

# STATES OF JERSEY

## Economic Affairs Scrutiny Panel

**MONDAY, 9th FEBRUARY 2009**

**Panel:**

Deputy M.R. Higgins of St. Helier (Chairman)

Deputy C.F. Labey of Grouville (Vice-Chairman)

Deputy S. Pitman of St. Helier

Deputy D.J.A. Wimberley of St. Mary

Deputy J.M. Maçon of St. Saviour

Mr. T. Oldham (Scrutiny Officer)

Mr. S. Le Quesne (Scrutiny Officer)

**Witnesses:**

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

Mr. M. King (Chief Executive, Economic Development)

Mr. M. de Forest-Brown (Director, International Finance)

Mr. A. Sugden (Enterprise and Business Development)

Mr. K. Lemasney (Strategic Development Manager)

Mr. J. Mews (Finance Industry Development Executive)

**Deputy M.R. Higgins of St. Helier (Chairman):**

First of all, just to say that this is our first scrutiny meeting, the first time we have chaired a panel and asked the questions, so I hope you will bear with us if it is not maybe as organised as some of the ones you have had in the past. However, first of all, can I ask the Minister to identify himself and the members of his team for the benefit of the person who is taking the recording of the hearing.

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

Yes, of course. The team that we have here today, we have Andrew Sugden, who is in charge of Jersey Enterprise; Kevin Lemasney from the core E.D. (Economic Development) team; Mike King, who is the Economic Development Chief Executive; we have James Mews sitting behind who operates on the finance side; and Martin de Forest-Brown as well, who crosses over between E.D. and the Chief Minister's Department.

**Deputy M.R. Higgins:**

Okay, thank you. We would like to start the session just to determine, in a sense, what the department's policy and legislative priorities are for the coming year. As you know, we have not finalised our own scrutiny plan yet and a lot of it will be based what we hear today. **[Aside]** Before we get into that - yes, I am remiss here - to introduce members of the panel: Deputy Shona Pitman, first of all, over here; Deputy Daniel Wimberley; Sam Le Quesne, who is one of the officers of the panel; we have

Deputy Jeremy Maçon; myself, obviously, Mike Higgins; and Tim Oldham, one of the scrutiny officers; Caroline Labey, the Deputy of Grouville. I am sorry, if we can go to that first thing, then, if you could give us an idea of what your main policy and legislative priorities are in the coming year, please.

**Senator A.J.H. Maclean:**

I think it has been one of the aims of the Council of Ministers to ensure that not just Scrutiny Panels were familiarised with what is coming up in the programme, but also the States as a whole. There has been a document circulated by the Council of Ministers - of which there is a copy here, I am sure you have probably had it - which gives a list of legislation that is going to be coming before the States. It is broken down on a quarterly basis, and within that is clearly identified areas that Economic Development are going to be concentrating on and what is going to be being brought forward.

**Deputy M.R. Higgins:**

Of those particular pieces of legislation, are there any that you consider your highest priority and can you rank them in any particular order? Because although they are quarter 1, we know that things can slip. Which are your most important?

**Senator A.J.H. Maclean:**

In terms of priority, the quarters have been identified. Part of that has been work that has been undertaken previously. Clearly, there are constraints from the law officers in terms of law drafting time, but most of it has been brought forward here. There are some important issues that are being raised. The tourism P.P.P. (private-public

partnership) is one that features in the first quarter. We have the Sunday Trading Law which is coming forward in the first quarter. We have, hopefully, the Intellectual Property Law towards the end of the first quarter, which is a large piece of legislation, which we would look to be bringing to you to scrutinise. We would hope that you would be interested in looking at that. Those are probably some of the largest ones in the first quarter.

**Deputy M.R. Higgins:**

You obviously have that programme set out. We have also heard that your department, in fact all departments, are being told by the Treasury Minister to make efficiencies and so on. Do you particularly have any funding pressures on your department or is there any particular thing you are looking at deleting, let me put it that way, or not doing to meet with those efficiencies?

**Senator A.J.H. Maclean:**

I think it is fair to say that, like most departments, Economic Development does have constraints on its budget. We go through a zero-based budgeting process and I believe in the last year, for example, for the year of 2009, there was something like £19 million of bids from within the department for a £16 million budget. So, to answer your question, I think that probably clearly identifies that yes, we have a number of constraints on what we would like to do. I think if you consider a similar business development/economic development agency in the U.K. (United Kingdom) the budget on a per person basis would be significantly higher. So, yes, we do have constraints.

**Deputy M.R. Higgins:**

You have the constraints, but is there anything you are planning on cutting? Have you been asked to cut anything? Or have you been asked to reduce expenditure on anything?

**Senator A.J.H. Maclean:**

I think no, we are not being asked to cut anything, but I think what we need to look at or consider very closely - and this is one of our major priorities as far as the coming months, the next 2 or 3 months are concerned - is looking at reacting to what is going on in the economy at the moment. There has been dramatic change, as you will appreciate, since only last September with what is happening with regard to the global financial crisis, and the way in which we are able to react to that will determine reprioritisation of our existing budget. It should be borne in mind, for example, that ... and I am sure you have had a copy of this and if you have not you should have one, which is the Economic Development Business Plan for 2009. Now, that plan was put together in May of 2008 and you will appreciate that it was a very different world in May 2008 to what it is at the current time.

**Deputy M.R. Higgins:**

I might add we had noted that in terms of your objective of trying to keep inflation down, which I think is now irrelevant and will be more likely deflation, and economic growth might be trying to get to even have some economic growth rather than achieve higher economic growth.

**Senator A.J.H. Maclean:**

Yes, absolutely, it is more a question now of maintaining and looking at ways in which the economy can be stimulated. The F.P.P. (Fiscal Policy Panel), which reported back in September of last year, from the moment they first reported and suggested that there could be a problem in the future, it was only a few months later that they came back and said: "There is going to be a problem" and in January looking at identifying exactly what that was going to be and possibly would look like in the future. So, things have moved very rapidly in a very short period of time, which we are having to react to.

**Deputy M.R. Higgins:**

So, basically, in terms of the new Strategic Plan that has been put out by the Council of Ministers, you expect most of your effort is going to be dealing with the changes to the economy and trying to deal in that way, is that correct?

**Senator A.J.H. Maclean:**

Certainly, in the short term. At the moment, we are working extremely hard to look at ways in which we can react to support business during the course of the next 12 months with the economic downturn.

**Deputy M.R. Higgins:**

In addition to that - I am going to come on to the downturn in a moment - are there any other priorities stemming from the Strategic Plan that you want to tell us about? Your department's priorities stemming from the Strategic Plan?

**Senator A.J.H. Maclean:**

Not outside of items that are already in the legislative programme and the ones that I have identified for the first quarter, for example.

**Deputy M.R. Higgins:**

Okay. Let us move on, then, to the economic downturn. There has been information put out in the media - I am not sure if from the Chief Minister or the Treasury Minister or from yourself or whoever - talking about the economy was going to decline by 10 per cent. Now, are we talking about a decline from the 7 or 8 per cent that has been achieved in recent years down to minus 2, or do you have new information to tell us the economy is going to be negative by 10 or what? Because 10 per cent would be a depression. I would like to know where these sort of figures are coming from and the extent of the downturn as you see it at the present time.

**Senator A.J.H. Maclean:**

I think it is important when considering what might happen over the next 12 months, indeed over the next 2 or 3 years, to look at various scenarios and to ensure that you compare. I am not sure that anybody has picked out a figure of 10 per cent decline. As you rightly say, 10 per cent is one of the definitions that can be used for depression as opposed to just recessionary pressures. I do not know, Mike, whether you would like to add to that.

**Mr. M. King (Chief Executive, Economic Development):**

I think we need to get something clear about the figures that you quoted. The 7 per cent economic growth which was delivered in 2007, it is not a 10 per cent discount on that because it is rebased at the beginning of every year. What we are talking about

and the work that has been done by the Economics Unit says that based on our current view of the economy in the Island, we could go from a position of growth to a position of economic decline, i.e. the size of the economy could shrink from anything between 2 per cent and 10 per cent from its current level during the course of the next 12 months. That I think is featured in the briefing document that has come out related to the Strategic Plan. There is a central range within that which we believe at the moment is where the range is likely to come out, and that is from minus 2 to minus 6 per cent. So the economy will decline in G.V.A. (gross value added) terms. That is, basically in 2007 the G.V.A. roughly of the Jersey economy was in the order of £4 billion. That will decline ... which is a function of profitability and wages, effectively, G.V.A. That will decline by anything from 2 per cent to 10 per cent based on the current information that we have. But I am sure that you are aware of the speed at which things can change, certainly in the U.K. that has been manifesting itself very clearly, and the same thing could very well happen in Jersey. So these estimates, there are very broad ranges on them and the nature of those ranges could change quite dramatically through time. So it is very difficult to define exactly what, looking forward, the future economic growth or, indeed, the extent of future economic decline is going to be as a function of growth in G.V.A.

**Deputy M.R. Higgins:**

So, just to be clear, then, the figures that you are talking about are coming from the Economic Unit itself, not from the Fiscal Policy Panel?

**Mr. M. King:**



No, it is the Economics Unit are running a series of calculations, a series of models, that will be used to inform the Fiscal Policy Panel's deliberations and their advice to the Treasury Minister, the Chief Minister and others.

**Deputy M.R. Higgins:**

Sorry, just one point on that. I know the figures in the U.K., the decline forecast for the coming year is 2.9 per cent, so it does seem to be ... Are there any particular reasons why they are thinking that the downturn will be worse for Jersey than it is for the U.K.?

**Mr. M. King:**

I think that one of the issues is that there is a significant concentration risk in the Jersey economy related to the impact of financial services as a proportion of G.V.A. What could be seen as a relatively modest percentage impact in the U.K., because the financial services, for instance, is a smaller proportion of their total economic mix, could very well translate into a more significant percentage decline in Jersey because 53 per cent of G.V.A. as measured in 2007 was in financial services. So, whatever the decline in that is, roughly half of it will translate into decline across the whole economy. Then, of course, there is decline in associated sectors because there is a very high dependency between the economic prosperity of the financial services sector and all of the industries, service industries, supply industries around it, in and around the Jersey economy.

**Deputy M.R. Higgins:**

So this is really a case of the chickens coming home to roost that we have concentrated on one industry at the expense of all others and we are going to pay the price for it if the downturn is as bad as everyone thinks?

**Mr. M. King:**

I think that is an opinion, not one certainly that I would share and I am probably not here to share or agree with you, but the other perspective is that having an industry such as financial services, which is diverse in itself, making a major tax contribution is one of the things, in fact one of the few things, I think, that allows us to preserve the way of life that we have and fund the cost of the public services. We continue to make sure that to the greatest extent possible in the work that the Minister was referring to that E.D.D. (Economic Development Department) and the Chief Minister's Department are involved in now is to make sure that we minimise both the depth and the breadth of the economic downturn in Jersey, and that is both in financial services and in the other sectors as well.

**Deputy D.J.A. Wimberley of St. Mary:**

Can I chip in on the concept of risk, which really troubles me and, of course, is directly relevant to the lives of people out there? Two things; one you have just mentioned, the financial services industry. I would like to know if any work is being done on looking at the risk of different aspects of that industry because it seems to me that some aspects are riskier than others. I did not bring the Sarkozy quote with me, but he is not speaking very nicely about paradis fiscaux. He is on the warpath and so is Obama, so there is risk out there and I just wonder what is formally being done to appraise that risk. The other risk is peak oil. Now, peak oil is here according to the

majority of experts who know about it. When Gordon Brown says: “Oh, the Arabs should turn the taps on, the Arabs should turn the taps on” - this was going back a bit before the current economic difficulties - the people who were in the know just laughed because there is no tap to turn. What troubles me is that there seems to be an assumption that when the going gets good again, when we come out of the downturn, then suddenly everything will be rosy again. Well, actually, the price of oil will rocket and we may very well stay where we are. So, I just want to know whether there is again a formal appraisal process going on about risk in those 2 areas.

**Senator A.J.H. Maclean:**

Right. I think, taking it in reverse order, just a brief comment about peak oil that you referred to, that is a subject that has been around since the 1950s when the concept of the world running out of oil was first raised. I will defer making any depth of comment on oil. Mike is probably the best man for that because his background is in the oil industry, so I am sure he would be delighted to give you his views, bearing in mind his natural area of expertise.

**Deputy M.R. Higgins:**

I think in the circumstances, though, you can correspond I think on that particular issue rather than deal with it here. **[Laughter]**

**Mr. M. King:**

I can talk about peak oil for a very long time.

**Senator A.J.H. Maclean:**

You can go on a long time about the subject of peak oil. Clearly, we have noticed more recently the drop in the oil price which has begun to feed through to the economy. It peaked, as you will be well aware, at 150; it has been floating around about 40 for some months now. There are some feelings or predictions that we will probably be averaging about 60 for 2009, with the obvious impacts it will have on not just Jersey's economy but also wider ranging economies. As far as risk is concerned, risk is something that is extremely important in trying to assess not only where we are but where we are likely to be going. I noted on the radio this morning that Pierre Horsfall, who used to be a Senator, was commenting on the last recession and the information they had available when they were putting in place the strategies to deal with the early 1990s recession. He made the point that there was very little statistical information available at that time upon which they built their strategies, albeit they did reasonably well.

**Deputy M.R. Higgins:**

Accepting that, though, in terms of ... sorry, time is going to be short so I am going to try to focus a little bit. What modelling are you doing at the moment or what are you looking at in terms of the risk to the Island from Sarkozy, Merkel, Obama, I.M.F. (International Monetary Fund), O.E.C.D. (Organisation for Economic Co-operation and Development)? There are an awful lot of things going on out there. Can you tell us what you are doing and what you see the main risks are?

**The Deputy of St. Mary:**

And also on the oil, the fact is that the consensus now is that we are there and that if the global economy was to pick up again the capacity is simply not there to fuel that, so therefore the price will shoot up again. So it could be that ...

**Deputy M.R. Higgins:**

Okay, but if I can ask if you could start, though, with finance.

**Senator A.J.H. Maclean:**

There has been and is quite a lot of work going on in terms of assessing both through Jersey Finance, who are looking at the risks of the global financial crisis to Jersey and Jersey's financial services industry, the L.B.S. (London Business School) report which I know you have referred to and we will probably touch on later on. I know you are after some information. Out of that came the requirement to set up the F.S.A.B. (Financial Services Advisory Board), which is a group comprising government, industry and regulators, all of which are looking at the risks to the financial services industry from the global financial crisis. I would ask, perhaps, Martin to come in and give his view on some of the work that is being undertaken to look specifically at the risk elements.

**Mr. M. de Forest-Brown (Director, International Finance):**

Yes. There is a fair amount of work going on on the area that you have mentioned. I think one has to be careful not to get into the position where the feeling is that the world is going to end. There are clearly a large number of commentators out there who are, for all sorts of reasons, making comments. You have mentioned Obama, you have mentioned Sarkozy, you have mentioned Merkel, and so on. What I think

we have to do is take that background and then look at what might happen in practice. So, what does that lead to? You need actions that result in something happening. There is a piece of work going on at the moment which is looking at, well, okay, given that environment, what sort of impact might there be on the jurisdiction and how might that manifest itself? When you break it down into what actions might happen, it is slightly less scary than the rhetoric that you will get from market comments. So, if we take Obama, for example, very clearly it is about there needs to be a list of non-co-operative jurisdictions. When you look down into the detail, we are very comfortable that we are a co-operative jurisdiction and we are confident that we will not be on that list and, therefore, that we do not see any immediate impact from that particular initiative. When you look at the comments made by Sarkozy, again they are more about whether banks that are receiving state aid should be allowed to continue to operate in offshore jurisdictions. When you talk to the officers within U.K. Treasury and so on and so forth we find that, yes, there is political rhetoric but in practice the actual policy position is much more supportive of continuing to allow operations to do what they think is in their commercial best interest. So, yes, there are threats there and it is very easy to paint pictures of extreme threats, you know, a government deciding that banks should not be allowed to operate in the jurisdiction, for example. Well, if that happened, what would it mean? If you want to take an extreme position, then there would be no banks here in Jersey, so that would clearly be most ... So what we are trying to do is to look at the range of things in terms of likelihood and the impact, but how that would operate in the process, how would it move through to actual ...

**Deputy M.R. Higgins:**

Are you aware of any particular initiatives either by the O.E.C.D., I.M.F. or anybody else that are putting forward, for example, much tighter regulation and what form that will take, or whether there is ...? Well, for example, we know the E.U. (European Union) again is looking at the Savings Directive, there are sort of threats there in terms of towards trusts and others. What are you aware of of these sorts of risks to the industry?

**Mr. M. de Forest-Brown:**

As you say, there is a long list. If you look at a couple of those, if you look at the E.U. Savings Directive, yes, there will be a lot of coverage about that, but even in the worst case scenario, even if the current proposals are fully accepted - and there seems to be a lot of evidence to suggest that that will not be the case - the law does not come into effect until 2013, so that is 4 years away. Secondly, the level of the impact on Jersey is estimated to be fairly modest. Yes, they are trying to introduce look through on trusts but Jersey operate primarily with discretionary trusts and it simply does not work for discretionary trusts. So it is not clear the full scale of the impact even if anything should happen. What Jersey has been phenomenally good at over the years is reinventing itself, so when something comes along to challenge it, it then finds another path.

**Deputy M.R. Higgins:**

Accepting that, Jersey have always been very, sort of, innovative. In terms of the monitoring, do you have offices or do you have information coming from these? Are you monitoring day by day what is going on in this area?

**Mr. M. de Forest-Brown:**

On the E.U. Savings Directive absolutely; we get daily updates on what is going on that process. Where it is at at the moment is in the territory between the European Parliament, the Council and the Commission, who are working through their different stages to get agreement. We are, for example, specifically aware that in the last meeting between the working group from the European Parliament and the officers from the Commission that there was total disagreement on what the way forward should be, so that gives us further comfort that this is not going to be a smooth process. The last one took some significant number of years to get where it was and they are in much more different territory here. There is a strong message coming back that the political pressure was to put something that was politically acceptable in the public domain but transplanting that into actual practice and legislation that the 27 union members all agree on, and it has to be a unanimous support, is extremely difficult. So, yes, we are getting feedback on that specific issue. You mention another subject, alongside E.U.S.D. (European Union Savings Directive).

**Deputy M.R. Higgins:**

That is a different initiative.

**Mr. M. de Forest-Brown:**

The regulation ... yes, obviously regulation is going to improve but Jersey has set itself out as a jurisdiction with leading regulation and I am confident that I am offering, in due course we will confirm that. So, we are happy with regulation. Regulation favours those who are good at regulation rather than open jurisdictions that are weaker at it.



**Deputy M.R. Higgins:**

Leading on from that then, the Michael Foot review. Can you tell us where we are at, at the moment?

**Mr. M. de Forest-Brown:**

Again, I think this gives us further comfort that there is all the noise in the media and then there is what happens in practice. The pre-budget report said that an interim report was due by spring on ... yes, by spring. In conversations with Michael Foot and his team it is clear that he is not available or resourced to produce an interim report by spring. So what he is proposing, and this is where we are at, at the moment, is he has put forward some proposals on what that report ... what the process might be to produce that report, and in particular he has identified a range of possible themes that the report might focus on, which are broadly equivalent to what the pre-budget review statement said, but not absolutely.

**Deputy M.R. Higgins:**

For the sake of clarity, can you say what they are because certainly the reports we have seen on the Treasury website and in the press seem to be extremely vague?

**Mr. M. de Forest-Brown:**

Exactly. That is the point. That is because there are no agreed themes. What he said is that what he wants to do for the spring report is to agree some themes and agree how he was going to approach the report, and that is the basis of his interim report in spring. So it will have no substance in it, it will simply be a process report about how

he is going to take things forward. In practice, the likely source of areas are responding to G20 concerns and the compensation schemes, regulation supervision; so not hugely indistinct from the words that were in the pre-budget report. But they have not been agreed and they have not been finalised, so that is why you are struggling to find things on the public arena.

**Deputy M.R. Higgins:**

In particular, in terms of financial stability and the role of offshore centres, what is he saying in that?

**Mr. M. de Forest-Brown:**

Again, that will be part of the review; to identify ... or the assumption is his focus will be to look to see whether there is the possibility of a liability arising at the U.K.'s door from offshore jurisdictions. That has particularly come about since the problems obviously with the banking collapses in the Isle of Man and Guernsey.

**Deputy C.F. Labey of Grouville:**

Can I ask a supplementary here? Are you doing anything about things a bit closer to home? We are a leading international finance centre; are there any plans to have a financial ombudsman here?

**Mr. M. de Forest-Brown:**

The last position on this, as I recall, is there is a piece of work going on to look at the possibility of having a combined ombudsman. So, given the inefficiencies you have in a particular ombudsman that focus purely on just financial ... I recall that there was

a piece of work that was being considered in looking at a full ombudsman for a range of areas. I do not know where that has got to or what the current position is on that.

**Deputy M.R. Higgins:**

I might add, the last paper I saw was from Paul de Gruchy, and it was part of a ministerial decision on that. But anyway, we will come back to that.

**Deputy S. Pitman:**

Can I ask a question on sustainable growth? Bearing in mind it has just been said about the economic downturn, in your Business Plan you have said that the department's aim is to encourage and facilitate sustainable economic growth with low levels of inflation coupled with economic diversification. How can you ... bearing in mind what you have just said, and also with the, I think it is 250 heads of household figure year migration, how do you see your department controlling or reaching economic sustainability?

**Senator A.J.H. Maclean:**

I think my opening comment about our Business Plan in 2009, this was prepared in - and this is the way the States process works - in May 2008, and the environment now is very different to what it was at that particular point when the plan was put together. A lot of the pressures that we were under at that particular point, and you have highlighted a migration population being one, I think over the next, certainly year, probably 2, we are going to have a reverse effect. You are going to see very little pressure on population. You will see far greater likelihood of outward migration rather than inward migration as the economy contracts, and there is a far greater risk

on the deflation side than there is on the inflation side. So I think a lot of the factors have changed from what was in the original report from what we are seeing and having to deal with now. What we are after now is we are looking and putting together a plan for stimulating the economy and maintaining the economy and trying to deliver the minimum 2 per cent net economic growth that we were tasked originally by the States to do. The challenges are different, that the processes we are going to have to follow and so on are going to be very different.

**The Deputy of Grouville:**

The stimulation in the economy, is that all going to be focused on the finance sector?

**Senator A.J.H. Maclean:**

No, not at all.

**Deputy M.R. Higgins:**

In fact, we are going to come on to that in a second, it is the next ...

**The Deputy of St. Mary:**

I just want to go back to my original question, which has not quite been answered. It looks to me as if the risks to the financial services sector are being formally appraised. There is a body, they are looking at it, and they are taking it seriously. Now, can you just confirm that there is no formal work being done on the risk of peak oil and its effect on our economy?

**Mr. M. King:**

I think that is not correct because there is a substantial amount of work being done on an energy policy for Jersey and I think ... I mean just to bring you my experience from the oil and gas industry; oil and gas is a finite natural resource and whether or not we reach peak oil or not is a point of debate, but it is not the real issue. The real issue is that we are dealing with a resource that ultimately will run out. I think the important thing from Jersey's perspective, and this is captured within the energy policy, which we continue to do work on - in fact, I was doing some work on it only this weekend - is really related to the fact that the long term future for sustainable energy in Jersey is not going to be related to oil and gas. It is going to be related to the diversity of production of electricity, be that from renewable or other sources. But I think it is fair to say that in common with all major economies, if you are taking a very long term view, and I think we are talking fairly long term here which is important, because if you look at, for instance, the recent 2008 BP statistical review of world energy, at current levels of production, proven reserves of oil will be depleted in somewhere between 45 and 50 years. The current proven reserves of gas will be depleted in about 60 years. So that is a timeframe within which Jersey and all other western economies will have to adjust to rather a different mix, and I think the work that is going on at the moment is about diversifying our energy base and increasing significantly the renewable proportion within that. So, I think that we are responding to the challenge of dealing with the ultimate decline in oil and gas as a primary energy source.

**The Deputy of St. Mary:**

To be continued, if I may.

**Deputy M.R. Higgins:**

It is. Time is pressing and we have a lot more on economic development.

**The Deputy of Grouville:**

Can I just ask a quick question? When will that policy be developed? You say you are working on it now, when is it likely to come forward?

**Mr. M. King:**

I would hope something would be coming out ... it has actually been run out Planning and Environment, but I would hope something will be coming out by the middle of the year. I have not got the precise data on that but we will get them to confirm that to you.

**Deputy M.R. Higgins:**

I would like to move on then to your department's role in dealing with the current, sort of, economic situation we have got. Perhaps you can clarify for us. In terms of Chief Minister, Treasury Minister, yourself, and the Council of Ministers, first of all, what is your role in dealing with the downturn in the economy? How do you express your particular role?

**Senator A.J.H. Maclean:**

Well, the Economic Development role is to assess what is going on specifically in the business community. We have touched on finance so if we go on to the wider economy ...

**Deputy M.R. Higgins:**

We will do in a moment. But just explain in general terms; in terms of the discussions are you one of the lead Ministers on this or is it the whole Council of Ministers?

**Senator A.J.H. Maclean:**

Well, it is cross-departmental, but clearly Economic Development, you have identified Economic Development and Treasury in particular because Treasury is where the funding ultimately will come from and the proposition to the States to release money from the Stabilisation Fund.

**Deputy M.R. Higgins:**

So the actual proposition of releasing it will come from him, but the actual spending of money is one ...

**Senator A.J.H. Maclean:**

We are feeding into it. The Economics Unit are putting together a case looking forwards at what the predictions are for G.V.A., for example; what the economy is going to look like over the next 12 months. I think it is worth bearing in mind that historically the States have been very good at looking back at what has happened but not very good at forecasting forwards, and that is at least what the Economics Unit are doing at the moment. From our perspective, we are looking at businesses, Andrew and his team are talking actively with different groups. We have had meetings, for example, with the construction industry, we have had meetings with the banking industry. There are meetings going on with various other sectors of the economy to assess what the order books are looking like, looking into the future and so on, so we

can try and assess where it is going. All that information is being fed into a paper which will eventually go forward and form part of the Report and Proposition to the States. I think June is when the R. and P. is due to come forward.

**Deputy M.R. Higgins:**

In terms of what you have sort of identified, we know there are certain sectors of the economy, can you outline for us, whether it be on finance, construction, retail - we are going to come into each of these areas - but can you just outline first of all what your department is going to do to try and sort of alleviate some of the worst of the downturn?

**Senator A.J.H. Maclean:**

One of the first things that we need to do is realise that the Business Plan that was produced, that you have got, is the old form. We are, at the moment, looking at ways in which we need to prioritise the spend that is identified in our 2009 plan that is appropriate for what is unfolding in the economy at the moment, and that is the work that is being undertaken, assessing with the different businesses where the impacts are going to be. Now, whether or not part of that process - I have mentioned the construction industry, for example - it is a question of bringing forward capital projects, bringing forward maintenance projects. That is one particular area that funding from the Stabilisation Fund could be utilised. Different sectors of the economy that we need to support, for example, tourism. We are looking at ways in which the tourism industry could be supported, route development which forms part of our existing activities and other areas like that.



**Deputy S. Pitman:**

May I ask specifically on the retail strategy? Now we have seen several High Street shops closing and also we have the proposals on the waterfront to build more retail units; how does that tie ... because of all this and the recession, what I would like to know is what you are doing for retail. It seems to be left out somewhat. Specifically what are you doing for the industry?

**Senator A.J.H. Maclean:**

Sorry, is your question about the waterfront development or ...?

**Deputy S. Pitman:**

Well, both. Are you still going ahead with the units on the waterfront, and also I would like to know specifically what you are doing for the industry?

**Senator A.J.H. Maclean:**

As far as the waterfront development, if you are talking about specifically Esplanade Quarter, there is a lot of work being undertaken by that, but the planning decision has not been taken yet; the sort of assessment with W.E.B. (Waterfront Enterprise Board) as to what they are doing with regard to the development of the waterfront scheme; the financial viability of it, Harcourt and so on. I mean there is a lot of work being undertaken to assess whether or not that is going to proceed or not.

**Deputy S. Pitman:**

The first question; what you specifically were doing for the industry?

**Mr. M. King:**

May I make an initial comment and then I will pass over to Andrew. I think the most important thing to make sure that we bolster the retail sector is to make sure that to the greatest extent possible we make sure that businesses remain profitable, they remain employing people, and we do not see any significant unemployment because that is what will allow - that combined with underlying consumer confidence - will allow people to carry on spending money, and that is what sustains the retail environment. So that is where the focus of a lot of our activities supporting businesses, it is aimed, as I said earlier, in minimising the depth and breadth of the recession. That is the best thing that we can do to make sure that the retail sector is sustained. We have little or no control over whether or not major U.K. chains, such as Woolworths, such as Barretts, ultimately fail. Dealing with that as it manifests itself in Jersey I think is something that Andrew can comment on from the work that he had been doing as part of the sad closure of Woolworths, as part of the overall package there. But the retail sector itself, just to reiterate, is best supported by making sure that people have employment, they have money in their pockets, and they can continue to spend that in the Island in the retail sector, and that is where the focus of our activity is.

**Senator A.J.H. Maclean:**

It should be emphasised, I think, that as far as support to, not just the retail sector, but the small business sector which largely the retail sector is all about, is something that Andrew and his team at Jersey Enterprise, the one-stop-shop at Jubilee Wharf, for example, we are working on a continuous basis with trying to support small local businesses to ensure that they are as profitable as they possibly can be.

**Deputy S. Pitman:**

Sorry, I will be very brief; talking about the retail industry, specifically what are you doing?

**Senator A.J.H. Maclean:**

Andrew, do you want to develop the work you have done through Jersey Enterprise?

**Mr. A. Sugden:**

I think at the moment we are getting mixed messages from the retail sector dealing with companies direct or through the town centre manager, so some stores we know are struggling, other stores in the same sector are doing very well. So, we are dealing with trying to pick up consistent themes. One of the initiatives we have got in line for the next couple of months is to bring forward a buy local campaign. So it is meant to support the retailers by encouraging Islanders to buy more on Island rather than going off the Island looking through internet or other sources for products. But that obviously then depends upon the quality and service being provided by local retailers. The intention is to support the sector in whatever way we can and the economic stimulus package should not be forgotten that there is a multiplier effect. For every pound the States puts into different areas of the economy that pound will circulate around economy, part of that chain will ultimately be the retail sector.

**Deputy M.R. Higgins:**

Have you got a question on retail sector?

**Deputy J.M. Maçon:**

Just briefly, you mentioned about increasing the amount of money that people have to spend, but that is about disposable income. In the current situation I think a lot of people will want to put money into savings, things like that. So, to support the retail industry you need more disposable income, not just simply having more income, and it is how people then choose to spend that.

**Mr. M. King:**

Well, of course, everybody has their right to choose how they use their income, I think that is fair to say. But the fact that where we can have influence by doing what we can to support businesses and therefore support employment is at least continue to give people that choice. What you do not want is a situation where they are unemployed and that choice is removed and, in fact, they have to fall back on the benefit system. That ultimately will have a significant reverse multiplier effect into the retail economy.

**The Deputy of St. Mary:**

I would just like to go back to the construction industry, and we need to support that and throw in the word “sustainability”. It seems to me that ... well, I will ask you the question; is the need to future proof our society - and here we go back straight to the fact that oil will go up and we have already agreed that we need to reduce our dependency on fossil fuels. I mean, I think, everyone agrees that. Maybe this is an opportunity to invest in energy conservation in a major way. I mean, that is what other jurisdictions are being pressed to do and some of them are actually doing it, because it is an obvious win/win. You get money into the economy, you get the

stimulus but you also proof your society against the worst of what might happen, which is why I keep coming back to risk.

**Senator A.J.H. Maclean:**

I think that is happening anyway, and ...

**The Deputy of St. Mary:**

To some extent.

**Senator A.J.H. Maclean:**

... there are quite a number of initiatives being driven by the Planning and Environment Department.

**The Deputy of St. Mary:**

I was just wondering whether that is being considered as part of the package. The stimulus package is a lot bigger than what P.&E. (Planning and Environment) are putting in. They are putting in £1.5 million.

**Senator A.J.H. Maclean:**

All departments are feeding ... there are a number of departments who are feeding into it as far as the stimulus package is concerned. I do not know the exact detail on that area but that would be driven by Planning and Environment.

**Deputy M.R. Higgins:**

Can you tell us then, because we were moving on to construction, what it is you are specifically going to do for the construction industry? How are you going to try and assist them?

**Senator A.J.H. Maclean:**

What we wanted to do, we have been in touch with a number of sectors of the economy of which construction happens to be one of those that was picked up by the media, which is probably why we are talking about it. First of all, we wanted to look and establish with the construction industry ... and bear in mind construction covers a whole raft of different areas. There are not just builders. There are architects, all sorts of associated trades that are linked into it. We wanted to get a feel as to what the pressure was from those industries and how they saw the next 12 months and the potential downturn affecting their businesses. It is quite clear that there is a slow down in projects coming through. We have worked with Planning and Environment and I am delighted that the announcement only a week or so ago by the Planning Minister about introducing a fast tracking process for the planning process, because that was one of the identified areas that the industry was particularly concerned about. The amount of time projects were taking to come to fruition. So there was an issue; that happened. I believe that is now an area that is being addressed. The 2 key areas that we can do something about is to look at capital projects, the possibility of bringing forward some capital projects, but also - and this is the one that can be turned on quickest of all - and that is maintenance. The States, as you will be well aware, has got a significant maintenance programme which has really been under funded for many, many years. That can be brought forward and we believe that that is a good opportunity to feed into the construction industry and all the associated arms therein.

**Deputy M.R. Higgins:**

In terms of the housing market, we all assume it is pretty flat at the moment. Is there next to no building going on at the present time? Are you contemplating with the Housing Minister bringing forward any housing projects?

**Senator A.J.H. Maclean:**

The Housing Department, I understand, are looking to bring forward some of their capital projects, yes; that is part of the package that is being looked at, at the moment, and being assessed.

**Deputy S. Pitman:**

May I ask the same question about e-commerce because you said in your Business Plan that you wanted to expand on that?

**Senator A.J.H. Maclean:**

I mean, opportunities within e-commerce; intellectual property I mentioned right at the beginning as part of the legislative programme, that there are effectively 3 streams to that piece of work of the legislation. Bearing in mind what legislation there is in that area in Jersey dates back to the 1920s at the moment. We need to bring ... yes, I can see Wimberley laughing. There are 3 streams that we are looking at: (a) updating the legislation, making it fit for purpose; (b) the registry opportunities and (c) is opportunities with e-commerce. All of those sort of link together. We do believe there is significant opportunity for the Island.

**Deputy M.R. Higgins:**

Moving on to other sectors in the economy; in terms of the finance industry, you have been having talks with the banks as well, what sectors of the finance industry are sort of suffering at the moment, or have we lost any elements? We know it is constantly changing, but we know that during this financial crisis there has been loss of certain types of business. From your discussions can you tell us what sort of developments are going on in the industry?

**Senator A.J.H. Maclean:**

I think it is probably worth touching, the discussions that we had with the banking sector were relating to information we wanted to feed into the stimulus package. Where we were particularly concerned is the effect on small and, I guess, medium sized businesses.

**Deputy M.R. Higgins:**

Yes, we are going to come on to that in a second.

**Senator A.J.H. Maclean:**

It was identifying that funding from that point of view because clearly there is restrictions on funding now with banks, and that is having an effect on the wider economy. But in terms of the actual finance industry itself, the areas ... Martin might like to comment on the areas of the industry themselves they are identifying as having suffered some pressure or potential pressure.

**Mr. M. de Forest-Brown:**



At one level it feels a bit like the proverbial Road Runner going over the edge of the cliff and still running and not falling yet, and then started to fall, and while we can note some specific areas of business that have dried up, we have not yet had a feedback that there are major cutbacks planned. I think everybody is prepared for that and I think there is no doubt there will be some cutbacks in due course. I mean, in particular, the work that relates to funds has, at one level, dried up. Certainly the areas of securitisations, a lot of legal structuring work has dried up obviously because that is directly related to the issues that have had some impact on the economy. But lawyers and accountants seem to find work to do, whichever way the market is going. Even to build things or to dismantle them, one way or the other. So we are not getting feedback that there are significant reduction in business levels. To what extent do I believe that or to what extent, you know, people are putting a brave face on it? I think that will become very clear in the next few months but we are not getting messages back that people are planning wholesale reductions at this stage. What the experience is from pass down terms in the Jersey economy are that the finance industry, because of the problems of the planning(?) and resource when they want to grow business, tend to hang on to their resources to the extent that it is possible. One of the biggest concerns we have is that there becomes a general media perception that this is a long term downturn. The reason behind that is that if people think this is a short downturn then they tend to try and hang on to staff at the margin and wait for the upturn. It gets more difficult if there is a perception that there is a long term downturn and then people will think: "Well, actually maybe it is better for me to lose a few staff now and try and hire them back later." I think at this stage people are still watching. There does seem always to be a delay in the Jersey market. We do have a bit of a beta by which I mean that when the hit comes it tends to be slightly more exaggerated

because of our concentration on finance. But then the recovery tends to be equally fast or overreact, and we saw that clearly in the last couple of years where there was slight concern of overheating and high migration. I think we do need to look through those short term trends and look at the way they run in the cycle. So I think we have got some challenges but at this stage we are not getting messages back that there is going to be substantial reductions in the very near future.

**Deputy M.R. Higgins:**

I am just going to come back to this again, when we look at Jersey Finance and some of the things there. Can you go on to how you are going to help small and medium sized businesses? What your proposals are there.

**Senator A.J.H. Maclean:**

Well, the establishment last year of Jersey Enterprise, the one-stop-shop at Jubilee Wharf and the business advisers already in less than a year, more than 1,500 or around 1,500 businesses have been assisted in numerous different ways. One of the key elements has been the start up and support of small businesses to allow them to grow their business and develop into different ways. There are all sorts of facilities like meet the buyer. Andrew can probably give a rundown on the initiatives that are on the go at the moment.

**Deputy M.R. Higgins:**

Well, they are the sort of standard initiatives that are in the brochure which we can read on, but specifically in dealing with the problems that small and medium sized businesses are doing at the moment.

**Senator A.J.H. Maclean:**

Access to funding.

**Deputy M.R. Higgins:**

For example, you were on the radio talking about funding, yes. Liquidity. Perhaps you can elaborate on that.

**Senator A.J.H. Maclean:**

Again, there has been an initial discussion with members of the banking industry and there is going to be further discussions about ways in which, for example, you will have details of this in the pack, the small business loan guarantee scheme which operates. That is basically providing funding for start-ups up to, or underpinning, up to £250,000. What we are looking at and what we are most concerned about in the current climate, and what is likely to unfold over the next 12 months is cash flow for small businesses, and a small business overdraft, for example, that banks look quite closely at in the present climate and restrict. We are looking at ways in which the small loan guarantee scheme can be extended to provide some form of support. I mean, it is a difficult area and obviously a lot of work is yet to be done, but that is one area we believe is important in terms of supporting small and medium sized businesses.

**Deputy M.R. Higgins:**

Obviously, one of the difficulties in that area is the fact that if the States are putting forward the guarantees you are assuming the risk in one sense because the banks may

be getting the money but they know they can always fall back on you. To what extent are you involved in the consideration of businesses, their viability and whether they should be funded? Are you just, at the moment, talking about handing that over to the banks?

**Senator A.J.H. Maclean:**

Well, the small business loan guarantee scheme, as such, it gets assessed by the banks and they effectively look at it, and it is only a scheme that they go down the line and say: "Right, well we would have funded this, we would have provided support for this, but there is no collateral to go with that" so they then come back. Having made a recommendation to it, it then comes back to us for us to look at. Mike, do you want to comment ...?

**Mr. M. King:**

Small firms loan guarantee scheme that we put in place when we launched the Enterprise and Business Development Strategy was to do exactly what the Minister has just said, and that is to make sure that lack of collateral was not a barrier to good ideas, good business ideas coming forward, and it has been effective. It established the principle of underwriting, but I do not think that anybody should be under the misapprehension that we just sit there with a tick box and just approve something that the banks pass through their lending criteria. The vast majority of people who talk to us about small loans guarantee, and almost everybody that will talk to us about the broader underwriting, if that indeed has happened, will flow through initially from Jersey Enterprise. So it is as a result of a business contact that we have with the business by virtue of our business advice service. So we will understand their

business, understand whether it is a good business, a sound business, but has cash flow issues. We will then talk to the banks who will put that through their standard lending criteria and that then flows back to us. So it is a collective decision between ourselves and the banks. So we are collectively quantifying and collectively managing the risk. As accounting officer I have to sign off on every single loan to guarantee to the Treasury that in the event of failure Economic Development has the necessary resources to underwrite the loan. So there is not some huge pot of States money. One of the risks, to be frank, is that there is a scale at which we can undertake this programme but there is a scale above which we cannot, simply because the liabilities in the event of failure, given the percentage of failure that you see traditionally in these type of ventures, is such that it would then be covered off by our own resources.

**Deputy M.R. Higgins:**

Are you going to be getting additional resources from the stimulus fund, or whatever it is? Because, again, between the £250,000 maximum at a time we cannot help very many, I would imagine, on your own budget.

**Mr. M. King:**

No, we cannot, but it has to be said that I do not think that anybody has come to us for £250,000. Given the scale of the businesses, it is normally much more modest than that, but if the access to finance and the expansion of the small firms loan guarantee scheme complies with the 3 Ts; that is targeted, time limits, time limited, yes, for a period of time we may very well be able to access funds from the Stabilisation Fund because that access to funding to assist good businesses who happen to have cash

flow difficulties is exactly what I was talking about earlier in terms of preserving employment, has impacts on the retail sector, reduces the load on the benefit system and I think that is exactly the right thing to do. So, this is really about quantifying and managing risk. It is something that, as Jersey Enterprise and as Economic Development, we now do to a much greater extent than we did 3 years ago before Jersey Enterprise and the type of business relationships we have existed.

**The Deputy of Grouville:**

Turning now, not just to focus on financing small businesses; is there any other form of help, for example, with cultural artists, crafts people other than just financial, for example, trying to help artists find space, workspace? The States have a huge property portfolio, is there any way that we can assist artists and craft workers to, sort of, establish themselves in premises or work spaces, and things of that nature? Or is it purely a financial nature?

**Senator A.J.H. Maclean:**

Small businesses, whatever they are, whether it is in crafts or anywhere else, can go to Jersey Enterprise for support and there are all sorts of opportunities. For example, export initiatives; small businesses that do not necessarily ... who create crafts and want to export them, want to go to trade shows, there are all sorts of areas like that where businesses of the nature you are discussing can be supported and helped outside of financial.

**The Deputy of Grouville:**

Can I just ask a simple question here? How does Jersey Enterprise support ... is there a duplication between Jersey Enterprise and Jersey Business Venture or do they support one another?

**Mr. A. Sugden:**

No, they tend to complement each other. The type of clients that J.B.V. (Jersey Business Venture) are working with tend to be smaller trades related crafts(?), whereas the Jersey Enterprise team tend to be dealing with companies having more intellectual property. They have more of a knowledge based business proposition. So we tend to look at it that J.B.V. are really dealing with what are generally micro-businesses, probably one man businesses, whereas Jersey Enterprise tend to deal with, in Jersey terms, medium sized businesses which can be accompanied with only 3 or 5 people.

**Deputy M.R. Higgins:**

I would like to move on, if I may, to tourism as an area. Again, what are you doing to assist the tourism industry? Not only short term, I know there is the P.P.P. and we will possibly get into that, but if you can tell us what sort of initiatives you are using to assist tourism at this time for the state of the economy.

**Senator A.J.H. Maclean:**

Not wanting to sound like a parrot, but Jersey Enterprise, again, it is an area that we want to see more support to local businesses, local ... you have got 2 aspects of tourism clearly. You have got on-Island tourist attractions and restaurants and all sorts of facilities that are appealed and activated by tourists coming to the Island.

Those sort of businesses needed to be assisted and helped and we want to see more tourism related businesses seeking the support of Jersey Tourism to be able to develop their business to be more profitable. It is the one sector where we have noticed that there is less activity from tourist related businesses getting support and to help develop their businesses. So that is an important aspect. The other side, of course, is 2-fold. One is bringing people to the Island. We have developed, and as you will see within our budget, we have got an allocated sum of money to help develop the routes market to bring people into the Island, and of course a key factor, and one that I know you, Mike, have got some involvement in, is having suitable events and so on, in the Island that can help attract people to come here, like Battle of Flowers, Air Display, and various other events that we activate. All that is ongoing and there is quite a significant amount of our budget that is already put into tourism. You asked right at the beginning whether we had enough money. It is interesting to note but I think it is about ... is it 39 per cent, Mike, of our budget?

**Mr. M. King:**

Yes.

**Senator A.J.H. Maclean:**

Goes towards tourism. So a significant amount, the single largest amount or percentage of our budget goes towards supporting tourism already.

**Deputy M.R. Higgins:**

Moving on then to the P.P.P. Can you explain on this where we are at, at the moment, and where you see us going?



**Senator A.J.H. Maclean:**

A lot of work has been done with P.P.P., most importantly it was absolutely essential that the industry itself was supportive of the proposals that were put forward. The idea behind the P.P.P. is that it will effectively give far more involvement of the industry and involvement in the destiny and opportunity to leverage the marketing of the Island if the industry are involved in it, and that was the purpose of getting a public-private partnership. It is a scheme that works very well already. It has already rolled out with Jersey Finance and it was a similar model put together for tourism.

**Deputy S. Pitman:**

As the J.H.A. (Jersey Hospitality Association) have been reluctant to commit to the first year ...

**Senator A.J.H. Maclean:**

Have what, sorry?

**Mr. M. King:**

No, that is not actually true.

**Deputy S. Pitman:**

But this is what I read in the Business Plan. Sorry, no, it is ... I cannot remember what paper.

**Mr. M. King:**

This paper which has been sent ... I think it was sent to the old Scrutiny Panel in November prior to when it comes to the Ministers, was jointly written with the J.H.A.

**Deputy M.R. Higgins:**

I saw Gerald Fletcher the other day ... about a week ago and I said: "You are not joining in immediately?" and he says: "No."

**Mr. M. King:**

The J.H.A. has a body who will continue to be a trade association that will sit outside the P.P.P., that has never been in question.

**Deputy M.R. Higgins:**

So you have never seen them putting the main sort of panel representing the industry?

**Mr. M. King:**

No, absolutely not.

**Deputy M.R. Higgins:**

Which body are you working through then?

**Mr. M. King:**

We are working with the J.H.A. on creating a private-public partnership, which is going to be based on a similar constitution or modelled constitution to that of Jersey Finance Limited, which is a purpose trust who are the ultimate owners of a company limited by guarantee. There will be an independent board, an independent chair,

independent chief executive, and it will become ... it will be a grant funded body of the States, of Economic Development, but it is independent and it will gain its funding from the States but also from the private sector. So the J.H.A. as a trade association, while we have been intimately involved in this at every stage - in fact this draft is fully signed off, fully approved by them, down to the last I and the last T being crossed, I can assure - are fully supportive of this and fully supportive of being an independently constituted body. The idea in the long term is to get much closer involvement between the public and the private sectors. At the moment we have public sector, Jersey Tourism, and the private sector who, I think, readily give us their comments about how good or bad they believe it is. So by creating a separate entity, which has really a kind of different board constitution but is there to deliver what it says on the tin, which is to market and promote the Island, we believe we will get much greater private sector leverage to complement the public sector funding.

**Deputy M.R. Higgins:**

Just pulling in on this; if you are not working with a body other than the J.H.A. and you are talking about creating a board, how do you know you have got the financial commitment from the industry? Basically what is a commitment going to be? Is it going to be 50/50 or what? How do you see the partnership?

**Mr. M. King:**

At the moment it is built into the paper, and we base this on precedent from other similar bodies in the U.K. including, for instance, the London Tourism Agency who have been over here talking to us at length about this. The proposals up until the end

of year 5 is it will get to a 75/25; 75 per cent public, 25 per cent private sector contribution to the total budget of the organisation.

**Deputy S. Pitman:**

Do you still see that commitment now with the recession?

**Mr. M. King:**

From ...?

**Deputy S. Pitman:**

From the private sector?

**Mr. M. King:**

Actually I was thinking commitment from the private sector is even greater than it was prior to that because they believe that by integrating the destination marketing and the marketing of their individual elements of it, that is a much more effective way of spending their money.

**The Deputy of St. Mary:**

There is something I have got 2 concerns with tourism, the way this conversation has been going. One is the involvement of the smaller players and I have been involved in tourism for years and I have always felt that the lead roles, when you get advisory bodies or when you get the Tourism Development Fund or now with this new P.P.P., it is driven by so-called big players or major players. Now that is understandable, but whether it is the right way to go is another matter because the texture of the way the

Island is perceived by the visitor is dependent on the small guys on the Island who are delivering all these little services all over the place, and I feel that systemically they are under represented, so I would like your comment on that. The other question is about advertising marketing budgets across different countries, and I feel that Europe is under funded and that if you look at the trends ... I would like you to elaborate on the trends of where the marketing budget goes year on year, maybe we could have data on that after the session or sent in terms of country by country, what happened to the budgets for the last 5, 10 years because I just fear that we have over emphasised the U.K. - those 2 questions.

**Senator A.J.H. Maclean:**

I mean the U.K. clearly has been our major donor market and that is where the majority of our communication is, both air routes in particular, and sea routes. I think you will have noticed over the years that there has been an ebb and a flow with, in particular, air routes from Europe and the budget has changed according to that. But I mean it is quite a substantial subject and more than happy to give you more details historically, if you like ...

**The Deputy of St. Mary:**

Yes, I would.

**Senator A.J.H. Maclean:**

... which will track more closely those details.

**Deputy M.R. Higgins:**

On this issue of the route development and everything else, obviously the department - was it last year or the year before - started giving the subsidies to the airlines.

**Mr. M. King:**

Last year, and that was to complement the subsidies that had been provided to the airlines by the airport in terms of aeronautical discounts for some considerable time prior to that, yes.

**Deputy M.R. Higgins:**

Of the airlines that you entered into the subsidy agreements with, how many have dropped out since? For example we know bmi are withdrawing from the Heathrow route, easyJet, what others?

**Senator A.J.H. Maclean:**

easyJet is still operating. They are still operating the Liverpool route.

**Deputy M.R. Higgins:**

To Luton?

**Senator A.J.H. Maclean:**

They are not operating Luton, no, but they are still operating Liverpool. It is a dual route.

**Deputy M.R. Higgins:**

In terms of the money you are giving, I think I asked this question at one of our earlier briefings, what commitment do you have from them? In other words, you are giving them money, but how can you tie them in or are you tying them in to a particular period of time or to a particular level of service or what? What is the criteria for the subsidy?

**Senator A.J.H. Maclean:**

There is an economic model that we look at very closely in terms of assessing the route's viability. There is no question of subsidy being given to a route. Historically there has been no question of subsidy being given to a route unless there is a sound economic base. Now that, quite simply, working through the Economics Unit is looking at deliverability. We are looking at additionality. We are looking at numbers and the economic value of each either leisure visitor or business visitor that a particular route will deliver to the Island. If you go back to bmi, just to touch on it very quickly, I know that route is now or is about to cease, what we were concerned about there was additionality for the London market as a whole. We did not want to see drift going from Gatwick and the other London markets, and what we saw delivered, which is what we had anticipated from our modelling initially, was that we would see the market grow as a whole, which we did, and so it delivered more passengers to the Island, each of whom has an economic value to the economy.

**Deputy M.R. Higgins:**

With the withdrawal of bmi, are you trying to resurrect the Heathrow route with someone else or is it a dead duck?

**Senator A.J.H. Maclean:**

I think, to be fair, if you look at the state of the aviation industry, in particular, which has been hit or impacted already by the global financial crisis and also the makeup of Heathrow where the cost of the slots are something like £15 million. For an airline to get a return on those slots is quite difficult. The chances are very unlikely in the short term but we will continue to ...

**Deputy M.R. Higgins:**

Someone like B.A. (British Airways), for example, who are losing £170 million, would not want to use one of their slots to service Jersey during the next year to help with their financial situation?

**Senator A.J.H. Maclean:**

The sort of money that we would be able to attribute to supporting routes is not going to be attractive to someone like British Airways, I am afraid.

**Mr. M. King:**

Can I just say this? Two things I think are worth mentioning; one is that we do not pay in advance, we pay in arrears. So if they do not fly they do not get paid. We enter into commitments but when we enter into them both parties believe that they are sustainable and relatively long term. But I think what has happened in the airline industry, both from an energy cost perspective and from a consolidation perspective is that there have been material changes that have affected, particularly bmi, and that challenge, the sustainability of ... their business model that they built their side of the deal on has changed fundamentally and they came to us and they said: "It is not ... our



view is from a commercial perspective under our new owner Lufthansa, it is not sustainable.” We said: “Fine, if that is the way it goes then the agreement has to become null and void and no further payments are made.” So we do not give them a stack of money that is at risk. What we saw in Heathrow in the first year of operation, was I think we saw 97,000 people coming through Heathrow, which is a very significant number, greater than B.A. have flown when they were flying the route, and corresponded to no decline from Gatwick or any of the other airports, so there was net growth for that level of input. As the Minister said, the economic modelling that we did on that basis - and, by the way, 80 per cent of those people were inbound originating, not outbound - the economic modelling suggested that the level of input into that was outweighed by the economic benefit to the Island. Not in expenditure terms but in tax terms, we are very harsh on that, and we are very harsh on the displacement effects as well.

**Senator A.J.H. Maclean:**

I think I should just come in, a matter of correction there. As far as British Airways were concerned, they were delivering far greater numbers of passengers on the Heathrow route. The increase that Mike mentioned, the 97,000, is additionality for the London market as a whole. Just to make it absolutely clear. We would not want to ...

**Deputy M.R. Higgins:**

I think it was noted anyway but ... The other thing too ... sorry, unless anyone has got any other questions on air routes?

**The Deputy of St. Mary:**

I would just like to highlight again that Mike just said energy costs have an impact on sustainability of routes and once again the importance of this debate about whether oil costs will rise immediately the downturn is over and therefore puts in peril all our air links, and that poses the question of whether we should not be investing more in sea, and also looking at the whole future of tourism and how it evolves and the relationships with other destinations. We might have a relative advantage because of this. All that needs to be in the pot.

**Deputy M.R. Higgins:**

We are going to be addressing these in the future anyway as a panel. Can you also tell us; on the sea route, obviously in the States the other week you were talking about Condor and we have a problem here that in fact we have got one operator on that route and the costs have gone up. They have certainly increased the cost of going to France which is of great concern to people on the Island. What are you going to do about that? About Condor itself and the cost of travel to and from France for Islanders?

**Senator A.J.H. Maclean:**

With regard to Condor there are obviously 2 sectors; there is the southern route and the northern route. Specifically on the southern route we have had competition recently, with H.D. Ferries last year and previously Emeraude. We are looking most likely as if we are going to be just with a single operator for this coming season. I think it is unlikely that anybody else will come on to the route. We have asked O.X.E.R.A. (Oxford Economic Research Associates), who originally did a report on

the sea routes as to whether or not there was any basis for regulating prices, regulating the service, and we are waiting for them to report back on that, which we should have, we believe, by the end of March. We will then make an informed decision as to whether any form of regulation would be necessary. At the moment we control access via ramp permits and there are various service obligations included within the ramp permit regime. But we are reasonably satisfied with the way in which the service has been delivered to date. We are also encouraged by the new owners Macquarie, who have recently purchased the Condor business, certainly they are making some suggestions that they are going to be looking to improve the level and quality of service that has been delivered to date, and I think that is only to the benefit of the Island.

**Deputy M.R. Higgins:**

I am pleased you mentioned consultants because I had forgotten the question I was going to ask earlier. The department, the Economic Development Department is using O.X.E.R.A. and probably other consultants; can you tell me how many projects you have got on board at the moment, or the department has on board at the moment where you are employing consultants and what their topics are, and what they are costing, and when they are going to report back?

**Senator A.J.H. Maclean:**

O.X.E.R.A. have a contract with the States as a whole, but in terms of the numbers of projects underway at the moment, Mike, have you got ... I think we might need to come back to you on that. It is very little.

**Mr. M. King:**

I can count them on my fingers on one hand.

**Deputy M.R. Higgins:**

Certainly if you can submit to the panel any of the information on that, if you could provide the information because I know you are doing one on the mortgage market.

**Mr. M. King:**

The Economic Adviser, the Economics Unit, have a contract with O.X.E.R.A. Economic Development make a contribution to that in the order of £80-85,000 per annum and for that we have the ability to call down the services of O.X.E.R.A. to undertake studies undertaken by the Economics Unit but at our request, which is, in my experience, gives us tremendous value for money investment. But we ask O.X.E.R.A. because they have a very good working knowledge of the Jersey economy to look at various aspects of the mortgage market, is one; we looking at the ferry services; we are looking at other aspects.

**Deputy M.R. Higgins:**

Depositor compensation as well? When is that one due?

**Mr. M. King:**

We are very ... I think we are very sparing in our use of consultants. We use them, to be frank with you, because it should not come as any surprise that if we had to staff up to undertake some of the more technical aspects of the work that we do we would have far more people on a recurring basis and it would be far more costly, and that is

a value judgement that we made. We are certainly not awash with consultants and I hope that we never are.

**The Deputy of Grouville:**

Could I quickly go back to tourism? You say in your Business Plan that there is a 10 point plan of which you have identified 2 key points. Is this 10 point plan going to be made public or ...

**Mr. M. King:**

It already has been published in the *J.E.P. (Jersey Evening Post)*.

**The Deputy of Grouville:**

Well, I have not got a copy.

**Mr. M. King:**

What we did in response to the downturn that we started to see after 15th September, which is the day after Lehman Brothers collapsed in the U.S. (United States) where we saw an immediate effect on both business and leisure travel interestingly, was we put in place a taskforce of industry members, small and large, and Jersey Tourism, and came up with a 10 point action plan, and some of the output of that is starting to see ... today, for instance, it was a very strong suggestion from people in the industry on all sides of the businesses that we should major on the impact on the weakness of the pound and the strength of the euro, so you will now see an advertising campaign that says Europe without the euro in it. But that is the 10 point plan.

**The Deputy of Grouville:**

Could we be sent a copy of that?

**Mr. M. King:**

Yes, of course. Absolutely.

**The Deputy of Grouville:**

Now going on to agriculture.

**Senator A.J.H. Maclean:**

Could I just add that the ability to react, to support tourism, is important. At the time of Haut de la Garenne, and when the advertising was turned off, we put an additional amount of funding in to gear up the advertising after that, so there are certain things that happened that we have to be able to react to and I think that will be particularly relevant over the next 12 months.

**The Deputy of Grouville:**

So is there going to be a new 10 point plan?

**Senator A.J.H. Maclean:**

No, it is the same thing.

**The Deputy of Grouville:**

It is the same thing?

**Senator A.J.H. Maclean:**

Yes, absolutely.

**The Deputy of Grouville:**

Yes, I was going to go on to agriculture, the rural economy. Is the rural strategy due for an update at the end of the year?

**Senator A.J.H. Maclean:**

It is due for an update, yes.

**The Deputy of Grouville:**

Is there any consideration ... the industry, if it is focused on it, it is quite encouraging at the moment, post the import of semen debate and some diversification. Is there any other forms of ... I guess we have got the ... there is huge mention made in here of the dairy industry and Jersey Royal, but not an awful lot else. I envisage other industries emerging within the rural sector; is there any form of encouragement or diversification that you know of, sort of, equestrian bloodstock, that sort of thing?

**Senator A.J.H. Maclean:**

It would probably be swept up, a lot of that, under the rural initiative scheme which is there to give farmers the opportunity to diversify into other areas, and there is quite a sum of ... is it £600,000 or so that is allocated to the diversification of the rural economy, as part of that initiative.

**The Deputy of Grouville:**

Are there any initiatives or thought as to setting up something like you have Jersey Finance Limited for the finance industry, you have P.P.P. for tourism, is there anything ... any thought been given to setting something up like that for the rural?

**Mr. M. King:**

I think we have done it.

**Mr. A. Sugden:**

I think the nearest parallel is Jersey Production Promotion Limited which is a company that was set up under a special trust last year. At the moment it has subsumed Genuine Jersey. It also now has an export arm as well. So it has 2 main strands now to it. It is helping businesses from both the product and service sector in Jersey to sell products locally on Island through Genuine Jersey, through Jersey Export, and are helping companies go off the Island and promote themselves. So, for example, through Jersey Enterprise and J.P.P.L. (Jersey Production Promotion Limited) we are taking 7 companies to the Real Food Fair in London in March.

**The Deputy of Grouville:**

Does it include the big players or just the small ones?

**Mr. A. Sugden:**

No, it is small and medium sized players. There are some very good local companies like Jersey Oyster Company, for example. We are out working with the dairy, we are working with ... Jersey Royals are also involved. We are working with some of the sea fish retailers. So it is a mixture of companies. There is no exclusion from the



companies, so rural companies, sea fisheries companies can get involved, and there is support there for them.

**The Deputy of Grouville:**

So this is set up under a trust at the moment, is it?

**Mr. A. Sugden:**

Yes.

**The Deputy of Grouville:**

Is there any way we can see the trust deed, or something like that? See how it works?

**Mr. M. King:**

There is a board.

**Mr. A. Sugden:**

Yes, I mean it has its own board. It has its own structure and is grant funded from E.D.D.

**Mr. M. King:**

You may not be aware but there has been work been going on for some considerable time to move Genuine Jersey on to a much more prominent footing, and that has been done under the auspices of ... with the full co-operation under the auspices of Jersey Product Promotions Limited, of which Genuine Jersey is a part. Now, the board of J.P.P.L., I think Andrew sits on it and I cannot remember who the other board

members are, but one of the bodies that we would encourage you to meet with. We fund that to a great extent and I am very, very pleased that we have done because I think Genuine Jersey and local products have got so much more mileage than we get out of them. This is a vehicle to try and make that happen. So there has been a lot of work going on on that basis. The fact that it is a trust, it is just set up because it is independent of the Government, but we fund it quite significantly on an annual basis. We have got John Garton who is the chief executive who sits in the Jersey Enterprise Office. We provided them with office space so it is ... and it is very closely integrated with the activities of the rural initiative strategy team and the board of that, which is the evaluation board, which again Andrew sits on.

**The Deputy of St. Mary:**

Can we have the paperwork for this board, just the structure and who is on it? The other question was the uptake of the rural initiative scheme. You say there is a budget of £600,000, what is the update?

**Senator A.J.H. Maclean:**

I have not got the exact figure but we will certainly come back and give you the details on that.

**Mr. M. King:**

It is oversubscribed.

**Mr. A. Sugden:**

It is oversubscribed, certainly for this year.

**The Deputy of St. Mary:**

Maybe a bit of information on where that goes and so on, because I have got the G.D.F. (Global Development Finance) report but I do not have a report for that one.

**Deputy M.R. Higgins:**

I would like to quickly move on to ... sorry, do you have a question?

**Deputy S. Pitman:**

I can wait.

**Deputy M.R. Higgins:**

I am just going to come on to the Skills Executive and the training.

**Deputy J.M. Maçon:**

In your Business Plan you state that you would like to have a broad skills base in the Island meeting business needs; very commendable. What I would like to ask is what is Economic Development, as part of the Skills Executive, doing regarding apprenticeships in the economic downturn.

**Senator A.J.H. Maclean:**

I think you have picked on something that is extremely important, going back to what we were discussing earlier on with the stimulus packages and what have you, and bearing in mind Shona's earlier comment about the retail sector and elsewhere in the economy there are going to be redundancies, there is no question of doubt about that.

There is absolutely a vital role for the Skills Executive to play in ensuring that people who lose their jobs can be reskilled and moved into other areas of the economy. The Skills Executive has got a very important role to play in that the Skills board ... and that is something that is developing together with Education, Sport and Culture and Social Security, and Careers Jersey, of course, is now located in a much more accessible location as part of the Social Security building, and all those activities are developing.

**Mr. A. Sugden:**

I am personally involved in Skills Jersey. As part of the economic stimulus plan there is one strand of activity which is to do with skills and training, and that is about getting people back into work, reskilling people and providing opportunities for younger people. As part of that activity apprenticeships is very much on the agenda. We are looking at fast track apprenticeships. For example, we have a lot utility companies on the Island and there are people who are coming towards the end of their working life. The profile tends to be 50 plus. I think one of the strands of activity could well be to look at that and deal with what is a structural problem in a very early way, so people coming out of ... for example, of construction who might have a trade, can they be trained up to work for the utility companies or T.T.S. (Transport and Technical Services) who can then replace these people who are due to retire within the next 10 years. In addition, within the Skills Jersey paper there are things like graduate internships; so will companies take graduates that are coming back to the Island because they cannot get work in the U.K.? Take them, give them some experience for, say, 6 months and provide them with an opportunity to develop a career on the Island.

**Deputy M.R. Higgins:**

What about the under 25s?

**Mr. A. Sugden:**

The under 25s, we are looking at a youth training scheme which will provide them with access to elements of training in areas like customer service, I.T. (information technology), numeracy and literacy, although these younger people are still struggling with the core elements of the education, and provide that through Highlands as well as through the private sector, through different sectors of the economy where they can be doing a trainee placement while at the same time learning some of these new skills.

**Deputy S. Pitman:**

Does that include the finance industry, because we know that a lot of migration is coming in to support the finance industry because we do not have the specialist knowledge? Is that going to be addressed through the Skills Executive?

**Mr. A. Sugden:**

Yes, I think so. Yes. I mean, the whole concept of the Skills Executive is to meet the demands of the various different industries and supply it locally.

**Deputy S. Pitman:**

Construction industries?

**Mr. A. Sugden:**

Construction industry, yes, again through the stimulus package. We talked earlier on about maintenance and capital projects. One of the things you can do if you are bringing projects forward is say to the companies: “You can have this contract but you have to employ as near as possible local companies with local people and give opportunities for people to train and get new skills.

**Deputy M.R. Higgins:**

The one thing I would like to be clear on as well, with the Skills Executive obviously there are 3 agencies involved in it, who has the lead? In other words, if we are addressing, we are obviously fact finding at the moment, will it be this department or will it be Education or will it be Social Security?

**Senator A.J.H. Maclean:**

All 3 departments are involved, as you say, with the Skills Executive and the chairmanship revolves around each department, so it is very much a collaborative approach.

**Deputy M.R. Higgins:**

Who is the current chairman? So if we are making approaches or we want additional information or to have someone answer in the States, who is it we are addressing?

**Senator A.J.H. Maclean:**

The first chairman was my predecessor, the Economic Development Minister. The current chairman is the Social Security Minister.

**Deputy M.R. Higgins:**

Okay, thank you. One other thing I want to address at the moment is the 1(1)(k)s, and obviously you have an officer in the department who is going out attracting 1(1)(k)s; can you tell us about how successful he has been and what benefits they are giving to the Island?

**Mr. M. King:**

Nigel Philpott; I think of everybody who works in E.D.D. it is the greater return on investment if you compare salary to input. I think in 2008, I have not seen the final figure yet, but certainly 6 new ...

**Mr. K. Lemasney:**

Twelve.

**Mr. M. King:**

Six the last time I picked up ... 12 now. We can get you some figures because not only does that translate into a minimum of tax contribution of £100,000 but also each of those individuals purchases a house or houses in the Island which translates into very significant amounts of stamp duty. Nigel's budget in total, I think, is about £120,000 ...

**Mr. A. Sugden:**

£125,000.

**Mr. M. King:**

... and the return on that investment on an annual basis is extremely good. It is a market where Jersey still has a very significant advantage. Jersey is an aspirational location for people who come in with 1(1)(k)s. We set the barrier very high compared to other jurisdictions, for instance, Guernsey has no effective barrier, and we expect people to meet those criteria, and it has to be said it is much more difficult for individuals to meet that criteria with the current level of interest rates, for instance. So, I think the people that come into the Island do make a significant tax contribution. What we are seeing increasingly is that they make a contribution in the broader economic landscape as well, by getting involved and investing in local businesses and creating additional unemployment ... sorry **[Laughter]**, additional employment, sorry. A good example, I think, is for instance Gary Whipp whose involvement in Newtel, drawing on his extensive experience in the U.K. certainly added value with Peter Funk and the rest of the team on the operation of that company.

**Deputy M.R. Higgins:**

In terms of the ongoing monitoring of these people, is it down to the Treasury Minister? So, in other words, you stated for example the first £1 million of non Jersey income tax at 20 per cent, next £500,000 at 10 per cent and then we go to £1.5 million, 1 per cent. Who is monitoring that making sure that they are still contributing?

**Mr. M. King:**

They are monitored by the Comptroller of Income Tax, who is obviously part of the Treasury.



**Deputy M.R. Higgins:**

Almost coming to the end of this. Are there any other questions that any of the panel members would like to ask?

**Deputy S. Pitman:**

Yes. Is the department or Minister aware of the effect of G.S.T. (Goods and Services Tax) on the economy, and if not will you be reviewing or studying this?

**Senator A.J.H. Maclean:**

As far as R.P.I. (retail price index) was concerned, the effect was about 1.9 per cent. That was the initial effect which feeds out, again, by June of this year. Outside of that, no particular effect that can be commented on.

**Deputy S. Pitman:**

Do you intend to review this?

**Senator A.J.H. Maclean:**

If there is a need to review it; at this stage probably not.

**Deputy S. Pitman:**

I do ask that because there are several High Street shops who have closed down and I am aware that part of one reason for that is because of the effects on G.S.T. and they cannot cope with the cost.

**Senator A.J.H. Maclean:**

I think it is interesting, I have noted the comments that have been made in the media. We are not convinced that the reason that businesses close down is necessarily as a direct response to G.S.T. I think there are probably some more fundamental reasons that perhaps have caused that. But, certainly again through Jersey Enterprise and ongoing liaison with small businesses that is an area that we will continue to monitor rather than review ...

**Deputy S. Pitman:**

Are you speaking to these businesses about G.S.T.?

**Senator A.J.H. Maclean:**

More than 1,500 businesses have been dealt with by Jersey Enterprise already. G.S.T. handling of any regulatory or increased regulatory burden is dealt with and monitored. So it is an ongoing process as opposed to calling a specific review over the matter.

**Deputy S. Pitman:**

What has been the results of that monitoring?

**Senator A.J.H. Maclean:**

Andrew, is there any particular issues that have been raised on a wide ranging basis on G.S.T.?

**Mr. A. Sugden:**

Certainly among the companies that Jersey Enterprise are dealing with on a daily basis it is not a high profile comment.

**Deputy S. Pitman:**

So, how many businesses have said that it has been an issue?

**Mr. A. Sugden:**

I cannot give you an exact figure. I can go back and we can interrogate the database. But I would imagine it is a relatively small number. I can find that information for you.

**Deputy J.M. Maçon:**

Can you tell us what, if any, changes you think should be made to the Regulations of Undertaking and Development law?

**Senator A.J.H. Maclean:**

I mean, the way in which the Regulations of Undertaking Law is applied changes dependent upon the economy and other circumstances. I think it is probably fair to say that in the current climate we will be looking perhaps with slightly more rigour at any applications that come in to ensure that all opportunities are exhausted for utilisation of local labour first and foremost. That is going to be the priority certainly for the next 12 months. We are going to require a robust case from businesses who wish to expand the expertise they require is not available locally.

**The Deputy of Grouville:**

Who decides when changes are going to be made to the regulations?

**Senator A.J.H. Maclean:**

As far as Regulations of Undertakings is concerned, Constable Norman is sitting on it from the Economic Development perspective, but there is a group which oversees it, M.A.G. (Migration Advisory Group), and if there were going to be any particular changes to the way in which applications are determined then it would be fed through that group.

**The Deputy of Grouville:**

So primarily the changes are made to the Regulations based on economic matters of the day?

**Senator A.J.H. Maclean:**

It is more a question of determination. The law is there and it is very clear, but I think there is more emphasis now over the next 12 months on ensuring that companies present particularly robust cases. If they want to employ non-locally qualified people there has to be a very clear reason for anyone to do that; expertise not available or so on. More so, it is relevant now than it was perhaps over the last 3 years.

**The Deputy of Grouville:**

What sort of regulations are in place for people that come in on contract?

**Senator A.J.H. Maclean:**

In what respect?

**The Deputy of Grouville:**

If the bank wants to employ somebody for 3 months, say, on a contract.

**Senator A.J.H. Maclean:**

Any particular business would agree, it is headcount and within that it would have to operate. If it wanted to change it would have to make an application and put a business case forward.

**Deputy M.R. Higgins:**

We will come on to Jersey Finance then. Jersey Finance, as a body, is substantially funded by the department. Can you tell us what the current, sort of, relationship ... what percentage is being paid for by the States and what percentage by the industry, and whether you think that is appropriate?

**Senator A.J.H. Maclean:**

If you are referring to our budget for 2009, it is £1.8 million.

**Deputy M.R. Higgins:**

They are contributing how much the industry?

**Mr. M. de Forest-Brown:**

About £500,000.

**Deputy M.R. Higgins:**

So there is quite a significant mismatch between the 2, and one would have thought that it was in their own vested interest to see Jersey as a thriving centre of business

coming to their businesses. I am just wondering why there is not, sort of, parity or at least a substantial further contribution by the industry?

**Mr. M. King:**

Two things; one you have got 2 members of Jersey Finance Limited board here, in myself and Martin, both of us sit on the board, and that is to ensure that the significant public sector contribution that we make to the activities of the board is discharged in the appropriate way, and it is. I think the important thing is to look, as well as in Jersey, let us look at the precedent elsewhere. In other jurisdictions of the comparable jurisdictions, the equivalent of Jersey Finance Limited is entirely paid for by the States with no private sector contribution. It has to be said that the activity of Jersey Finance is about promoting Jersey and it very much complements the corporate advertising that the major financial institutions in the Island undertake on their own behalf. But what Jersey Finance does is that it aggregates all that and promotes the equalities of Jersey as a jurisdiction for investment for any part of the financial services sector. I think that considering we get 53 per cent of G.V.A. and well over 60 per cent of the direct tax take from the financial services sector, an investment of £1.8 million is a pretty good return. It is in stark contrast to the 39 per cent of our budget, for instance, that we contribute to the tourism sector that generates a significantly lower level of G.V.A. So the activity that Jersey Finance undertake with the 2 of us on the board is primarily around making sure that in our key markets and key emerging markets Jersey has appropriate representation, so we can drive the maximum amount of investment into the institutions that exist in the Island, that translates into tax take which translates in our ability to fund public services. As I said, by comparison to other jurisdictions who either put 100 per cent State funding

into similar bodies or orders of magnitude more funding into the promotion of their jurisdiction as a financial services centre, for instance, the emerging jurisdictions of the Middle East, such as Dubai, Qatar, and others, and I think we get a pretty good return.

**Deputy M.R. Higgins:**

Just following on from that. Again, just so I can understand this. Martin, you are placed in the Chief Minister's office, so you are not part of Economic Development, are you?

**Mr. M. de Forest-Brown:**

No.

**Deputy M.R. Higgins:**

James Mews is not Economic Development?

**Mr. M. de Forest-Brown:**

His line report is to me within the Chief Minister's but he is funded by Economic Development.

**Deputy M.R. Higgins:**

Jersey Finance also have a technical team who seem to be managing consultation on many items to do with the local industry, and equally the Financial Services Commission is doing work for the finance industry. It seems strange to me that it is so spread out as it is.

**Mr. M. de Forest-Brown:**

If you think about it, you have got 3 completely different agendas. You have got the Commission who approach it from a regulatory perspective, so they clearly need to assess the law to make sure that it is consistent with regulation and the rate attached to regulatory standards. We have the industry who are looking at it to see that it is an effective piece of legislation in terms of being able to develop work and financially do what it is meant to do, and then government ultimately is the holder of legislation orders, the provider of recommendations on whether legislation is fit for purpose and should be adopted by the States. So, the 3 different groups have fundamentally different jobs, and those come together to give a final recommendation to the Minister on whether legislation should be proposed.

**Deputy M.R. Higgins:**

When it comes to, for example, Financial Services Regulation, if Jersey Finance is managing the industry response, and are acting as a filter - and they are, I think, a filter to what goes to the Financial Service Commission - surely that is not a terribly effective way of regulating that side of activity.

**Mr. M. de Forest-Brown:**

Sorry, can you rephrase the question?

**Deputy M.R. Higgins:**

I am just saying, for example, if the Financial Services Commission produces proposals on legislation to meet within its remit, Jersey Finance has taken upon itself



to co-ordinate the industry consultation. Now whereas in the past information was sent directly to the Financial Services Commission so they could look at all the responses, at the present time information goes to Jersey Finance who then summarise it, or whatever it is they do, and then pass on their collective, sort of, view on to the Commission. Do you consider that sort of filtering desirable? Or should not the Commission be getting it first hand?

**Mr. M. de Forest-Brown:**

I would not say it is filtering because they will typically put forward the views of the different parties if there are fundamental disagreements. I would say it as much summarising, but they will, you know, they will as part of that process have a debate if there are differing views to see whether there is a consensus view. One of the problems we had and one of the reasons we were so slow in responding to market needs before was because we had such a disparate process that typically what would happen is you would have a consultation, you would make some progress, and then at the last minute somebody would say: "I was away that week and I did not get my chance to say something", so in something comes later. So now we have a very clear process which works extremely effectively, which is that whether it is the J.F.S.C. (Jersey Financial Services Commission) bringing forward legislation, whether it is government bringing forward legislation, we go to J.F.L. (Jersey Finance Limited) as a single point of contact and say: "You do the work, you do all the legwork, get everybody's views, co-ordinate those views, summarise those views, see if you can resolve any industry differences in view, and then come back." So I think it is an extremely efficient process.

**Mr. M. King:**

I think it is fair to say that I think the right word to use is that they aggregate all of the consultation, and I think the proof of the pudding is in the eating because if in that aggregation process there were still any remaining differences of opinion from one company or another or one part, we would soon get to hear about it and we do not. I think it is a very effective way of making the whole operation much more productive.

**Mr. M. de Forest-Brown:**

The J.F.L. process does not prevent somebody who feels strongly about a particular point making their submission to the government or the Commission. Ultimately, the Commission obviously does not make law, they can only put recommendations through government for law, so they may set out what their requirements are but it comes through my department before it is recommended to the Minister. In that effect, everything comes through government ultimately to decide what is appropriate for the jurisdiction.

**The Deputy of Grouville:**

What percentage of the industry subscribe or participate with Jersey Finance Limited?

**Mr. M. de Forest-Brown:**

It is extremely high. It is about 90 per cent or something like that. Everybody is ... this is a voluntary membership but almost everybody ... Lots of people have come to visit us from other jurisdictions to find out kind of how we do it because in most other jurisdictions there is no cost to a member. Effectively, they will say: "I will not pay. You are going to market Jersey, why should I bother giving you money? You are

going to do it anyway.” Because of the quality of the people we have there and the efforts that they have put in, we have this extraordinarily high contribution rate from members. They do get specific additional benefits in terms of access to the J.F.L. website which is not open to the public in terms of technical data and so on and so forth, but at the margin most of them do it to be part of the community and support Jersey Finance.

**Deputy M.R. Higgins:**

Jersey Finance is largely, as you said earlier, a promotional body but equally it is, we could argue, an industry body. Surely most of its emphasis should be external to the Island rather than trying to influence what is going on within the Island.

**Mr. M. de Forest-Brown:**

It is a joined-up process. What Jersey Finance does is it goes to a jurisdiction and says: “This is Jersey, this is why we think you should use it.” What happens then is the individual that they are marketing to or group of individuals will say: “Yes, we like Jersey but we do not like this” or: “This does not work for us and that is why we use some other jurisdiction.” They bring it back to the technical department and say: “You review it, see if there are issues there, see if we can find ways of addressing them” and then they will start a debate with government and the Commission on: “Is there a way here that we are all comfortable with where we can reposition the jurisdiction and make ourselves more attractive?” So it is part of a continuous process. The technical bit is about delivering effective marketing. But as well as responding - and this is the difficult bit - they will do a lot of comparative screening to identify how we compare against other jurisdictions. So when their marketing team

go out and market, or indeed when industry is out there marketing, they can provide them with details of how we compare on detailed items, technical items on trusts or foundations or companies law to market Jersey in its best possible light.

**Deputy M.R. Higgins:**

Accepting that, the Chairman of Jersey Finance or whoever the chief officer is has commented on internal matters on the Island. Is that part of his remit that he can talk about anything to do with it that comes up, any issues that come up generally within the Island?

**Mr. M. de Forest-Brown:**

I do not know which specific comments you are referring to. His remit is to run Jersey Finance as is agreed and set out by all the constitutional documents. I am not aware of any particular subjects that you are referring to that might be ...

**Deputy M.R. Higgins:**

I will mention one because it is close to home. I am looking at a proposal for a States-funded bank and I was surprised to find the Chairman of Jersey Finance or whoever he is, Chief Executive, making comments on that. First of all, one, the proposition has not been put to the States anyway, and Jersey Finance would be involved in the discussions anyway, as would any other department that is responsible for it, and I was surprised to see comments in a paper from him rubbishing it.

**Mr. M. de Forest-Brown:**

My 2 observations on that are those at the *J.E.P.* are rather difficult to shake off when they want a quote out of you, so he will have been almost certainly contacted and asked and he could have said: “No comment.” However, given that this is about a bank and that he represents the banking industry in Jersey, I am not that surprised he did make some form of comment.

**Deputy M.R. Higgins:**

I am surprised in the sense that we are paying £1.8 million and the industry is paying £400,000, that he is putting his view on what the industry thinks without having to pay for it.

**Mr. M. de Forest-Brown:**

He would never put his view; invariably he will ... not to say invariably, he always, whenever there is an issue, he will put his view to the industry and ask for their feedback. He will then voice what is the opinion of industry, which is what his role is. I know specifically areas where he fundamentally disagrees with industry and he does not put his own view forward, he puts the industry’s view forward.

**Deputy M.R. Higgins:**

I accept that, I do not want to get into this personal thing, just the principle of the fact that you have someone from an industry body who is commenting on developments within the Island which would be put to his body anyway once it goes through the normal sort of process of consultation before it goes to the States, is commenting in that way. So, I am just raising the fact that he should not get too political.

**Mr. M. de Forest-Brown:**

He represents a trade body and, therefore ... which contains all of the banks within Jersey. He will have had feedback from the banks specifically on the issue.

**Deputy M.R. Higgins:**

Again, they have not seen the proposals either.

**Mr. M. de Forest-Brown:**

But just generically ...

**Senator A.J.H. Maclean:**

We are perhaps getting too much into detail on this.

**Deputy M.R. Higgins:**

We will leave that; that is just an aside. Other than that, is there anything else that any one of the panel members want to bring forward? If not, I am going to ask the Minister if there is anything that he would like to tell us or inform us about that he has not raised during the meeting that the panel is aware of?

**Senator A.J.H. Maclean:**

Mr. Chairman, I would, first of all, like to thank you for this initial meeting that we have had. I think it has been, certainly from our point of view, very useful to hear some of the issues that you feel are important that you wanted to raise. I would also want to make the point that we are very keen to work both with you and your panel over the coming 3 years and particularly in areas where there is policy under

development. We would be very keen to engage with you fully in those sort of areas to get your feedback and continue to, hopefully, develop the relationship in a positive way for the benefit of both sides.

**Deputy M.R. Higgins:**

I agree. In fact, we are looking for a very constructive approach to the relationship with the department and also a relationship where obviously there is a free flow of information so that we can address issues speedily and if there are issues that arise we can address them early. Other than that, I think again from our point of view I would say it has been extremely useful. This is the first panel meeting that we have had and we were using this not so much to interrogate particularly but to discover more what the department does and areas for consideration so that when we decide what we are going to review we have a much better understanding of what is going on. So, thank you very much for that and to your officers for coming today.

**Deputy S. Pitman:**

Before you go, can I ask ...?

**Deputy M.R. Higgins:**

We are going to move on to the second part anyway in a moment, but yes, we will get on to the specific one to do with the legislation in a moment and we will invite James in then.

**Deputy S. Pitman:**

Oh, right, okay. No, I just wanted to ... usually your department appoint an officer of contact with us.

**Senator A.J.H. Maclean:**

That will be Kevin Lemasney.

**Mr. K. Lemasney:**

We have a well-honed, well-tried operation.

**Deputy M.R. Higgins:**

I am just going to suggest that we finish this part of this, a comfort break for 5 minutes or a few minutes anyway, people can get a cup of tea and that, and then if we have James in and then we will just quickly run through the legislation.

**Senator A.J.H. Maclean:**

Yes, James and, Martin, are you going to stay for that? Yes.

**Mr. M. de Forest-Brown:**

I will stay for that, yes.

**Deputy M.R. Higgins:**

Yes, that is fine. We will just have a quick break. Thank you very much.