, and advised the Panel that he would be taking a proposition to the States to open up the Tourism Development Fund to make it available to the private sector.

11.4.7 In order for the fund to make a difference in that respect, the Minister told us that the balance of funds transferred to the TDF, about £450,000 at that time, was not going to work. He further explained that in order to bring a proposition forward to open the TDF up, it would require an effective funding mechanism attached to it, otherwise it would be largely meaningless.⁸⁵

11.4.8 Additionally, the Chief Executive Officer, Economic Development, told the Panel that one of the things that had to be done to open the TDF to the private sector, was to make sure that a very robust investment appraisal tool was in place to allow the TDF to evaluate requests, as there was no doubt that there would be far more demand than they have ability to supply. Encouragingly, he informed the Panel

⁸⁴ Public Hearing, Tourism Development Fund, 25th June 2009

⁸⁵ Public Hearing, Minister for Economic Development, 22nd February 2010

that that tool has been built and bench-tested with a couple of private sector schemes already.

- 11.4.9 He also pointed out that any suggestions that the TDF had not benefited the private sector at all to date were not entirely accurate. By way of example he explained that the TDF had granted approximately £300,000 into improved services on the Five Mile Road which had involved the private sector. However, he continued:

*'...but is that the same thing as a quality private sector scheme being able to leverage funding from T.D.F.? No. Should that be what should happen? Well, absolutely, and that is why we are taking it forward. Again, this is public money and we have to make sure in the same way that has been done with the stimulus funding, for instance, that each of these things is evaluated as an investment on which we wish to see a return on outcome and output.'*⁸⁶

- 11.4.10 With regard to timescale, the Minister said that he would like to bring the proposition to the States this year.⁸⁷

Key Finding:

- 11.4.11 The proposed £10 million Tourism Development Fund budget has never materialised. Only £2.2 million has been made available to the Fund since the £10 million budget was agreed in principle by the States in 2001.

Key Finding:

- 11.4.12 The Minister for Economic Development has committed to work towards addressing the shortfall in the Tourism Development Fund budget.

Recommendation:

- 11.4.13 The Panel supports the Minister for Economic Development's commitment to work towards addressing the shortfall in the Tourism Development Fund budget. The Minister should bring an associated proposition to the States before the end of 2010.

⁸⁶ Public Hearing, Minister for Economic Development, 22nd February 2010

⁸⁷ Public Hearing, Minister for Economic Development, 22nd February 2010

12. CONCLUSION

- 12.1 The principles behind a Tourism PPP of better communication between the public and private sectors, harnessing the inherent marketing and commercial expertise within the private sector and pooling available resources to target marketing opportunities are sound, in theory. However, in reality there are currently too many uncertainties and inconsistencies around the current proposals; including notable differences in the visions of the PPP between the public and private sectors, unresolved staff concerns, a lack of a draft Service Level Agreement, concerns over set up costs and ongoing administration, and, fundamentally, the absence of funding guarantees from both sectors.
- 12.2 The current uncertain economic climate further compounds the prospect of successfully establishing a Tourism PPP, and in light of these issues, to attempt to do so would be a leap of faith. There is, however, merit in pursuing the recently established 'middle way' of the Tourism Marketing Panel, allowing it adequate time to establish itself and to develop its role, and using its experiences to determine whether full PPP proposals require re-assessment in the future.

13.1 APPENDIX 1 – Evidence Considered

13.1 The following documents are available to read on the Scrutiny website (www.scrutiny.gov.je) unless received under confidential agreement.

Background Documents:

- Destination Audit - Locum - Nov 2006
- Discussion paper on the development of a Tourism PPP – Version 5, Sept 2008
- Discussion paper on the development of a Tourism PPP – Version 6, July 2009
- Discussion paper on the development of a Tourism PPP – Version 7, Jan 2010
- Economic Development Department Business Plan 2010
- Email correspondence, Chief Officer Economic Development Department, March 2010
- Jersey In Figures 2009
- Locum Report: Marketing Jersey, September 2007
- Public letter, Mr R Jones, JHA, March 2010
- States of Jersey, P.170-2001
- Tourism Development Fund Report 2008
- Tourism Development Fund Report 2008
- Written Answer, Minister for Economic Development, States of Jersey, February 2010
- www.jersey.com/business/Pages/default.aspx
- www.jerseyfinance.je

Written Submissions:

- Battle of Flowers
- British Institute of Inn keeping, Jersey Branch
- C.I. Travel Group
- Condor Ferries
- Dolan Group of Hotels
- Jersey Chamber of Commerce
- Jersey Hospitality Association

- Jersey Pottery
- Mrs I Haydon
- Pelido Ltd T/A Zebra
- Seymour Hotels

Public Hearings:

- Jersey Chamber of Commerce, 23rd March 2010
- Jersey Conference Bureau, 22nd June 2009
- Jersey Hospitality Association, 19th February 2010
- Jersey Tourism Management, 22nd June 2009
- Minister for Economic Development, 8th June 2009
- Minister for Economic Development, 22nd February 2010
- Minister for Economic Development, 10th April 2010
- Tourism Development Fund, 25th June 2009

13.2 APPENDIX 2 - JFL - Panel Questions to Minister for Economic Development and Ministerial Response

States of Jersey
States Assembly



États de Jersey
Assemblée des États

Scrutiny Office

Senator A J H Maclean
Economic Development
Jubilee Wharf
Esplanade
St Helier
JE1 1BB

Our Ref: 515/1

21st January 2010

Dear Senator Maclean

Economic Affairs Scrutiny Panel

Jersey Finance Ltd

You may recall the work that the Panel undertook in relation to Jersey Finance Ltd in 2009, which itself was follow up to the previous Panel's report *The Role and Funding of Jersey Finance Limited, SR6/2008*. We have agreed that further to this we request that you consider the following questions and respond to us by Friday 5th February:

1. Please could you forward us evidence of the basis of the funding stream for Jersey Finance Ltd, for example as contained minutes or reports? Would you consider bringing the funding stream to the States for approval?
2. As Jersey Finance Ltd is to receive £2.5 million, and in light of its income having risen exponentially over the last few years, what is that money being used for and why this significant rise in income has occurred?
3. Does Jersey Finance Ltd have a 'partnership' with the States or is simply in receipt of a grant, in which case please provide us with the Service Level Agreement and most recent accounts?
4. If there is a partnership then what percentage is the States contributing to the overall costs of Jersey Finance Ltd and what percentage is Jersey Finance Ltd contributing?
5. If there is a partnership, who agreed the funding structure and how and when was the decision made?
6. What are the specific aims and objectives of Jersey Finance Ltd? Have they changed since incorporation? If they have changed, who changed them and who was it agreed by?
7. Is Jersey Finance Ltd a promotional tool for the Finance Industry in Jersey or is it there to offer advice on such things as the economic climate and investigate local issues such as the provision of a Financial Ombudsman?

Scrutiny Office | States Greffe | Morier House | St Helier | Jersey | JE1 1DD
Tel: 01534 441080 | Fax: 01534 441077 | email: scrutiny@gov.je

8. Who does Jersey Finance Ltd report to and are these reports supplied to the States?
9. Who does Jersey Finance Ltd represent, the whole industry or just its members? If it is the whole of the industry, how often does it have open public meetings and how are the views of Jersey Finance Ltd established?
10. Is there a business plan for opening offices in China or India?
11. Who decided to open an office in London? Who is funding it? Were the employees appointed according to the Nolan principals?

If you require any further information, I would ask that in the first instance you notify one of our officers, either Tim Oldham (Tel: 441067 or t.oldham@gov.je) or Darren Scott (Tel: 441079 or d.scott@gov.je).

Thank you for your assistance.

Yours sincerely



Deputy M R Higgins
Chairman
Economic Affairs Scrutiny Panel

Economic Development Department

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04 February 2010

Deputy M R Higgins
Chairman
Economic Affairs Scrutiny Panel
Scrutiny Office
States Greffe
Morier House
St Helier
JE1 1DD

M. Higgins
Dear Deputy Higgins

Economic Affairs Scrutiny Panel

Jersey Finance Ltd

Thank you for your letter dated 21 January 2010 regarding The Role and Funding of Jersey Finance Limited. I am pleased to furnish the following responses :

1. Jersey Finance submits a detailed business plan to the Economic Development Department (EDD) which includes details of initiatives, plans, and funding requirements for the forthcoming year. This is used as an input to the EDD zero-based business plan and budget process. I enclose a copy of the Jersey Finance Limited 2010 business plan for your information. Jersey Finance funding is a specific item in the EDD business plan and budget and, as such, is submitted to the States for approval. In addition, comprehensive reporting is provided both through formal quarterly submissions and at regular board meetings with all documentation being fully available to all Directors included those appointed by the Economic Development Minister.
2. The core grant for Jersey Finance in 2010 is agreed at £1.8 million. The increase in funding level over the last three years was initially driven by a strategic analysis conducted by The London Business School in 2007, which advised in order to remain competitive and mitigate competitive threats and harness market opportunities Jersey's finance industry needed to make some significant progress in emerging markets. This strategic decision, combined with unprecedented market factors during the last 18 months, and also a high increase in activity conducted by Jersey Finance has resulted in the requirement for extra funding. For example, in 2009 international press engagement more

than doubled compared to 2008, and the events and visits programme increased in volume by 70%. In addition strenuous efforts have been made to mitigate the worst effects of the global slowdown and their impact on the Jersey economy through seeking to increase market share and develop new markets and products.

3. Jersey Finance operates in partnership with the States and has a Partnership Agreement in place which complies with Articles 48 and 49 of the Public Finance (Jersey) Law 2005, as well as the terms of Finance Direction 5.4.
4. In terms of the percentage of contribution made by Jersey Finance please see an approximate breakdown of the last three years below,

YEAR	STATES	JFL MEMBERS	%JFL MEMBERS
2007	£1,000,000	£420,000	42%
2008	£1,400,000	£450,000	32.1%
2009	£1,800,000	£480,000	26.6%
2010	£1,800,000	£600,000 (anticipated)	33.3%

5. The structure of funding was agreed by Economic Development with Jersey Finance in 2001 when Jersey Finance was first formed. A comprehensive review of Jersey Finance and its activities and funding was conducted by the previous Economic Affairs Scrutiny panel as recently as 2008. This involved an extensive review including the funding of Jersey Finance and its corporate governance and controls.

Jersey Finance is owned by a Charitable Purpose Trust, the purposes outlined in the Declaration of Trust have not changed at any time with the primary purpose being to maintain, promote and enhance Jersey as an international finance centre of excellence and high repute, both outside and within Jersey.

6. Please see question 5 above with reference to the overall purpose of Jersey Finance. The Technical function that Jersey Finance provides will when appropriate engage in dialogue and strategise with industry in response to local and international economic developments, to ensure that Jersey's finance industry remains competitive and is enhanced. Clearly annual objectives are agreed through the business planning process and these will vary from year to year. Specific objectives and KPIs are captured in the annual Jersey Finance business plan

7. Jersey Finance reports to the Jersey Finance Executive Board which is comprised of senior members of the finance industry as well as two members appointed by the Minister for Economic Development, and these reports take the form of annual business planning and regular board meetings. Jersey Finance also reports to its members. Jersey Finance is the voice of the Finance Industry and it is entirely appropriate that commentary is either provided on request or offered proactively on any matters pertaining to the finance industry, its position in the wider local and global economy, and its performance and impact both locally and internationally.

From time-to-time, EDD and other States Departments seek the opinion of Jersey's finance industry through Jersey Finance Limited and other representative bodies such as the Jersey Bankers Association. EDD has had no discussion with Jersey Finance with regard to the provision of a financial ombudsman service. This matter is the responsibility of EDD's Regulatory Services team who will, when required, consult with Jersey Finance and others.

8. Jersey Finance is a grant-funded body that derives its grant funding from EDD. As such, Jersey Finance Limited is accountable to EDD through the Partnership Agreement which complies with Financial Direction 5.4. Ultimate accountability for the grant lies with the EDD CEO as Accounting Officer.

As Jersey Finance Limited are in receipt of a grant in excess of £5000/annum, in future, the Reports and Accounts will be laid before the States.

9. Jersey Finance Limited has over 190 firms as its members (representing the vast majority of the finance industry), who they meet and correspond with on a daily basis. They also sit on each financial trade association to ensure that if a firm is not a member, they capture the overall agreed views and priorities of each industry. They are also answerable to their board (which as stated previously includes both members of government and industry), and are additionally members of strategic working groups. Jersey Finance also works from time to time with third parties, such as the London Business School, to provide detailed analysis of opportunities and challenges facing Jersey's finance industry and ensure they are focusing their energies in the optimum direction. Although this process may not always capture everyone's views, it is a rigorous and fair approach that is inclusive and results in a strategy that is representative of the industry as a whole.

10. There are business plans for both the China representative office which opened in 2009, and also for the proposed office in India.

11. The decision to open the London office was made by the Jersey Finance Board and is funded through the existing Jersey Finance structure. The London representative was appointed on the basis that they were considered the most suitable applicant and were available within the budget allocated to the role having gone through a rigorous selection process.

I trust this answers all questions posed in your letter of the 21 January. If you require any further information or more detailed briefings from EDD or Jersey Finance Limited please do not hesitate to contact me.

Yours sincerely



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