

STATES OF JERSEY



TOURISM SHADOW BOARD: ESTABLISHMENT

Lodged au Greffe on 30th October 2012
by the Minister for Economic Development

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

to refer to their Acts dated 1st February 2011 in which they approved ‘Shadow Boards and Ministerial Boards: approval by the States’ (P.170/2010); and 17th July 2012 in which they approved the ‘Economic Growth and Diversification Strategy’ (P.55/2012); and

to approve the establishment of a Shadow Board for Jersey Tourism.

MINISTER FOR ECONOMIC DEVELOPMENT

REPORT

Background

The States approved the Economic Growth and Diversification Strategy (EGDS) (P.55/2012) in July 2012. One of the key aims of the EGDS is to raise the productivity of the whole economy and reduce the reliance on inward migration. In relation to this aim, it states that –

The Strategy recognises that economic growth or the creation of the jobs the Island needs will not be achieved just by inward investment, or the creation of new enterprises.

Existing sectors such as tourism, the rural economy, retail and construction have a key role in contributing towards the future success of the Island. Established sectors will continue to be supported but resources will be linked to delivering growth, increasing productivity, improving competitiveness and creating employment for local job seekers.

In order to deliver this, the EGDS states that –

Jersey Tourism will, in future, benefit from the appointment of a Shadow Board, drawn from the private sector, to oversee strategy and the day to day operation of the Island's destination marketing programme in the UK, Continental Europe and other international markets.

The current consultation on the future strategy for tourism also makes reference to the important part a Shadow Board will play in the future direction and development of the Government support for tourism.

This proposition sets out the rationale for the proposal to establish a Shadow Board for Tourism in more detail; as well as the governance and operational arrangements for the Board.

Current structure of Jersey Tourism

Jersey Tourism is part of the Economic Development Department (EDD) where it has resided since the development of the Ministerial system of Government in 2005. The Director of Tourism reports to the Chief Executive Officer of Economic Development and the Minister for Economic Development.

Jersey Tourism is made up of 18.5 FTE (plus seasonal) staff across 4 areas: marketing, PR, product development and visitor services. One member of staff is based in the UK and the remainder are in Jersey. The private sector has provided input through the Tourism Marketing Panel, which was established in 2010 to provide advice on future marketing planning and activity. In addition, a separate Conference Bureau has operated as a Public Private Partnership (PPP) for a number of years. It is operated by 2 staff, one in the UK and one in Jersey, and a separate Board. Funding and many of their resources are provided by the Department.

The total revenue expenditure for Jersey Tourism is £6.6 million, including salaries and a proportion of the Economic Development Departmental overheads.

Net Revenue Expenditure for Jersey Tourism

2011 Actual £000	
Corporate	
Strategy and Policy	461
Research and Planning	169
Communications	
Advertising and Media	2,003
Distribution	586
Marketing Services	281
Product Development	652
Market Development	
Public Relations	525
Trade Relations	677
Consumer and Media Relations	1,001
Visitor Services	266
Net Revenue Expenditure	£ 6,621

Tourism Industry performance

It is a credit to the industry, including the activity of Jersey Tourism, that despite the worldwide economic conditions, over the last 3 years, the number of staying leisure visitors and visitor spend has remained largely consistent. However, the early results for 2012 suggest a decline in visitors which demonstrates the net effect of poor weather and the Olympics and Jubilee events impacting on people's holiday decisions. Furthermore, it is also clear that over a longer period of time the Island has seen a significant overall decline, with visitor numbers down by almost 30% over the last 10 years; and over the same period a decline in GVA contribution of the sector by around 20%.

The current consultation on a future strategy for tourism sets out a proposed path to get the sector back into growth, based on 4 key priorities –

- To develop Jersey into a year-round staying leisure visitor economy;
- To increase the value generated from the staying leisure visitor economy;
- To increase the number of locals employed in the Tourism sector;
- To maximise the investment made into the staying leisure visitor economy.

For further information please see –

Oxera Report January 2012:

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

Tourism Annual Report 2011:

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

Tourism Strategy Consultation

<http://www.gov.je/Government/Consultations/Pages/TourismStrategyConsultation.aspx>

Rationale for establishing a Shadow Board

Since the outset of the Ministerial system the future of the Tourism section of EDD has been under scrutiny, with the suggestion that the function might be more suited to a private sector organisational structure rather than continuing as a States-operated entity.

A lengthy and complex analysis of the potential of developing a Public/Private Partnership (PPP) was undertaken and a review undertaken by the Economic Affairs Scrutiny Panel in 2010. The Minister agreed with the conclusion in the Panel's report that –

“The current uncertain economic climate further compounds the prospect of successfully establishing a Tourism PPP, and in light of these issues, to attempt to do so would be a leap of faith. There is, however, merit in pursuing the recently established ‘middle way’ of the Tourism Marketing Panel, allowing it adequate time to establish itself and to develop its role, and using its experiences to determine whether full PPP proposals require re-assessment in the future.”

The Tourism Marketing Panel has now been established for 2 years. It has proven to provide an invaluable contribution to the marketing and promotional programme for Jersey Tourism and has demonstrated how private sector influence can have highly beneficial effects. However, its influence is limited to specific marketing strategy rather than the overall operation of Jersey Tourism.

As such, the proposal for a PPP has been revisited. However, given the uncertain economic climate has continued, and having undertaken a analysis of costs of establishing a small entity outside the States – in particular when having to take account of the pre-87 PECRS debt issue – again it has been decided that the transition costs associated with such a change at this time cannot be justified.

Instead, this proposal to establish a Shadow Board brings many of the advantages of a PPP without the significant additional costs associated with this. The benefit of such an approach is to get structured, focused, in-depth advice on the day-to-day operations of Jersey Tourism, as well as on the best future operational and governance structure of the organisation to maximise the potential of the sector.

The proposed new structure and Shadow Board

Visit Jersey is the working title of the new organisation. It will remain within EDD with a revised organisational and reporting model that includes the immediate appointment of a Shadow Board who would act in an advisory rather than supervisory capacity. As with the Harbours and Airport Shadow Board, the Visit Jersey Shadow Board will be led by a Chairman who, along with Shadow Board members, will be appointed by the Minister for Economic Development in a process overseen by the Appointments Commission.

The relationship between the Minister and the Shadow Board will be governed by a Memorandum of Understanding, which will define the respective roles and responsibilities of the Shadow Board, the Minister for Economic Development and EDD officers.

Funding will be provided through the EDD budget and, within the agreed cash limits defined in the Medium Term Financial Plan, the Shadow Board would be expected to present, agree and deliver an annual business plan with associated outcomes and outputs.

Constitution of the Board:

A Shadow Board will be appointed, following the Nolan Principles, for a 3 year term with the option to extend for one further 3 year period. The Shadow Board will meet on a monthly basis. The Board will comprise the following members –

- A Chairman who would be independent of both Government and the Industry. This post would be suited to a candidate with a broad business experience at senior level.
- The Chief Executive of Visit Jersey whose presence will provide the link between the Board and the organisation.
- Economic Development Department representation – the accounting officer for the Department or his nominee with specific responsibility for managing the relationship between EDD and Visit Jersey.
- Up to a maximum of 5 non-executive directors.

Purpose and the key aims of the Shadow Board:

The purpose and key aims of the Shadow Board would be –

- In the first instance, to define the optimum operational and governance structure and make a recommendation to the Minister for Economic Development to implement changes as necessary.
- To strengthen governance and good practice in all areas of Tourism/Visit Jersey operations.

- To challenge and support the executive teams
- To develop strategy and business operations and ensure they are subject to rigorous independent commercial challenge in a manner which enhances governance at a pivotal time.
- To ensure the optimum performance of the sector in delivering cost-effective operational solutions for the development of tourism in Jersey.
- To undertake any other appropriate roles as agreed with the Minister for Economic Development.

Sub-Committees:

It is likely that Shadow Board Sub-Committees will be formed. Their role will be to provide oversight and support for the delivery of the strategic direction so determined by the Shadow Board and approved by the Minister.

Consultation:

In accordance with P.170/2010, the PPC, PAC and Economic Affairs Scrutiny Panel have been consulted on this matter. Advance copies of the proposition were sent to the Committee/Panel members on 5th October 2012 seeking comments.

Financial and manpower implications

The remuneration for the Chairman is £12,500 per annum. The non-executive directors will receive an honorarium of £5,000 per annum. Expenses of the Board members will also be payable.

The Budget associated with the new organisation would be that outlined for Jersey Tourism in the Medium Term Financial Plan.