



Economic Affairs Panel Jersey Innovation Fund Review Hearing with the Minister for Economic Development

MONDAY, 14th JANUARY 2013

Panel:

Deputy S.G. Luce of St. Martin (Chairman)
Connétable S.W. Pallett of St. Brelade (Vice Chairman)
Connétable M.J. Paddock of St. Ouen

Mr. T. Oldham (Scrutiny Officer)

Witnesses:

Senator A.J.H. Maclean (The Minister for Economic Development)
Mr. M. King (Chief Executive Officer)
Mr. S. Pritchard (Director of Business Creation and Growth)
Ms. M. Drummond (Strategy Manager)

[09:32]

Deputy S.G. Luce of St. Martin (Chairman):

Good morning, everybody. Welcome to the second hearing and review of the Jersey Innovation Fund. I think, just for the benefit of the tape, if we could go round the table announcing who we are, that would be beneficial. My name is Deputy Steve Luce, Chairman of Economic Affairs Scrutiny Panel.

The Deputy of St. Martin:

All right, thank you. Again, just before we start, the usual rules apply, members of the public and everybody else here, please turn off your mobile phones. iPads and silent equipment are now available for use specifically to do with the review and anybody leaving or entering the hearing to

do so as quietly as possible. Right, Minister, we had a good start with the Minister for Treasury last week and we need to now hear your views on this proposed Innovation Fund. We started off by asking the Minister for Treasury his definition of innovation and we see here from the reference we were given that it is a wide range of activities. I wonder if you could just run through first your own personal views on innovation in the context of this fund which we are discussing.

The Minister for Economic Development:

Yes, in fairly simple terms, hopefully. First of all, it is not sector specific I think is a point that is important to me. I would define innovation as a new idea, a new method or a new product, the idea being to create high value, and importantly to create job opportunities. It is about new ideas, new methods and new products, in summary, and the execution thereof. Execution is clearly a very key aspect.

The Deputy of St. Martin:

But the emphasis in your definition then is the word “new”?

The Minister for Economic Development:

New ideas, new methods ...

The Deputy of St. Martin:

New ideas, new products ...

The Minister for Economic Development:

New methods, new products. But perhaps I should just clarify within that that does not necessarily mean that it is not applicable to existing entities, because it is. You could have an existing business that comes up with a new idea, new product, new method that would equally be able to apply.

The Deputy of St. Martin:

The point I am trying to make, I think, is that it is not the repetition of something that has been done already, regardless of whether it is an existing company or related to an existing product, it is something that is new, that is specifically new.

The Minister for Economic Development:

New product, new idea, new method.

The Deputy of St. Martin:

Okay. I would like to go straight into a little bit more detail, if I could. When the panel first read the paperwork we saw this figure of £100,000 which we presumed initially was the cost to your department for the running initially of the fund and it became clear last week when Mike explained to us that the £100,000 was specifically for specialist advice which might be needed by the board and it was not the monies that you were allocating to the department for admin. We would like to know how the figure of £100,000 was arrived at, please.

The Minister for Economic Development:

There was an estimate as to the potential number of projects that might be supported and an estimate was made considering that of the likely cost, bearing in mind professional advice and statistics. It is not going to be an exact science because clearly one does not know the complexity of the different projects that would be analysed or indeed the extent to which any external analysis may be necessary.

The Deputy of St. Martin:

Do you have any idea at all, and I appreciate this is new and we have not started yet, but you said you estimated that figure and the number of applications you might need. How many applications do you think you might see in the first 12, 18 or 24 months?

The Minister for Economic Development:

It is probably not as simple just to say simply the number of applications, because clearly you could have one particularly complicated application that needs specific analysis that is quite extensive. Of course, all these factors need to be borne in mind. I mean, I would say simply it is an arbitrary figure that we believe is reasonable. Clearly one could under or overspend it to a certain degree. I think you could ...

Chief Executive Officer:

Perhaps I could add something, Minister. The answer to your question, Chairman, is that I think we will get a significant number of applications when we launch the fund. Not all of those applications, however, will proceed to the point where we undertake due diligence on them, because effectively they would have to pass through the initial filtering which would be undertaken by members of the board, based on economic and commercial analysis undertaken by the department within our own resources. Those that did progress, particularly in specialist technical areas, we would be looking for detailed due diligence and market analysis of the form that is outlined here. I think something that we had put together was that somewhere between 5 and 10 per annum would advance to that level and that would allow us a budget of between £10,000 and £20,000 per application to undertake that. That is not inconsistent with the type of figure that we

used that we would apply to analysis of the bids for the submissions that we have from consultants.

The Deputy of St. Martin:

We are hoping there might be 10 to 20 applications initially?

Chief Executive Officer:

We are hoping there will a larger number of applications than that.

The Deputy of St. Martin:

There need to be.

Chief Executive Officer:

But as I think the Minister for Treasury said, we are in the business of kissing a lot of frogs and the more frogs you have to kiss, the better chance you have of finding the prince. So hopefully the launch of the fund will stimulate a lot of interest and a lot of applications. At the moment they are not able to access finance, but there is a filtering process that will be undertaken.

The Connétable of St. Brelade:

Have you had anybody yet contact the department sort of upfront of this fund coming in? Have you had any interest to date?

Chief Executive Officer:

Yes, we have.

The Connétable of St. Brelade:

What sort of level has that been at in terms of numbers?

Chief Executive Officer:

What, in terms of ...?

The Connétable of St. Brelade:

In terms of numbers and ...

Chief Executive Officer:

I think ... I would say it is in double figures. There is a number of businesses or a number of people with business proposals that have approached us and the response has been: "Well, the obvious place for this to be funded, if it were to be funded from Government, would be the

Innovation Fund.” We have had an internet film production business. We have had a business that deals in organic products, sanitary products for women. We have had a proposal that looks at creating a digital high street for Jersey so that we capture some of the displaced sales from online retail back to retailers in Jersey, many of whom do not have an online presence, you know, putting that as a platform for that type of proposal to come forward. All of those 3 - and do not think I am prejudging this in any way - would be innovative in their approach, would meet the eligibility criteria and hopefully would be progressed for evaluation.

The Connétable of St. Brelade:

Without talking about any individual case, obviously because it is very early days, have you got any idea of the sort of figures that they were looking for? Were they ...?

Chief Executive Officer:

All of those 3, and I think it will be very safe to say, would be looking for numbers well under £100,000. In many cases, the amount of funding people need to get the business idea off the ground ... because this fund, as I think we said and the Minister for Treasury, who appeared in front of you, is really focused that people ... it is the fund of last resort and it is focused that people who have a very good business idea but no collateral and that is why they have not been able to get funding from traditional sources. Sometimes they do not require a great deal of financial help in terms of hundreds of thousands, and it is the provision of that, plus the appropriate mentoring and support from Jersey Business, Digital Jersey and others that will allow their idea to be realised.

The Deputy of St. Martin:

Just staying with this £100,000, Minister, it says in the report, and I know we have had the explanation of what the £100,000 is going to be for, but it says in the report: “E.D.D. (Economic Development Department) estimate that operational and management costs at this stage are £100,000.” Is operation and management not administration, they are just being funded from inside E.D.D. and not specific to the £100,000 that is going to be required for the specialist advice? It is just a little confusing. The first paragraph, when we understand what the Chief Officer told us, you can say, yes, due diligence, legal costs, specialist advice, that is what the £100,000 is for. Then further down it says: “Operational and management costs at this stage are £100,000.”

The Minister for Economic Development:

What can be delivered in terms of support within the existing structure of E.D.D. will be. The £100,000, as the Chief Officer has said, is designed to be utilised for what is clearly external. I mean, hopefully it is not going to be using it until it is.

The Deputy of St. Martin:

I just wonder whether operation and management is admin and operation and management does not sound very much like the legal cost or specialist advice. I just think it is a little bit ... I mean, maybe it is me, it is a little bit confusing to me.

The Minister for Economic Development:

I think does it not define under the first paragraph of operational costs: "Company costs, due diligence work, legal costs and specialist advice"? That is what it defines as operation and management of the fund. English is not my first language, as you know, but ...

The Connétable of St. Brelade:

The Chairman asked of the Minister for Treasury and Resources on Thursday whether the assessments and written reports will be coming from within E.D.D. and be paid for by E.D.D. Is that how you see that? That would not be part of the fund cost, that would be part internally of E.D.D.'s cost?

Chief Executive Officer:

I think ... sorry, having been there, I think I can clarify what was said. The economic impact analysis would be undertaken by the Economic Advisor and that is a cost already built in effectively by the fund's original advisor's department. The administration of the fund would be undertaken from within existing E.D.D. resources and the £100,000 figure is an estimate of what the cost of providing - as it says in that first paragraph there, including specialist advice on individual investment proposals - would be ...

The Connétable of St. Brelade:

That is the understanding I have, as I said the other day.

Chief Executive Officer:

Yes.

The Connétable of St. Brelade:

But moving on from there, the Minister for Treasury and Resources did say all E.D.D. services, economic services and Treasury, where it is appropriate, that is a zero cost to the fund. I accept that, but have you got an idea of what that cost is likely to be, because it is obviously outside the fund and we have not got any figures as to what those extra costs may be.

Chief Executive Officer:

It would be a proportion of the Economic Advisor's total costs which are currently fully budgeted for and covered, and a proportion of the E.D.D. officer costs, which are also fully provided for and covered within the existing budgets.

[09:45]

The Deputy of St. Martin:

I think the point we are trying to make though is that here we have a new scheme, there must be a ... we will get on to the success of the scheme at a later date, but whatever we do we are using taxpayers' money to put a new entity into place and the cost of administering, however you want to do it, and operating the scheme will be X, against which you have to balance the success. Now, we accept that the E.D. have got budgeted costs already allocated, but at the same time, you have to appreciate if, for example, the Economics Unit spent £25,000 on the fund it is really a cost that we should know about, or somebody should know about, so at the end of the year we can say: "Yes, we have spent £50,000 on specialist advice, but the money it cost the Economics Unit, or the money it cost E.D., amounted to another X thousands of pounds and together that was the cost of the fund. This is what we have got in return as we balance the success."

The Minister for Economic Development:

I think probably another way to look at it would be taking the example of the Economics Unit in particular. If they have the capacity to provide the advice necessary for the Innovation Fund within their existing resources, then that is absolutely fine. That is what we believe will be the case. Now, if, for example, there was such a commitment of their time to look at projects coming forward to the Innovation Fund that there were things that they could not do and therefore they needed additional resource, then that is a matter outside of existing resources.

The Deputy of St. Martin:

I think the point we are ...

The Minister for Economic Development:

I mean, if it is necessary, from your point of view, that you feel within that particular department there should be a timeline, so at the end of the year you could say: "Yes, so much time equates to such and such a cost and we can allocate that as an overall assessment for the value and return of the Innovation Fund" then that is another matter. As a sort of accounting exercise, that certainly could be done.

The Deputy of St. Martin:

From my point of view, I would say there is obviously a huge amount of work for the Economics Unit to be doing at the moment. If, for argument's sake, a member of staff has had a quarter of their time as allocated to the fund, that quarter, they could be doing something else with that. At the end of the year, if the fund is not being successful would it not be right to say: "Well, a quarter of that time which was allocated has not produced very much. We would be better using the quarter of the time to do something else which we could ..."?

The Minister for Economic Development:

The overall figures in relation to Economic Unit, for example, would be, I suspect, relatively small. It would not be difficult to make an assessment when looking back at the overall returns of the Innovation Fund in due course, which will include a whole remit of potential cost, notwithstanding of course the initial capital within the fund and the sort of returns that you get from that.

The Deputy of St. Martin:

Yes. I mean, you would have to agree that there is the potential while the £100,000 may not be dipped into greatly for very specialist advice, we do have the potential here to have a lot of civil servants working very hard on something which may not produce anything.

Chief Executive Officer:

Well ...

The Deputy of St. Martin:

The success of the fund may not justify the input of Government.

Chief Executive Officer:

Well, in extremis, we could say that as long as there are things we do ...

The Connétable of St. Brelade:

No, but I think we ...

Chief Executive Officer:

That is a logical ...

The Connétable of St. Brelade:

Specifically on the fund, we are looking at the ...

Chief Executive Officer:

The whole point of the economic advice, sorry, is to ensure that the success of the fund and the economic impact of the investments that are made so they were successful is as great as it could be.

The Connétable of St. Brelade:

But the economic impact has got to be weighted against the cost and what we are trying to say is what is the underlying cost? Does it outweigh the ...?

The Deputy of St. Martin:

It is good value for money, at the end of the day.

Chief Executive Officer:

The function discharged by the Economic Advisor's Unit is to provide economic advice across the whole spectrum of States activity. The Economic Advisor and his unit have been fully involved in drawing up the Innovation Fund. In fact, some would say it was the Economic Advisor's view that we should have one in the first place. They believe they are fully capable and fully able to discharge that and they do see it as a priority activity for them. Part of the funding for the Economics Unit come from E.D.D. on an annual basis and I should imagine part of that funding is what they utilise to deliver the resources that they have got.

The Connétable of St. Brelade:

I think what I am trying to say is ... I am not the world's greatest mathematician, but if we gave out £2 million worth of loans we are getting 5 per cent on that a year, that would work out at, I am guessing ... what would that work out at?

Chief Executive Officer:

£100,000.

The Connétable of St. Brelade:

I think what I am trying to say is if we are getting £100,000 in, what are the underlying costs to the fund for that particular year? I see there are other benefits in terms of creating jobs and the things they go away with, but it is just trying to bear down on the underlying cost. Now, it does not wipe out what you are going to ... what the economic impact is, but we still need to know what the underlying cost is ...

Chief Executive Officer:

Well, the Economic Advisor ...

The Connétable of St. Brelade:

... in terms of the J.I.F. (Jersey Innovation Fund) executive and ...

Chief Executive Officer:

The Economic Advisor's Unit does not write timesheets based on how it divides its time or anything else. There are, I think, 3 at the moment ... 3, Dougie Peedle and 2 other people working there. They do not write timesheets, so it would be an estimate of the proportion of their time. If I can give you an example, for instance, of the administration of the Tourism Development Fund, that is, in the normal course of our business, administered on a part-time basis by one of our officers as a grade 12. That arrangement is changing slightly, but that is the administration of the fund. As the Chairman has said, it is a significant amount of work at the time that we ask for expressions of interest. There is a large number of bids come in. They have to be organised and consistently presented to the board for valuation. The work that is done on that has to be co-ordinated and then all of the evaluations have to be put together and the results communicated to the applicants and it is significant work. But there is not a significant number of civil servants churning away in E.D.D. doing that. It is a period of intense high-productivity work by one and now perhaps more than one fairly productive members of the team. That is the way it works.

The Minister for Economic Development:

You raise an important point in terms of there is 2 elements: there is the set-up, there is a chunk clearly; there is then the ongoing operational costs. Overall, in consideration of the capital involved in the fund, we believe those are going to be relatively small, but if from your point of view - and it is an important point - we will be looking back and giving an assessment of its success. That is another whole story I am sure we will come on to, what the success looks like. When we are assessing the success in the future it is not going to be an exact science. The Chief Officer has talked about how the Economics Unit works. Obviously we know the cost of the Economics Unit and we can do a percentage allocation of that so we can get a rough estimate of officer time there within E.D. and elsewhere. Overall that is going to be relatively light in comparison to the overall value of the fund but we can put an estimated figure in when looking back at the likely success of the fund in the future. The belief is that it is going to be very, very small in consideration of the overall benefits that it will deliver. But we need to have something and I accept the point; I think it is a valid point.

The Connétable of St. Brelade:

I accept that the initial studies, that is where the main cost could be, but there will still be presumably - because obviously you need to keep an eye on how these new innovative businesses are moving and progressing - monitoring costs and presumably those monitoring costs will be again borne by E.D.D. in terms of making sure that these businesses are functioning. What cost do you see to that and who will be monitoring those? Will it be just the executive or will it be a group of people doing that?

Chief Executive Officer:

Perhaps I can give you an answer that is consistent with one that we gave to the Minister for Treasury. We established last year Jersey Business, Emerging Enterprise and Jersey Business Venture to provide business advice and support, fully funded so to do by E.D.D. both in terms of preparation of applications and indeed ongoing monitoring. We would in part rely on Jersey Business to undertake that; that is their function. That would allow us to monitor closely, I think, the performance of each of the investments, and as I think we said when the Minister for Treasury was here, the Treasury will report on the fund on a 6-monthly basis and they will plan to put out an annual report which would detail each of the investments and progress that those businesses were making.

The Deputy of St. Martin:

Jersey Business are aware that they are expected to do this work?

Chief Executive Officer:

It is quite interesting that in the initial discussions around Jersey Business when we were forming this, the chair and the board members of Jersey Business were very keen to have influence over the innovation ... not influence, that is the wrong way of putting it, to make a contribution towards the work, as, interestingly, have the board and the chair of Digital Jersey, so again which is very valuable.

The Deputy of St. Martin:

We had a number of references to Digital Jersey last week. You know, there is a definite lead there, it is not just they might be keen. They are keen, they have expressed ... discussion has taken place.

Chief Executive Officer:

Yes, very much so, and indeed one would have to say that if you looked at where we will hope to see a lot of the Innovation Fund directed, it would be for the type of businesses that are consistent

with what the Digital Jersey agenda is trying to deliver and the expertise around that board table is directly relevant to that.

The Connétable of St. Brelade:

I totally accept what you say about Jersey Business, but the figure that was given, I think on Thursday, was I think they have got a budget of £700,000 a year to run the fund. Presumably, if they are carrying out some of this monitoring of these companies, that is going to be a cost to them.

Chief Executive Officer:

Yes.

The Connétable of St. Brelade:

Again, I think what we are trying to get to is all the underlying costs that could be involved with monitoring those businesses and making sure that the fund is providing that extra potential to them.

Chief Executive Officer:

Absolutely.

The Connétable of St. Brelade:

So you accept that there is a cost to that?

Chief Executive Officer:

The interesting thing is there is obviously a cost ... just take the relationship between the Innovation Fund and Jersey Business. There would be a cost to Jersey Business assisting us in following that investment through, but I am not sure it is an incremental cost, because if those businesses receive funding from anywhere that Jersey Business had been advising, they would continue to support, mentor and advise them anyway. So I am not sure it is additional cost. What the Innovation Fund I think will do is solve some of the problems that Jersey Business - and prior to that, Business Venture and Enterprise - saw, was that people had potentially very good business ideas but did not have access to finance so they had to turn them away. They did not want turn them away, but they had to.

The Deputy of St. Martin:

Before we move away from the executive, could we not, if possible, be clear as to what we are talking about when we talk about the executive, because it is not written in black and white

whether it is one person, whether it is multiple people, whether it is male or female. I know there was a reference last week to a "him" so I presume there is a male person in the singular ...

Chief Executive Officer:

I think if you take the Tourism Development Fund as an example, we effectively devote the equivalent of close to or somewhere between half and three-quarters of an F.T.E. (Full-Time Equivalent) to the administration of that fund. I would expect the Innovation Fund to have a greater resource than that because I think the nature and complexity of the process and the applications will be greater. I would expect us to assign one F.T.E. from the E.D.D. staff, probably at a grade 12, a fairly senior level within the organisation, because I think the person that does that will need to have an understanding of the process, an understanding of the underlying investments, not just be there as a clerical administrator.

The Deputy of St. Martin:

Minister, you mentioned earlier on that quite rightly we could expect a rush of applications. Is there a possibility that in the first 6 months or so - or however long - that we might need to put in additional resources to this just for the first 6 months to get the system primed so that we have got staff ongoing? I mean, are we going to get a huge pile of applications which are going to need sorting out very quickly?

The Minister for Economic Development:

Well, in one respect I hope we do get a number of applications and high-quality applications. I think the belief is that we can deal with them within existing resources. I think if we were snowed under with the quality and number of applications then of course we could look at any cost implications that might be required with regard to resourcing to deal with it. I think that is probably unlikely.

Chief Executive Officer:

Perhaps I could add, Minister, one of the advantages of E.D.D. is, as you know, Chairman, a large proportion of our spend is discretionary. That does allow us to move resources around within the department to help with demand should it appear at any time, so we would do it from within existing resources.

The Connétable of St. Brelade:

Could I ask the Minister just to clarify ... this is a question I asked and I think it was the Chief Executive who answered it the other day. It was in terms of any additional staff to carry out work. I think you said on Thursday that that is not something you expected. In fact, if anything, you are looking to reduce numbers rather than add them.

Chief Executive Officer:

We have a track record ...

The Minister for Economic Development:

We are consistently reducing numbers over a period of time to ensure that we are as productive as possible and that will continue.

The Connétable of St. Brelade:

Okay. Could you clarify that issue?

The Minister for Economic Development:

I mean, we have the ability to amend our resources as consistent with need and opportunity throughout an opportunity, depending on how you want to look at it.

The Deputy of St. Martin:

Could we just move on to the question of measuring success of this fund, Minister, and how things might be measured?

[10:00]

We had some interesting definitions of this last week and I would just like to point you to a couple of them. The Chief Officer said that success would be visibly measurable; the Minister for Treasury and Resources said that he thought he would know because he would be able to smell success and see success. The Minister for Treasury gave us the impression very much that it was something that he felt rather than he saw physically on paper and was measurable. I would just like to hear from you, if we could, as to how you feel we are going to measure success. Will it be in terms of financial return to the fund? Will it be the number of jobs created, regardless of the financial return to the fund or will it be a combination of that and other things?

The Minister for Economic Development:

It will be the latter. Clearly there is a hope and expectation that this will provide businesses with funding, funding as the last resort, as has been pointed out already, to stimulate innovative new ideas, develop businesses and, as such, give them the confidence and the requirement to employ local people. So job creation is a key outcome that I see from this. I would expect and hope to see job creation from the businesses that get supported by the Innovation Fund. I also expect, as is the evidence in other jurisdictions, to see the fund being self-replenishing in large measure. I mean, clearly there is a balance and I think one needs to keep this very much in mind. When looking at success we need to consider the balance between job creation versus replenishing of

the fund. But I think all in all there is no reason that the fund should not replenish itself as a result of the investments it makes in the businesses it supports. I think there is one really important point to make though in all of this: there will be, as is the case in other similar funds in other jurisdictions, failures. There could well be, in terms of numbers or in percentage terms, really high percentages of failures. Now, this does not mean it does not succeed, of course. The outcome is in the longer term when you look back. As I say, I want to see the fund replenishing itself and I want to see jobs created. If you look, for example, at Israel, some of the funds created there had a very high failure rate. I think it was running at - Mike will correct me if I am wrong - something like 70 per cent of the projects supported failed. The key thing is that the 30 per cent that succeeded succeeded very strongly and met the aims and the fund has been self-replenishing and indeed growing since the time that it was initially pump-primed by government. There is a very important powerful mindset issue behind this Innovation Fund and I accept it is going to be very difficult to take that step for Government here in Jersey and perhaps for the public in Jersey to get themselves attuned to what the clear objective is here and the risks associated, because there is risk. If we want to take no risks, then we do not do this.

The Connétable of St. Brelade:

In terms of the fund being self-replenishing, you mentioned Israel. What sort of timescale was that over in terms of interest repayments and things like that? It could be a period of time before you started to see some of the income coming back in. If you are getting quite substantial failures, there could be a period of time before that fund does become self-replenishing. One of the comments that was made by Senator Ozouf was that if the fund is at a level that is not sustainable he could see, and I quote: "Put another shot of caffeine into the machine." Is that something that you could see happening in terms of ensuring the fund has got enough capability to be able to fund innovative bits of business?

The Minister for Economic Development:

I struggle with getting up, particularly on a Monday.

The Connétable of St. Brelade:

I do as well.

The Minister for Economic Development:

In simple terms, yes. Bear in mind this was billed a £10 million Innovation Fund. We have to use the Minister for Treasury's terminology that the first shot of caffeine is the £5 million. We have got the first tranche of what is intended to be a much bigger fund. I think if we see that there are good projects coming forward, the fund is performing well, you may well have money out in terms of investment, which is you might have some failures as part of that, clearly a mixture of failures and

money invested. There may not be a lot of money in the fund to invest in new projects while you are waiting for some of those that are in the process to perhaps deliver not just interest returns but when this develops ... I mean, clearly this is the second stage when we get into sort of co-investment and equity participation potentially offers far greater rewards to the fund. But that is for another day.

The Connétable of St. Brelade:

That is an opening to ask another question in terms of some of the sizes of the Innovation Funds in other jurisdictions; some of them are very, very large. Is there enough there to be able to do what you want to do? £5 million is a lot of money, but if it is broken up ... I mean, if you are getting one or 2 large investments it could be eaten away fairly quickly.

The Minister for Economic Development:

Indeed, it could. I think this is always very difficult. There are certain limitations in terms of funding available bearing in mind the size of our jurisdiction versus some of those that you are perhaps drawing your comparison from who have put significant amounts in. I might hasten to add that in many cases they put borrowed money into it. I think this is a prudent first step. I think if it is working and it is delivering results, then one may want to look at ways in which we can invest more if there is an opportunity there. If it is going to generate more revenue for the Island, if it is going to create new jobs, then we would be very silly not to consider increasing investment in the future. Bear in mind this is the first £5 million in what is intended, longer term, to be a £10 million fund. So we will have to hopefully hope that the Minister for Treasury remains as enthusiastic about his shot of additional funding, if required, as we move forward.

The Deputy of St. Martin:

Minister, do you see “self-replenishing” as the same definition as “self-sustaining”? I think when the panel first read the paperwork to do with this we saw the “self-replenishing” repeated on a number of occasions and we got the impression that the idea was that the fund would be self-supporting and would not need additional finance in the future, it would get to a point where it self-replenished itself and just carried on. But I am beginning to get a feeling that self-replenishing might mean something slightly different inasmuch as: “Yes, we will get some money back to replenish the fund” but it will not necessarily mean the same as the self-sustaining fund which does not need in the future additional funding. Could you be more specific on “self-replenishing” as to whether we do eventually get to a point where we do not need any more funding?

The Minister for Economic Development:

I think it was a point I was discussing with the Connétable a moment ago. One might assess the fund as being successful. You might well find you have a number of failures but you have also got

investments out there that are performing well but have not made a return back into the fund, and there may be additional opportunities coming in that you have not got the funding in order to deliver. So you may say to yourself: "Well, we need to go to Treasury to get some more funding so that we can capitalise the opportunities. Overall, the fund is performing quite well, we just do not have the resources in the bank at the moment to be able to support any more projects that are coming forward."

The Deputy of St. Martin:

But the intention is still in the medium term to have a fund which is self-supporting and looks after itself from a financing point of view?

The Minister for Economic Development:

I think if you look at it in accounting terms, the answer is, yes, absolutely. You would be seeking additional funding if indeed you wanted to grow the opportunity. But I would certainly hope that it would be self-replenishing, self-sustaining. It is almost a play on words. There is a great similarity between the terms.

The Deputy of St. Martin:

I know, but I think we could give out loans to people and see returns on those loans and you could say: "The fund is replenishing itself because we have some return coming back in." It may be that the return does not give us enough funds to continue to run the fund. There is a subtle difference between loans which return you so you are putting something back in, but it is not enough to carry on.

The Minister for Economic Development:

You have got a number of considerations because of course you have got to think to yourself if you start with the £5 million fund in 5 years' time, with inflation and costs that you are referring to and what have you, you would need to have a certain return in order to just sustain yourself in the inflation-adjusted figure that left you in the position you were in when you started.

Chief Executive Officer:

One of the reasons, Chairman, in the paper it talks about our ability at the moment is restricted through the public finance law to grant loans. One of the things it says in the papers, looking at the words of the Treasury to see whether or not we could move it on ... the example the Minister has given in Israel where there are genuinely self-fulfilling funds started off with government injection of 10 to 20 million and are now managing hundreds of millions of pounds worth of investment because they took equity investments. In the successful ventures, they have exited at 40 to 50 times the original investment, which has covered off the failures but also allowed the fund

not just to replenish but to grow. So I think that the fact is that there is a self-limiting replenishment potential on the basis of loans; certainly in France there is no replenishment debt. If we move forward to taking equity investment, which is a big step, then that would genuinely allow us to have an awful lot of ...

The Connétable of St. Brelade:

As you mention equity investment, Chief Officer, this is in the future, but in terms of managing that would that be something that you would manage within the department or do you see that as something that I presume you see you would have to have particular expertise in doing?

Chief Executive Officer:

Yes, that is a different level of expertise, and I think that if you do talk to the Chair of Jersey Business, Peter Funk, he will tell you - because he has got a lot of experience of doing that - that the amount of expertise and the capacity you need to follow an equity investment is far greater than that you need to follow a grant or indeed ... so, yes, that is not just a small step, it is a big step. It tells what you what the fund could do, but also the support that would be required for it.

The Minister for Economic Development:

The ongoing monitoring and management is a significant role but the returns are also potentially very attractive.

The Deputy of St. Martin:

Do you see, for want of a better word, a percentage of the fund being equity? How do you see it developing, 50:50 loans and grants and equity investment or do you see equity being a significantly more important part?

The Minister for Economic Development:

We have not got there yet and obviously you will appreciate that is not part of this proposal here, we are dealing with solely the grants and loans. Indeed, it should be said although there is the ability to attach interest to the loans that are made, and indeed royalties, the potential returns and therefore the ability to sort of grow or replenish or sustain, whichever term you wish to use, is going to be somewhat limited. This whole proposal and what will come with regard to the opportunity in the future if we move to equity participation is a massive step change in terms of what the States have done in the past. In the past, you will be well aware of the old grant system and this is such a step change from that, which makes it all the more difficult to embrace, but it is the right thing to do. In terms of balance, I think we will get an inkling of the success of the set-up under the grants and loans scheme. In terms of equity investment, it is going to need a whole

different infrastructure around it in terms of management and monitoring, and as such in terms of potentially that sort of detail that is yet to be worked out.

The Connétable of St. Brelade:

You mention a step change and it certainly is a change in the way the Government are looking at investing, and 2 words your ministerial colleague used quite a lot the other day was to be “bold” and not to “stifle” any investment. In terms of that investment, how do you see the way that you are going to manage a potential risk and assess that risk as well in terms of investing in new business?

The Minister for Economic Development:

Just to be clear, are you referring to this first stage here with regard to grants and loans under this particular proposal, not moving on to ...?

The Connétable of St. Brelade:

Yes. No, not equity, the loan idea.

The Minister for Economic Development:

That is dealt with in the process that an applicant will go through in terms of presenting their business proposal which will be assessed by first of all the board, which will give their views on the matters we have discussed, their requirement for some external verification validation of a particular proposal. The board of course will call upon the Economics Unit to get involved in giving their assessment. All these various measures and processes before the recommendation is made, which ultimately comes to me as Minister, are designed to ensure that risk is mitigated as much as it possibly can be. There is no possible way you can eradicate risk and, as I have said already, in similar funds elsewhere in other jurisdictions you do see a fairly high, in percentage terms, level of failure. But it is the overall return we will have to look at, not the individual cases that perhaps do not succeed.

The Connétable of St. Brelade:

In terms of ongoing management of that risk, who would you see looking at it from a monitoring point of view? We talked at some length with Mr. Shilliday the other day ...

The Minister for Economic Development:

Mr. who, sorry?

The Connétable of St. Brelade:

Mr. Shilliday, Jim Shilliday.

[10:15]

In terms of the opportunity that they would have of highlighting any issues as time goes on, do you see a role for Treasury and Resources within that to ensure that interest payments are made so it would highlight to E.D.D. that there may be a potential problem?

Director of Business Creation and Growth:

Yes, Treasury have been involved, Jim and others in the Treasury Department regarding development in the fund and the proposal. Treasury already manage all other funds of a similar nature, housing loans, associated kind of start-up loans for purchases of property and the old agricultural loans and there is one other which I could not capture the details this morning. They manage those on an ongoing basis and I think once the loan is approved there will be an ongoing requirement of Treasury to manage that in accordance with the kind of criteria that has been set by the board. So there is absolutely a requirement for Treasury to be managing that risk and be involved in the management ongoing.

The Connétable of St. Brelade:

Is there a standard reporting process that the other funds go through?

Director of Business Creation and Growth:

Yes, there is.

The Connétable of St. Brelade:

There is?

Director of Business Creation and Growth:

Yes. Each one is specific to the fund itself. There is, under Treasury finance laws, a requirement for a report on a 6-monthly basis to the Minister for Treasury and this is exactly the same.

The Connétable of St. Brelade:

So you will set up a standard reporting process?

Director of Business Creation and Growth:

Yes.

The Connétable of St. Brelade:

Is it something you have already looked at?

Director of Business Creation and Growth:

We have looked at what is already in existence and they are kind of scheme-specific in terms of how they are being presented, but there is a requirement under law to report every 6 months as to the progress and Treasury have agreed that they will undertake that as part of the ongoing management of repayment of loans, interest payments, managing these points et cetera et cetera.

The Minister for Economic Development:

Chairman, can I ask for a 2-minute comfort break? I have had too much tea this morning.

The Deputy of St. Martin:

Absolutely.

The Minister for Economic Development:

Thank you very much, I will be as quick as possible.

ADJOURNMENT

The Deputy of St. Martin:

Okay, now we are all back. You started a trend there, Minister.

The Minister for Economic Development:

Yes, sorry about that.

The Deputy of St. Martin:

No, that is okay. It does not do any harm. If I could just return to loans and grants. We heard from the Minister for Treasury last week and I just had to pull him up at one stage because he had used the word "grants" rather more frequently than I was expecting, and if you have read the paperwork, it does say in a number of places that grants will only be considered in exceptional circumstances. It says that: "A term of investment in terms of economic benefit for every pound spent from the fund" and your officer, Mike, last week said that we are looking to repay monies over a period of time with interest. Now, I just need to be quite clear. The exceptional circumstances for grants, however, I would like to be clear if it is still very much an exception that grants will be given and that we really are looking at loans with interest with some sort of repayment.

The Minister for Economic Development:

Absolutely. As far as I am concerned, the purpose of the fund is primarily that of providing funding in the first stage by loans. I am certainly, as I think I have previously indicated, very hopeful that

the fund can eventually develop into one which has equity participation in the future and so on and so forth, but certainly grants are there in effect as a default position.

The Deputy of St. Martin:

Is it your decision that a potential loan is given as a grant or vice versa?

The Minister for Economic Development:

Recommendations come through ultimately having gone through the various processes we have already discussed. An applicant, in making an application, may be guided for one reason or another to go for either a loan or a grant but the ultimate application for approval will come to the Minister, so the Minister will make ultimately the final decision, yes.

The Deputy of St. Martin:

Do you have any preconceived ideas as to the reasons why money should be granted when it could be loaned? I mean, it might be a difficult one on the spot but, I mean, we see that charities and public sector are also involved in the scheme. Charities may be an example of where you might grant monies rather than loans.

The Minister for Economic Development:

There could be, and that is a reasonable example that there could be some other not for profit organisations that could demonstrate, for example, some value job creation opportunities and so on whereby a grant may be applicable. But as I have stated, my clear preference and view is that we are going to reach a greater community through loans in the first phase.

The Deputy of St. Martin:

The public sector we discussed as well last week because it is one of the 3 sectors that is mentioned in here: private, public and the third sector. We were, I have to say, a little bit confused as to why the public sector might have access to this fund. Do you feel that ... how do you feel about the public sector being involved in this?

The Minister for Economic Development:

I think it would be wrong to exclude the public sector. I would not imagine there would be very many at all potential applications from the public sector, but I do not think we should discount the fact that the public sector can also come up with innovative ideas. It is always possible. It has happened previously and I am sure it can happen in the future. I do not think it is a major emphasis at all and I would not see a very high percentage of the fund going towards the public sector. I think going through the budgetary processes that we do, the public sector primarily arranges its own funding. But what I think would be wrong is if we discounted the public sector

that may indeed for one reason or another have an opportunity that would meet the criteria, and it would have to meet the criteria like anybody else, and if it is going to deliver a viable return in terms of job creation or replenishment of the fund, then I think it is right it is included.

Director of Business Creation and Growth:

When I was looking at the funding of the development stage, of the few exceptions we saw where grants were offered, it was typically in a kind of higher educational idea where the grant would have been offered to a not for profit organisation where the university was developing some I.P. (intellectual property) which had commercial revenue opportunities thereafter. Those were typically the kind of grants that were offered and we thought that perhaps a public sector organisation which has a very smart kind of opportunity to create kind of wider economical kind or even social kind of benefits to the area.

The Deputy of St. Martin:

I mean, the reason we go down that route is we are concerned obviously on the one hand we are looking at a self-replenishing and self-sustaining fund and then we hear more and more talk of grants and potentially loans of money without interest or returns to the fund and you think: "Well, hang on a second. Before we know where we are, this fund is not going to be self-replenishing at all because the money will only be going in one direction."

The Minister for Economic Development:

There are, as I think I made clear at the beginning, benefits in terms of job creation which you have mentioned on many occasions and, indeed, providing that is a clear deliverable, then it could attach itself to a grant. But let us be clear that the majority of this type in my view is going to go - and certainly the first tranche - to loans which will have attached to them interest and/or royalties.

Director of Business Creation and Growth:

All the grants I looked at in terms of I.P. had royalty clauses attached to them in terms of returns on investment. So you are investing in intellectual property has been created in a university and there was a royalty clause attached to that I.P. so when the intellectual product became commercialised, they finally would enjoy the benefit.

The Connétable of St. Brelade:

So the word "grant" is not quite the word we should be using then. I know what you are saying and I know and understand exactly what you mean, but you are not giving somebody money with no intention of recouping anything in the future. You are hopeful that there might be something coming back in terms of ... or what have you.

Director of Business Creation and Growth:

There were some really good examples in Coventry University where the kind of offshoot of Coventry University, which has a very strong enterprise section, they had some very smart undergrads and postgrads doing some I.P. development work specifically in the I.C.T. (information and communications technology) and gaming industry and grants were being offered to those entrepreneurs with royalty clauses. So as the venture kind of became commercial, the venture was then probably swung out and sold around the world and the university was reaping the rewards in terms of the interest ... not the interest, but the royalty payments that was going back which was then transferred back to the fund.

The Connétable of St. Brelade:

So you just see it as a leaving the door open to the grant side of it sector rather than completely shutting the door and saying: "You cannot ...". That is how you see it, it is just purely an opportunity, if one was to arise, not as an open door policy but as a very specific ...

The Minister for Economic Development:

Yes, absolutely. Absolutely right.

The Connétable of St. Brelade:

Just in terms of management, when I had a look at it the other day, I think what the Minister for Treasury said was that it would be a fund that although administered by him it will be drawn down, not £5 million handed over to the department itself to manage. Is that how you, as Minister, see it as well?

The Minister for Economic Development:

Yes.

The Deputy of St. Martin:

I wonder, Minister, if we could just move on to the board and how it might be constituted and who might sit on it. The Minister for Treasury told our group that he sees some real experts with real business, granular, seasoned experience. We see from the paperwork that there is a certain make-up, with an E.D. representative, somebody from the Economics Unit and from Treasury and Resources. We wonder whether there is a little bit too much government weighting there. Could you enlighten us, please? I see that it does say on a number of occasions a minimum of 2 external or independents.

The Minister for Economic Development:

Well, you will have what we will refer to as an independent chair and a minimum of 2 independent private sector other individuals on the board plus those that you have mentioned in relation and it is absolutely right that there would be a representative from Economic Development. The intention is that it would be the Chief Executive, due to our involvement with the fund, and likewise both Treasury from a funding perspective and the Economics Unit. I think it gives quite a nicely balanced board, but time will tell if that balance is correct, as I believe the set-up is.

The Deputy of St. Martin:

Has any work been done on the commencement of the appointment of the chairman?

The Minister for Economic Development:

No.

The Deputy of St. Martin:

So work has not therefore been done on the appointment of the board either?

The Minister for Economic Development:

That would be very presumptuous on the basis that we were going to go to the States.

The Connétable of St. Brelade:

What will be your timeframe for putting that together, because obviously you have already said there are people that are already looking for money from the fund. What is the timeframe for getting the board up and running and allowing people to apply?

The Minister for Economic Development:

Well, we are behind the schedule anyway. We had rather hoped we would be in a position to do the recruitment now so that the fund would be operating within a couple of months. But clearly we have a debate now that ...

The Connétable of St. Brelade:

19th March.

The Minister for Economic Development:

Yes, absolutely. It will take a few months to get the necessary investments in place and then go through the process of having the interviews and so on and the process is clearly going to be overseen by the Appointments Commission, as you would expect. So it will take several months from a States approval in order to get the board in place and the executive.

The Deputy of St. Martin:

We have heard this morning and we heard last week from Mike about the links between the Innovation Fund and the Digital Jersey Board members. Is it possible or are there any restrictions on whether a Digital Jersey Board member could sit on the Innovation Board?

[10:30]

The Minister for Economic Development:

In principle there are no restrictions. The roles will be advertised widely and it is quite possible that there may be individuals on existing boards such as Digital Jersey that would have the sort of expertise that would add significant value to a board such as this.

The Connétable of St. Brelade:

Would there be any scope on a board of this type, because it is going to be dealing with quite innovative ideas, to try and co-opt members on to the board for specialist advice?

The Minister for Economic Development:

There is no reason that the board themselves cannot set up sub-groups or indeed get external advice from either individuals or groups and it indeed may well choose to do it as there is specific expertise that is required.

The Connétable of St. Brelade:

I think it was said the other day we have an awful lot of experience and expertise in the Island and a lot of those people would like to give it their time, so I presume ... and I ask the question purely because it would open the door for those to give their time up, possibly free of charge, which would also be a benefit to the board.

The Minister for Economic Development:

Yes, absolutely, and there is no reason why that should not happen. I think what is interesting is if you look at the Digital Jersey Board which is, in my view, an extraordinarily strong board of international experts in that particular area, a number of whom are what you might describe as serial entrepreneurs, so that type of individual could well add value if they so chose but I suspect their time is probably fairly well-committed and to have them on Digital Jersey is probably as far as we can go. But I do not think we should limit ourselves necessarily to just the idea of having board members drawn from the local populace. I think there is a lot to be said for us to go wider.

The Connétable of St. Brelade:

On your travels, have you had any feedback from what you call serial entrepreneurs as to any help that they might like to give to a fund of this nature or a board of this kind?

The Minister for Economic Development:

What I have had mentioned to me on a number of occasions is that there are wealthy individuals who have relocated to the Island, whether they be a J Category, relocating businesses or indeed 1(1)(k), who frankly fall into the same basis, who are very happy to get involved from a mentoring point of view, which is extremely important. One in particular I have spoken to is interested in giving of their time - free of charge, incidentally - to supporting S.M.E.s (small and medium enterprises) and doing some work with new Jersey business. So if we work appropriately at this we can harness some of the considerable talent that exists in the Island who are more than prepared to give back and this demonstrates some of the value of what I would describe as "wealth creators" that we bring into Jersey through our inward investment drive. They give more than just setting up their businesses, employing people and paying their taxes. They are very often happy to get involved in supporting local entrepreneurs and businesses.

The Connétable of St. Brelade:

I do not mean this in a negative way, but have we been slow to maybe tap into some of the expertise we have here in terms of ... certainly with the challenge of the economic climate and the need to move on forward, that we have not tapped into that sort of expertise, because a lot of it is global. It is not just in the Island.

The Minister for Economic Development:

It never is and I think if I am blunt and self-critical, yes, I think we have in some respects. Although, having said that, over the last few years just those that are beginning to participate on some of the structures that we have set up, like the Jersey Business Board, for example, demonstrate that the penny has dropped. We are certainly engaging at all sorts of different levels with local residents, listening and keen to harness the expertise that exists.

The Deputy of St. Martin:

You mentioned people who may make up this fund, Minister, and I would just like to clarify something, if I could. Last week the Minister for Treasury said, and I quote, he: "Could see a non-Jersey idea, but this was at the extreme end" and he would do best to come forward with an idea: "It is possible, but I am not sure that one is going to happen very often." So he did not see very much in the way of new investment coming to the Island in that context but the terms of reference do quite clearly state on page 6 that: "It is an important part of the inward investment proposition attracting new and innovative businesses to the Island." Can we be quite clear as to whether this

fund is predominantly going to steer towards new business that is coming to the Island or, as the Minister for Treasury suggests, one that he does not think is going to happen very often and is a bit of an extreme end?

The Minister for Economic Development:

I obviously never wish to contradict my fellow ministerial colleague, but I think that it is all about the opportunity. If the opportunity is on Island and there is good propositions here then we will support them. Equally, if there is an opportunity to drive greater inward investment and this could be the hook in terms of funding for new, innovative ideas from a business wishing to relocate to Jersey, then equally I would want to support that. I want to see it supported if it is going to create employment in the Island which is what the drive for inward investment is all about. I know there are sensitivities about population; it is very much in the news at the moment. We have to understand the link and the need to bring people into Jersey who are either wealth creators with ideas, innovative ideas, or indeed specialist skills. We will not grow an economy without doing that. We have to be absolutely clear. So this fund, in my view, could be applicable to either and if it brings more good quality, high-value businesses into the Island that are going to stimulate growth and employment, then I would support it wholeheartedly.

The Deputy of St. Martin:

I will give you another opportunity now, Minister, to comment on something else the Minister for Treasury said last week.

The Minister for Economic Development:

Chairman, perhaps I should have come in before this, because if the entire session is me commenting on what he said, which I am not ...

The Deputy of St. Martin:

Well, it is interesting. We just need to go through ... we are just keen to make sure that we know exactly what is going on and we were given some information last week which confused us, I think is probably the best way to put it. The Minister for Treasury last week used an example of a new sweet shop which started in the market as a wonderful example of innovation. I go back to the paperwork we have been given which states that this fund is to create new businesses and employment in high-value sectors and also that significant leverage in terms of improving highly competitive, high-value activities. I just ask you whether the duplication in this case or the replacement of a sweet shop from one side of a street to another is innovation. Is it the sort of scheme that if they came to you for money from the Innovation Fund would have succeeded?

The Minister for Economic Development:

I think, to be fair, you would need to give a lot more detail as to what the proposal was. The way you described it, it does not meet my initial description of innovation: new idea, new products and so on - or high value, for that matter - but again, you would need to see the exact detail. It is difficult to answer on that specific question. What you quoted from the report is accurate. It is high-value businesses effectively that we are seeking, innovative ideas, new ideas, new products, new services, new delivery methods from existing or new businesses.

Director of Business Creation and Growth:

We have had that in the new enterprise strategy which will be coming to Scrutiny. There is a definition of high-value activity and innovation. There are references in that as well and it is at or above current, either by business or by project, of G.V.A. (Gross Value Added) averages. So if you are driving growth, growth has to be at or above current levels of G.V.A. calculations of profits and salaries.

Chief Executive Officer:

It is worth mentioning that business did benefit from a lot of advice from Jersey businesses, and as I said on Friday, fully funded by E.D.D. although not recognised by the other as such. That advice was, I think, in the form of business advice and support and I do not think there was any financial component to it. So if that is a good example of one that probably would not ...

The Deputy of St. Martin:

I said I was a little bit unfair, but the Minister for Treasury pulled out this sweet shop as a sort of business that ...

Chief Executive Officer:

But having said that, if that sweet shop wished to go online and broaden its market from outside Jersey to international markets and it could add a lot of business and a lot more employment in that, then that I think would be considered to an innovative approach and would attract funding.

The Minister for Economic Development:

It could be exciting, a new sweet shop with local products that could help develop the Jersey brand in international markets.

The Deputy of St. Martin:

Just thinking about sweets, Minister, especially so close after Christmas.

The Connétable of St. Brelade:

Just going to the question about the assessment framework at point 11, and just regarding one of the points that are made in terms of something that you require from the applicant and one of the things that is asked for would be 3 years' company accounts, including the most recent audited accounts. I could understand why you would want it, but in terms of innovation, usually innovation is brand new so how do you see them providing that information or is it a prerequisite that you have to have that information?

Chief Executive Officer:

That is for existing ... I think the Minister has already made it clear there are things that are going to be new products, services that are going to be developed by existing businesses. This is all about business start-ups with investment. Whether it is an existing business and where they do have a trading track record, it is appropriate for us to look at that because it may very well be that in response to that they have the product and capacity to invest in the innovative idea themselves rather than rely upon a grant. There is an element of due diligence in that as well.

The Connétable of St. Brelade:

This is something that we picked out. It is not a prerequisite for any application?

Chief Executive Officer:

It cannot be. It cannot work as start-ups normally.

The Deputy of St. Martin:

We spoke earlier, Minister, about the size of loans but just to be quite clear is there any restriction on the maximum or minimum that could be awarded?

The Minister for Economic Development:

There is a restriction on the maximum based on available funds, clearly. But no, ideally one would not want to commit the fund to one significant project that was going to swallow up the majority of the funds in it. I think if one had something like that that was presented that was so compelling, then indeed we would need to look at additional funding for the fund because it could not possibly cope. But there is no pre-set figures in that which is granted.

The Deputy of St. Martin:

So there is no minimum either as to what the fund could give out. We note in the terms of reference, and there is an application form in the back of the ... but looking at the E.D.D. Business Case User Guide, in the user guide there is 2 different forms depending on the size of the loans given out and we just wondered why both forms were not applicable to the fund, because I ...

The Minister for Economic Development:

I am sorry?

The Deputy of St. Martin:

Well, in the user guide, if your application is less than £25,000 the application form you have to fill in and the requirements you have to give are considerably less than if it is over £25,000 and we have the large application form is used in the Innovation Fund documentation. We just wondered why, for example, if somebody comes to the Innovation Fund for £5,000 they are going to have to fill in the more complicated form where under the Business Case User Guide for E.D.D. they would not have to.

Director of Business Creation and Growth:

The business case template was created using some best practices from the U.K. (United Kingdom) and the £25,000 kind of ceiling was taken from the Treasury guidelines in regard to the amount of due diligence that should be undertaken in regard to an activity. So when we introduced the business case template, we took the view that there should be a 2-tiered approach. If you take the sweet shop example, and I am not saying we would fund it, but there is a certain amount of information that you would expect them to be able to get access to and business planning et cetera. Over and above that, you would expect a lot more kind of intelligence or due diligence being undertaken by both the business and the board in terms of making a proposal to the Minister. So we grasped the principle that for internal business cases is a 2-stage approach. For the Innovation Fund we thought it was to fall on the side of caution and explore all of those options, make sure we consider all of the risks and that is why we are saying the business cases for Innovation Fund, it is the larger template.

The Deputy of St. Martin:

Is there not a danger that we are going to create an awful lot of red tape for an application which does not involve an awful lot of money, and a lot of work for somebody?

Director of Business Creation and Growth:

I guess, as I said, we are on the cautious side of the fence in terms of a new fund, public money and taking that cautious approach, specifically in the first period, to make sure that we are going through the proper processes of due diligence. I think this is something the Minister has referred to the fact that some of these may or will fail, and I think it would be appropriate to have a proper audit trail in terms of due diligence that exists that would be required.

[10:45]

The Deputy of St. Martin:

So on the one hand you would not say that it is inconsistent, on the one hand Government is becoming a bit more risky and on the other we are putting more red tape in front of that? You would see those 2 as a balancing? So the fact that you are taking a greater risk is balanced by the fact that you are looking for more information?

Director of Business Creation and Growth:

The acceptance that risk exists in the investments that we make with the Innovation Fund is a given and I think the Minister has said that. The way of quantifying and managing that risk is to gain as much information as we can prior to making the investment. Whether you judge that as red tape or whether you judge it as part of the risk management process is down to the individual, but there is an explicit link in terms of our ability to manage risk and the information that we can gather from it on behalf of the proposer.

The Minister for Economic Development:

It is about getting the balance right and I would suggest that in due course again when one looks back to assess the success or otherwise of the fund, all these factors need to be considered. I have a strong view about ensuring that it is as easy as possible for business to operate and so on in the Island and your point is well made, but for a new fund like this, I think it is right that one sets the bar at the level that we have, but we reassess in the future of proving an unnecessary burden on bureaucracy and we need to do that and balance it.

The Deputy of St. Martin:

I am sure you can explain. You mentioned internal. How does the process here where we do have a different template for projects, how would it differ from this Innovation Fund? When you say there is a 2-tier approach internally, could you elaborate on that a bit more? I am a little bit confused as to how ... if you have a template for lending money generally how the Innovation Fund is different.

Director of Business Creation and Growth:

I can give you a good example. Mike made reference before to the kind of discretionary spend within E.D.D. when we are dealing with priorities and pressures on funding. We would use perhaps the lower-value business case template when we are considering a couple of options. So when we are screening perhaps project A versus project B, it might be a £5,000 investment that E.D.D. is considering, we would use that as comparing the 2 opportunities, capturing the similar type of data so when we are doing analysis we are comparing apples with apples and not apples with pears. So that is what we would use internally, the E.D.D. template, as a template below £5,000.

The Deputy of St. Martin:

The internal business case rather than loaning?

Chief Executive Officer:

Can I give a good example in the tourism sector? Someone comes to us for £20,000 for a new event that is not currently budgeted for, but there are discretionary funds available, you would fill out the shorter version which looks at outcomes and outputs more than detailed financial analysis. However, if David E. Carter comes to us for £500,000 to increase T.V. (television) campaigns in the U.K., we would expect a very thorough analysis of what we are going to get in terms of incremental return on that £500,000. But it is an internal process.

The Deputy of St. Martin:

So these are internal application forms generally which are being applied to the Innovation Board when applying for ... okay.

The Connétable of St. Brelade:

In terms of annual accounting and reporting, in the terms of the effective use of public money, there is a mention in the business application form of 5.5. In terms of annual accounting, could you explain how each grant or loan will be accounted for within that procedure and the amounts and what all that should be ... what detail will be given within that?

Chief Executive Officer:

There are a number of things that would happen. The Treasury reports on a 6-monthly basis on the performance of all of its funds and that is part of their process and that is put out and I think it is put into the public domain. In the Tourism Development Fund, we also report on an annual basis on the performance of that fund, grants given. Now, for the Innovation Fund, we would, as I said before, the annual report from the Innovation Fund would be on a grant or loan basis on the performance over that period and whether the returns have been realised et cetera. That is how we would seek to monitor it. All of these things are then formally reported in the States accounts on an annual basis as well. The States lists all grants or loans or whatever they have given to whoever. So it is reported in 3 ways.

The Connétable of St. Brelade:

Is there a minimum limit to the information given? If the grant was £50,000 or £100,000, £100,000 I think it automatically has to be, is it?

Chief Executive Officer:

Yes, it is automatic. Any business receiving a grant of £100,000 or more has to provide audited annual accounts. But that is for grants and the minimum information is the name of the company that has received the grant and the amount of money. P.A.C. (Public Accounts Committee) can - as they are doing - look at any of those individual grants and look through it and go back in for more information. What we are talking about doing here is something more than that. We are talking about the normal reporting procedures plus the fund, as it does with the T.D.F. (Tourism Development Fund), publishing an annual report which would describe and measure and monitor the performance of the investments.

The Connétable of St. Brelade:

But would they include each individual loan?

Chief Executive Officer:

Yes, it would.

The Connétable of St. Brelade:

Irrespective of size?

Chief Executive Officer:

Irrespective of size. I mean, in an ideal world what you would want to do is have a loan which is the smallest possible amount generating the largest possible outcome and there are examples of where that could happen. But I think it should be done for every loan.

The Connétable of St. Brelade:

There are no confidentiality issues with that in terms of ...

Chief Executive Officer:

Where there were commercial considerations then those would have to be taken into account as they are, for instance, with publishing of the audited accounts. The Treasurer, because that is the function of the financial directions, can grant an exemption in the event of there being commercially sensitive information that would be revealed and there are a number of grants that I think are listed in the States accounts where an exemption has been granted. But I would not expect that to be the norm with this.

The Connétable of St. Brelade:

So it might be listed what exactly ... what information has to be given may be not as detailed as maybe for others.

Chief Executive Officer:

Yes, what you would not do is put a sort of P.&L. (profit and loss) and balance sheet. What you would do is in terms of the performance of the investment, whether the outputs and outcomes particularly that we were expecting when the business was still trading and the volume are still ... and whether it is profitable.

The Connétable of St. Brelade:

In terms of in the annual accounts, how would you deal with failures? You say there are going to be failures. How would that be accounted for in the accounts?

Chief Executive Officer:

The failures on the loan are up and until the point where the loan is written off, which ultimately it will have to be sure all the other remedies have been exhausted, then it would be classified as a debt which would be being pursued and attempted to recover.

The Connétable of St. Brelade:

While we are on that, we sort of went into it a little bit on Thursday, just in terms of bad debt recovery, who is the responsible body for that? Is it E.D.D. or is it Treasury?

Chief Executive Officer:

Treasury.

Director of Business Creation and Growth:

Treasury currently manage 220 loans for outstanding funds and the kind of 3 or 4 funds I mentioned before, and depending on the loan, the kind of primary department has an arrangement with Treasury in terms of the process or the principles as to how and when that loan is recovered.

The Connétable of St. Brelade:

So standard procedures?

Director of Business Creation and Growth:

Yes, standard procedures in terms of debt recovery. It depends on, as I said, the loan. Some of those loans are for purchase of houses et cetera where you might want to take a slightly different approach, you know, whether there are people living in there and if the loan is for a commercial venture and those policies are determined by the department, the managing team and Treasury.

The Connétable of St. Brelade:

So to go through all this is a high jump.

Director of Business Creation and Growth:

There are fairly high challenges. We have already discussed that. A lot of these businesses probably have not enough collateral which may be the reason they have not got a loan or a bank loan in the first place so there is going to be limited potential, I would have thought, to recover. But again, that would be assessed by Treasury.

Chief Executive Officer:

I think we did give an example when the Minister for Treasury was here of our pursuit of resolution of the agricultural loans which there was a very large amount outstanding when we took over that portfolio back in 2005, I think. The Government to greater extent cleaned it up and reduced the outstanding liabilities.

The Connétable of St. Brelade:

I hate to quote the Minister for Treasury again, but I think it might be useful for us as we are sort of considering a lot of this, is that Minister for Treasury did not want to go into the details of debt recovery because apparently he did not want to bore us with the details. Could we have some information as regards to that recovery process and what is involved with that just so that we have it?

Director of Business Creation and Growth:

We can provide that. We can get that information from Treasury. I think in one case they do outsource that to a ... I am not sure if it is a global or U.K. firm. The other ones are, I think, the other 3 loans or schemes that they manage, they manage internally. They can provide information in terms of the amount ... I know it is 220 loans. Perhaps get information on the age of debt, for example, how many default et cetera but they are very specific to the funds themselves.

The Connétable of St. Brelade:

When he said he did not want to bore us with detail, but we would like to be bored.

The Deputy of St. Martin:

Because this is a totally new idea and, if necessary, would you consider more of a robust type of reporting and when you deal with the vast weight of procedures to deal with it if necessary or is that not something you have considered today?

Director of Business Creation and Growth:

I think the establishment of the board and once we have the expertise of those individuals and perhaps have some other experiences there we will probably advise that and reporting requirements, timescale et cetera.

The Connétable of St. Brelade:

So those sort of details may well come from the board itself?

Director of Business Creation and Growth:

Yes, and they will be advising the Minister in terms of the recommendation. I am sure the Minister will be asking how things are progressing.

The Deputy of St. Martin:

I think one of the reasons we are keen to get bored by this, if you like, is that we have things like the repayment terms on loans, we have the interest charged on loans, we have the procedure for bad debt recovery. There is a number of fairly standard things there and we just ... I think we would like to be satisfied that there will be some level of consistency. I take it, Minister, it would be for the board to recommend to you on a repayment schedule or a particular interest arrangement that might be applied to a loan or is that something which comes from Treasury or is that set before we start?

The Minister for Economic Development:

That would be part of the proposal that is put together that is assessed, and once it has been through the various assessment criteria that we have already described, that recommendation would come forward so it would form part of a package that I will either approve or otherwise.

Chief Executive Officer:

I think the report is quite clear the discussions around rates and things would be made in conjunction with the Treasury because obviously we would not want to be out of kilter with where we are in terms of the ... each fund that the Treasury administers, they publish an investment strategy for it which talks about the returns and that so it would be consistent with that.

The Connétable of St. Brelade:

Presumably, that is the funding agreement we are talking about. What sort of timescale will you have for somebody coming to you? What sort of turnaround are you looking at?

Chief Executive Officer:

It is in the paper. There is a flowchart in the back under appendix 8. We are hoping to go from the submission of application to the funding agreement being signed in 6 weeks. You can see it there, which given the amount of ... and that is for a successful application. Obviously, applications which are unsuccessful, the notification would be much faster than that because they may wish to withdraw, they may wish to work with Jersey Business and others to reconsider, to improve the

quality of the application. But to go from beginning to end, 6 weeks. Given the amount of due diligence that we are going to do, that is very quick.

The Connétable of St. Brelade:

Well, that is really the question. Is that adequate time to deal credit checks and issues like that ... but that is adequate time to deal with all that?

The Minister for Economic Development:

Yes. It should be fine. It is also important to be able to get, if you have a good concept that may be sensitive to competitor pressures and otherwise, to market as quickly as possible. You have to get the balance right and make sure you get all the checks and I think that represents a reasonable time.

The Connétable of St. Brelade:

A reasonable turnaround time.

The Deputy of St. Martin:

I think the next question to ask at this stage, Minister, is probably your response and, once again, the Minister for Treasury is helpful here.

The Minister for Economic Development:

If you say so, Chairman.

The Deputy of St. Martin:

Well, he is when he comes to this question and I am hoping in some ways that you are going to agree with him on this one. He says: "Failure is not an option. There is no plan B and we have to make all this stuff work and we are going to make it work." My question to you after that quote would be do you foresee a point or a procedure whereby we might get to the point where we say: "This is not working. We need to stop now rather than move on and put more money into a bottomless pit or send more good money after bad"?

[11:00]

The Minister for Economic Development:

Just to pick up on the quote that you read out from the Minister for Treasury, I mean, we must again be clear that failure is part of this project because a number of, as we have already said, the projects that will come forward will unfortunately fail. However, we are after supporting the ones, the smaller percentage, that are going to be highly successful. In terms of the thrust of your

question, which is the overall success of the Innovation Fund as a product, I would certainly be enthusiastic about the fact that it will succeed. I think we can and we will make it work. But will it change from what you see before you today? Will it evolve? I fully expect that it will. I think we will have to continually look at it and say: "Do we have it quite right in all respects?" That comes down to basic funding. Is there enough funding? Notwithstanding the fact that I believe it has every potential and it is a clear objective that it should replenish itself, be self-sustaining, I think here is every opportunity for it to grow organically and I think that from the type of business that I think we can support with it, I think there is an opportunity that we may say to ourselves: "Well, we might seek initially to put some more money into it." If there is an opportunity there that is going to meet our objectives of generating growth in the Island and creating job opportunities, I think all these should be on the table and continually reviewed.

The Connétable of St. Brelade:

We know there are going to be risks and we know there are going to be failures. It is inevitable. I just wondered, the fund executive, who has certain responsibilities in terms of the risk register and managing it, what will the risk register physically look like? What will it comprise of?

Chief Executive Officer:

It will be a ledger of all loans that have been agreed, monies outstanding, any kind of default positions, expected returns.

Director of Business Creation and Growth:

In terms of repayment of loans and/or kind of rules for paying it. So it would be a ledger of financial records.

The Connétable of St. Brelade:

How it has performed and issues like that.

Chief Executive Officer:

Yes. Remember, each one of the investments would have been made on the basis of a business plan, so if you have a business plan, you know, is there an expectation that it will, if it is ...

The Connétable of St. Brelade:

Because that is going to be a major issue, I think, with Members is they are going to want to know how is the risk is being managed and how it is being dealt with on a day-to-day basis.

The Minister for Economic Development:

Are particular projects meeting or exceeding or falling short or are there arrears in some interest payments or whatever that happens to be; that is all part of the overall make-up. It will be a moving piece, clearly.

The Deputy of St. Martin:

I just have a couple more points. The Constable may have some more things to say. Just for your reaction, I suppose, Minister, really we know how the fund is going to work. We know it is not going to be a sinking fund. We know it is looking for returns, but we also know because the Chief Officer told us last week that this is a fund of last resort. I just put it to you, if the bank says no and in the Jersey situation where we have a lot of private money available and if you know your accountant or know your lawyer, he may have access to other private funding, is there a danger that by the time people get to the Innovation Fund because they have exhausted all the other routes, of which we have a number in Jersey, that the scheme really is not going to be viable? Is there a danger that the vast majority of stuff we are going to see is just not viable?

The Minister for Economic Development:

Are you suggesting that we would be too slow to market? In other words, the process would not be quick enough to get ...

The Deputy of St. Martin:

No, I am suggesting that because of the due diligence, because of the form that needs to be filled in, because of a lot of things and also mainly because of the insistence that this is a fund of last resort, I understand the concept of last resort in other jurisdictions where private wealth might not be so readily available, but in Jersey we do have a lot of private wealth, especially at the moment when people are looking to invest that wealth in something which might give them a return. As I said, they are not going to get a return from their bank. Is there a danger, especially in the short to medium term, that if we do find applications coming to us and they have exhausted all other avenues that really we are really last resort and that those applications will not really be viable?

The Minister for Economic Development:

No, I do not think so. You are right about significant private wealth and in fact what we have been seeing over recent years with the banks less reluctant to lend, certainly the same criteria that they were pre-crisis, a lot of private wealth has gone into, for example, the mortgage market here in Jersey through private finance houses. There is a very big difference between private wealth going into supporting lending in terms of the mortgage market where there is security as opposed to significant private wealth who are prepared to put a proportion of their wealth into more risky investments. So I do not think that is going to be the case at all. I think we will have and attract

interesting, innovative ideas, business ideas that have not got the collateral, that perhaps cannot get the money from the significant private money that exists in the Island, the risk profile, but nevertheless that is exactly the role of this particular Innovation Fund and I think it has an important role to play in that regard.

The Deputy of St. Martin:

One of the comments made the other day was obviously it is worth taking risks if we could create ... and the number mentioned was 1,700 jobs. I mean, that would be fantastic. Certainly if you were to grow a business you would be looking at setting yourself some goals and targets with those sorts of resources. Have you done that? Have you set yourself any goals or targets with that sort of investment? Is this something you have discussed with the Council of Ministers, that there is an aim or a target for you to meet within that?

The Minister for Economic Development:

I think you are right. In private business, if you were looking at a private business project you would look at exactly that, and in broad terms, yes, it has happened with this, but of course it is very different and there is a great deal more flexibility, because as we said earlier on, there is an element which in a private business investment you would not be considering the value of the jobs you are creating, but of course to Government that is extremely valuable because of course each job you create means you are not paying Social Security and other costs of benefits and so on. So there is a balance to be had. I mean, clearly I can answer the question by giving just a high-level view that we want the fund to be self-replenishing, we want the fund to create jobs, and I think at the end of the first year we will look back and get a first cut of what that looks like in reality. In my view, it is going to take 3 years before you can look back and start to get a flavour as to the level of success you have. What I would like not to see happening is that it becomes a depreciating sinking fund. I think the Chairman used that. It is not intended to be a sinking fund. I would not want to see it turning into a sinking fund.

The Deputy of St. Martin:

So there has been no figures bandied about at any level where somebody said: "This £5 million will get us 500 jobs." It has not been looked at as a target in that type of light?

The Minister for Economic Development:

No, not exactly.

The Deputy of St. Martin:

No? So really the aim is to bring the numbers down?

The Minister for Economic Development:

Exactly. I mean, job creation is a key component of what we are trying to achieve with the Innovation Fund. It is an output in reality because clearly you get a lot of activities that come first in terms of business creation, development before the job development creation elements come into it.

The Deputy of St. Brelade:

When you look at individual businesses or individual investments, are certain things weighed above others in terms of when you are looking at the business case for each company, either the amount of jobs it might produce or the amount of net turnover or high-net worth or whatever you want to call it or do you look at it as a package? It is always a package?

The Minister for Economic Development:

It is a package.

The Deputy of St. Martin:

Minister, hindsight is a wonderful thing. If you could go back 6 months to the drafting of this documentation, are there any changes that you would make? Would you potentially change the self-replenishing bit? Would you change the emphasis on loans as opposed to loans versus grants? Would you change the title of the fund to a stimulus fund rather than an innovation fund? I am concerned that we are trying to achieve something here, but we are dressing it up in different language. I understand that we need to reduce unemployment and I understand we need to create innovation and we need to create some sparkle into the economy. Do you think we are tying ourselves down too tightly with some of the definitions and restrictions of the paperwork that we have in front of us?

The Minister for Economic Development:

I would certainly hope not. What would concern me is if you and others think that is the case. From a perceptual point of view, that is not the intention. If it is giving that signal, then clearly that is a concern. At this stage, there is not anything I would change, I think, and I made the comment earlier on, any structure like this as an Innovation Fund, as it runs - hopefully with the approval of the States we can get this up and running - it will evolve. It will have to evolve and we will see in due course whether indeed changes are required to improve performance and refocus if indeed that is necessary. So I think in a sense your question might be a little premature. I think you might need to ask me that one 6 months after the start, if we get to that stage.

The Deputy of St. Martin:

I will put it in my diary.

The Connétable of St. Brelade:

Just one last question, really, to the Chief Officer. You just mentioned one of the things that you ... I am just quoting here in terms of we talked about Jersey Business may be involved with ... did they tell you how will each business ... you also mentioned your long-term relationship with the member of E.D. staff. Are you talking about a specific E.D. member of staff or are you saying that you have expertise within the department that you may identify and use that particular member?

Chief Executive Officer:

No, I think the reference was more to ... not necessarily to just purely to E.D. staff, but the one-to-one relationship with members of the Jersey Business Board as a mentor, members of the Digital Jersey Board as a mentor and there may be applicability for people from the E.D. itself to act in that capacity as well.

The Connétable of St. Brelade:

More the umbrella organisation and not specific individuals?

Chief Executive Officer:

Yes.

The Deputy of St. Martin:

As a parting shot, Minister, how about this one? If you assumed that your Innovation Fund was up and running but you then came forward to that Innovation Fund with the proposal that you have given us this morning, would you say you have enough of a business case to get funding? Do you think your detail is good enough for the States to approve it?

The Minister for Economic Development:

I would be disappointed if the States do not approve it. I would be disappointed if indeed from your considerations you do not feel we have enough detail in here and there is not enough background behind it to support it. As I have said, I am sure there are areas that perhaps could be improved on and I think in due course that may well be the case. Indeed, when you are putting together any form of proposal, you can always spend an awful lot of time trying to get the perfect solution and end up doing nothing. I think this is a very good start and we will see how it develops in due course. I will wait with interest for your report. If there are some pearls of wisdom contained within it that add value to it, we will clearly give that very serious consideration. It is a document and a proposal that will evolve over time.

The Connétable of St. Brelade:

I think that is something we would all like to see and I know we have already been given the opportunity ... well, hopefully we will have the opportunity to see it, is any detail regarding the governance of the fund and the risk ratio and all those type of things that can give solace to Members that it is going to be managed in the correct way or the most effective way. I think that is something that we would all like to see if possible.

The Minister for Economic Development:

Members will want and I think will hopefully support the principle behind it. I think they will find it difficult in some respect because of the step change that it represents in terms of anything that has happened before, and change or anything new and different, particularly for the public sector in Jersey terms ... I mean, this is not new elsewhere. You see these such funds in the U.K., Malta, Singapore, really good examples of similar types of funds that have been set up and are working, but in Jersey terms, this has not been done before and so it is taking in a sense that leap. I would not call it a leap of faith because there is far more behind it than that, but certainly taking that step into an area that we have not previously covered is clearly more difficult. My view is it is absolutely essential in this economic climate that we have a product like this both for inward investment, which is key to our economic growth, and diversification, key to diversification plans, and if we are going to sustain and grow the economy, if we are going to sustain jobs and create job opportunities, this is the type of product that we need. It may not be absolutely perfect but I think it is a very good start.

The Connétable of St. Brelade:

I think the 2 words that you are probably going to come to hate the most are “due diligence” and I think that is where we have got to make sure we are doing a good job, just to make sure that all the checks and balances are made.

[11:15]

The Minister for Economic Development:

That is understood and I very clearly understand that this is public money and that makes it difficult. It makes it really challenging. From our point of view, it makes it challenging. I can accept where you are sitting with the role and job you have, it makes it even more challenging and I know States Members will also find that element of it difficult and particularly when you are talking about, as I have ... or to use the word boldly because I know it was sprinkled over you last week, but where you are talking about the potential for the type of failures that we are talking about, that is a difficult concept in many respects.

The Connétable of St. Brelade:

I think it could be difficult for Members to get their head around to some degree and I think that is why the piece of work we do, I think it might be easier to convince those that may be sceptical that is the right thing to do.

The Minister for Economic Development:

It is the right thing for Jersey, in my opinion, to do now. It is the product we absolutely need and it has been proven elsewhere that it does have value.

The Connétable of St. Ouen:

I feel more reassured than last week, and as you explained this morning you are reporting back to both departments, because I came away from the meeting last week under the impression that you and your colleague were sort of going to keep in touch over the coffee machine, but it seemed kind of a little bit or very vague. But this morning, as you explained, there are things in place which I am much happier in myself, to be honest with you.

The Minister for Economic Development:

There has to be the necessary checks and balances.

The Connétable of St. Ouen:

Absolutely, but that was not kind of how it came over, to be quite honest.

The Connétable of St. Brelade:

To quote the Minister for Treasury: "We have a system in place for monitoring but it is the informal monitoring as well. It is the water-cooler discussions I have with Minister for Economic Development on a daily basis."

The Minister for Economic Development:

There we go. Another benefit for centralising ourselves to Cyril Le Marquand House.

The Deputy of St. Martin:

We might have to close it then. If there is nothing further, then thank you all for attending this morning. I am sure we will have further discussions as we progress, Minister. Please be assured we will be progressing as fast as we can.

The Minister for Economic Development:

Thank you very much. If I could just add, if there is - and I am sure you will - anything outside of this session in terms of clarification or additional data that you do not have that you need, make sure you come to us.

The Deputy of St. Martin:

Yes, and I think there is some other stuff from the Treasury as well which we are going to look at, the finance laws and there was a reference that we need to look at this 40 pages of further documentation on top of everything else. The detail is something we are supposed to be analysing.

The Minister for Economic Development:

That is where the devil is, always.

[11:17]