

STATES OF JERSEY

Economic Affairs Scrutiny Panel Quarterly Meeting with the Minister for Economic Development

WEDNESDAY, 28th MARCH 2012

Panel:

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

Witnesses:

Minister for Economic Development
Chief Executive, Economic Development
Deputy Chief Executive, Economic Development
Performance Operations Manager, Economic Development

Also present:

Mr. T. Oldham (Scrutiny Officer)

[9:35]

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

Good morning everyone. Welcome to this Scrutiny Panel. I would like to first just go round the room if we could for the benefit of the machine and introduce ourselves. My name is Deputy Steve Luce, Deputy of St. Martin, Chairman.

Connétable M.J. Paddock of St. Ouen:

Connétable Michael Paddock, St. Ouen.

Connétable S.W. Pallett of St. Brelade:

Steve Pallet, Constable of St. Brelade.

The Minister for Economic Development:

Senator Alan Maclean, Minister for Economic Development.

Deputy Chief Executive:

Andrew Sugden, Deputy Chief Executive, Economic Development.

Chief Executive:

Mike King, Chief Executive, Economic Development.

Performance Operations Manager:

Sarah Withers, Performance Operations Manager, Economic Development.

The Deputy of St. Martin:

Okay. Thanks for that. If I could just draw everyone's attention to the code of behaviour for members of the public that is displayed on the wall behind. In particular I would like to highlight the following. All electronic devices including mobile phones should be switched to silent; taking of visual images or audio recordings by the public will not be permitted; if you wish to eat or drink please leave the room; and finally I would like to ask members of the public not to interfere in the proceedings, and as soon as the hearing is closed please to leave as quietly as possible. Members and witnesses may wish to make themselves available afterwards, but any communication should take place outside the building. For the sake of witnesses, may I confirm that you have read and understood the witness statement that is in front of you? Finally, if we could just make sure we speak up into the microphones, please, because previous hearings we have had a bit of trouble picking up the recording. Tony is here for 5 minutes literally, just to take a few snaps for his paper. Right. So, welcome, Minister and your team to our first hearing. I am not going to go off piste at all this morning, but one small question which is pertinent to this week, I just thought it might be nice to kick off on a light-hearted but still serious matter. Does your department have any views particularly on changing to double summer-time and extending the daylight hours in the evening, and how that might or might not affect the economics of the Island?

The Minister for Economic Development:

The short answer and the long answer is probably the same: no.

The Deputy of St. Martin:

All right; okay. Well, if we are not going down that road we will launch straight into our first serious subject and it is one that is very serious and pertinent to the moment L.V.C.R. (Low Value Consignment Relief). Minister, the judge's summing up I would presume came as a bit of a surprise. If you could elaborate a little bit on that, and also your views on how you think that might now affect the U.K.'s (United Kingdom) decisions to maybe go off to some of these other jurisdictions which are doing the same as we have done in the past.

The Minister for Economic Development:

Indeed. Clearly it was disappointing, the results of the court case we had. As the case had progressed in London in the High Court, it felt that we were doing quite well, and in fact certainly the main pillars of the H.M.R.C. (Her Majesty's Revenue & Customs) defence seemed to be overcome. Sadly the final summary by the judge identified an area where he felt it was very much the case that the Channel Islands could be discriminated against by a non-E.U. (European Union) state on the basis that we are a non E.U. state and then we could be discriminated against. As such, he felt that the U.K. action was indeed lawful and of course that was allowed from 1st April for the U.K. to close the L.V.C.R. loophole. With regard to the business and where it will go from here, of course there is quite a likelihood from research we have done with assisting operators in the Island, they will be looking at jurisdictions like Switzerland to relocate to. We think ultimately, which is the point we made on numerous occasions during the court case and to H.M.R.C. that in fact business will be transported from Jersey into other jurisdictions and find their way back into the U.K. It will not solve the issues as far as the U.K. is concerned. Whether indeed the

U.K. may choose to go after those jurisdictions, they have said that they would do; so if volumes of business come through Switzerland they have stated that they will seek a similar action against the Swiss. Whether they will do that or not clearly remains to be seen.

The Deputy of St. Martin:

Where are we with the results, if I put it that way, of the case now? Have we had any people leave the Island from the industry? Anybody given written intentions of leaving permanently?

The Minister for Economic Development:

We understand there are one or 2 smaller companies that are intending to relocate, but not the 2 major ones. The industry effectively has 2 major operators which account for about 80 per cent of the staffing; to date neither has made decisions to go. One, as you will be probably very well aware, Indigo Lighthouse, has put their staff on notice that their jobs are at risk. That does not mean they are necessarily going to go. They are looking at various options. All I can say is that we continue to work with all operators in the Island to see if we can support them in other ways that can allow their businesses to diversify and to retain as much of the business as we possibly can. There is a lot of discussion going on at the moment and I am hopeful we can mitigate some of the expected job losses, but it is too early to predict other than that.

The Deputy of St. Martin:

My next question was what can we do to try and keep them here? I suppose it is a bit of a rhetorical one really, inasmuch as they need ways of finding a cheaper way of running their businesses on the Island.

The Minister for Economic Development:

Yes. Clearly there is a significant cost impact of removal of L.V.C.R. for businesses. I think probably it is helpful to split the industry into 2. You have got those that are very heavily dependent on it, because the majority of their business is dependent on the L.V.C.R. element. Of course there are businesses here that do not affect on L.V.C.R. on the basis that the majority of the products that they sell are above the existing thresholds. We are not going to see every fulfilment organisation leave the Island and there are opportunities. I think it is clear that the bigger operators have been looking for some time at the fact that C.D.s (compact discs) and D.V.D. (Digital Video Disc) market is changing with automatic downloads and so on. It had a short term, shortish term, horizon and they have been looking at opportunities to develop their business model anyway. The problem we have is the timing of this decision has not allowed them to be able to adjust; and so what we are seeking to do with them is to get them over that time element so that their businesses can develop, and hopefully we can sustain as much of it as possible. Fulfilment is one small part of a broader e-commerce opportunity that we think has a great potential for the Island.

The Deputy of St. Martin:

We would like to come back to digital a little bit later.

The Minister for Economic Development:

Chairman, I think my team wants to just come in here.

Chief Executive:

Is it worth, Chairman, just expanding on the options that are available to fulfilment businesses in the Island? Because I think that ...

The Deputy of St. Martin:

My next question was going to be about initiatives into Europe. But if you want to ...

Chief Executive:

I think we have characterised the options facing all fulfilment businesses into 4 categories. The simplest way, I think, is to continue trading into the U.K. without the benefit of L.V.C.R. and charging V.A.T. (Value Added Tax) includes the hit on the margin. That is problematic for many of them. Some of them interestingly probably do not have much of an alternative because they are producers of indigenous products and they are caught by the unintended consequences. I think the other option is that they continue to trade into the U.K. but using different and more creative logistics via Continental Europe where L.V.C.R. is still applicable. Once a consignment is in free circulation in the E.U. it is in free circulation; so it is not affected by V.A.T. I think there is then the opening of Continental European markets which I think already started some years ago. I think it has taken on a new and more accelerated part of the course in the last few months and I think that has proved better than many people had expected. Then of course there is the fact that the fulfilment industry here is a very efficient and effective industry anyway, has a very good logistics operation into the U.K. So we are also looking at working with quite distant markets such as China and, we go in there in early May with a trade delegation to see whether or not Chinese manufactured products wishing to come into E.U. above L.V.C.R. can use the logistics operation that we have in Jersey to effectively supply that market.

The Deputy of St. Martin:

But would it be right to say that we need to maintain pretty much the existing size of the industry we have on the Island at present in order to attract people like the Chinese?

[9:45]

Chief Executive:

It would be extremely helpful I think. As one operator said, it is a lot better if you have a Chinese delegation visiting Jersey to show them a pick-and-pack operation with 200 people in it rather than 20. So, yes; the answer is yes. But I think if you look at those 4 options, no single one of them is the salvation of the fulfilment sector; but a combination of any 3 or 4 of them is something that can see the industry being sustained and the employment being sustained to a much better extent than if you simply relied on having to continue to trade into the U.K.

The Deputy of St. Martin:

Would you agree that potential in Europe is vast compared to the ...? I mean, the potential growth in the U.K. has happened. There is still growth to be had there, but it is small, whereas there is a huge potential in Europe. My next question, what I would like to know is are there enough new initiatives and are you getting the support, Minister, for these initiatives into Europe?

The Minister for Economic Development:

When you say “support”, can you elaborate on what you mean?

The Deputy of St. Martin:

Council of Ministers, fellow colleagues; I mean, is there enthusiasm around the table at the Council of Ministers for the European initiative?

The Minister for Economic Development:

We have taken the whole issue about L.V.C.R. in the fulfilment industry very seriously. It is not just an issue to be dealt with by me and Economic Development. We have had a group of senior Ministers working on this from the process of considering the court action, taking the court action and dealing with the after-effects of potential job losses and to sustaining the businesses into the future. So yes, there is support. Clearly there are all sorts of implications of market entry that need to be considered, and they are rightly being considered by the wider group of Ministers because the impacts are not just from an economic point of view. There are other areas of concern that need to be considered very carefully by Ministers. But yes; it is important that we work together and it is important that we do all we can to sustain the industry and importantly develop the opportunities as we move forward, of which there are significant, I believe, expansion opportunities for the broader fulfilment way outside of L.V.C.R.

The Deputy of St. Martin:

Thank you for that. If we could move now to ...

The Connétable of St. Brelade:

There is going to be no further appeal, obviously.

The Minister for Economic Development:

The decision has been taken. The position on the appeal is that we were granted leave to appeal by the judge at the end of his summary. We have 21 days from that date, the date of judgment, in which to appeal. We were waiting a number of days for the written judgment because the judge unusually gave an oral judgment. We have now received it; the law officers have passed it on to Council for an opinion. The sub-group of the Council of Ministers will consider based upon the advice from the law officers whether to appeal later this week.

The Connétable of St. Brelade:

Have you had anything to consider yet?

The Minister for Economic Development:

No; we are still waiting for the advice and once we get it then we are going to have a meeting and make a decision as to whether or not an appeal is appropriate or not.

The Connétable of St. Brelade:

Do you know what the cost has been to date?

The Minister for Economic Development:

All we know is what the estimate was at the beginning. We have not had the accounts in yet, because of course there is not only our cost to consider, as we have lost we

have to pay the U.K. cost. The judge has stated that 50 per cent of the U.K. costs will have to be paid. That amount will be split equally between Jersey and Guernsey. So our share of that is 25 per cent. The indications are that the U.K. costs will be substantially below our costs. But that again is just an estimate, so we do not know. The estimate for our cost, which I have stated before, was £360,000 before the case started. But we are yet to see the final bills.

The Connétable of St. Brelade:

Just one other question. There is a little bit of weight on it from that; I mean, fulfilment is about the staff in many ways. In what ways are you helping the staff over what is a very difficult time at the present in terms of finding other employment?

The Minister for Economic Development:

You are right. It is very much and this has always been about the human element as much as anything else. The Economic Development Department is working very closely as you would appreciate with Social Security, as we do in issues like this, and the Back to Work team was established. Additional funding was put into Back to Work which amounted to £7 million, £7.4 million. What Social Security do is that they go into the companies and they work with staff and the companies to give them their options, to explain to them what benefits are available to them and to ascertain what their skills' base is, and through that whole process try to relocate them as quickly as possible back into work. I should hasten to add, though, there are not many people at this stage that have been made redundant. There are jobs to be put at risk. So we are very much at the beginning of the process. But we intervene early so that we can hopefully mitigate the impact on staff as best we can.

The Connétable of St. Brelade:

That was going to be my next question: how many have been made redundant? You say at the moment it is quite a small number.

The Minister for Economic Development:

Yes. The comment I made earlier that the 2 large operators account for about 80 per cent of staffing. One has not made a decision at all, has not even put jobs at risk yet; the other has put 220 or so jobs at risk, but they have not gone further than that at this stage. Social Security has been working with them; that particular company has spoken to quite a number of the staff. Clearly aside from the actual outcome it is a very difficult time for staff to deal with this, so getting any support we can possibly offer them.

The Connétable of St. Brelade:

Would it be fair to say the 2 big companies really are waiting to see where the final appeal ... whether you appeal or whether there will be an appeal?

The Minister for Economic Development:

No.

The Connétable of St. Brelade:

That is not at the top of their agenda?

The Minister for Economic Development:

I do not think so, because if we are realistic about the appeal, the appeal is going to have no immediate impact because it will not prevent the decision going ahead on 1st April. If we appeal then it will go to the Court of Appeal initially. That will take probably 2 months. The view is that the Court of Appeal would push it back to the European Court. The whole process could take between 12 and 18 months. So it is going to have no immediate effect on sustaining jobs. There would be other reasons for considering an appeal outside that.

The Deputy of St. Martin:

Okay. I think we are going to wind up. I had just one question about the appeal but you have answered it very succinctly there. So if we could move on to C.S.R. (Comprehensive Spending Review), please? You have your proposals for C.S.R. 2012 in plenty of literature. Can I ask just to start it off, could you let us know how you are getting on with this year?

The Minister for Economic Development:

Yes. I think in summary I could say that for Economic Development it is probably easier than most other departments in terms of meeting C.S.R. targets. We were set over the 3-year period the target, as all departments were, of 10 per cent. We met the target in 2011 and we are certainly on line and confident that we will meet the target for 2012 and 2013. We have, as a department, a high level of discretionary spend and as such, my comment about it being easier, it is. We have a more flexible budgetary system which allows us to meet these targets and it is the nature of the department that we move our resources around which previous Scrutiny chairmen and panels have found a little frustrating at times because you have a business plan and then suddenly you find things have moved. We are, you will appreciate, dealing with the business world. Where we see opportunity, where we see threats, we sometimes have to move funding to meet those. Budgeting process through the States of Jersey is very long. So when we are setting a budget sometimes 12, 18 months ahead, you can appreciate why we have to be flexible and move so that we can support business.

The Deputy of St. Martin:

You speak about moving monetary resources around; can I ask you about moving physical resources around? The second item in the Economic Development C.S.R. for this year is the relocation, and there is a saving of £147,000 to be made by relocating. Can I ask how you are getting on with that?

The Minister for Economic Development:

Sorry. Relocating ...?

The Deputy of St. Martin:

Relocation of E.D. (Economic Development) from Liberation Place.

Chief Executive:

The philosophy we have adopted is that Economic Development does not need to be in a piece of prime grade A office space right in the middle of what is emerging as the new area of the central business district. So we are looking to certainly relocate a significant element of E.D.D. (Economic Development Department) out of that building into lower cost premises, and we are at a fairly advanced stage of taking the elements of our operation and moving it to Cyril Le Marquand House or occupying

less space more effectively. That will allow us to move people out of Jubilee Wharf completely; so we will vacate that, and that is the basis of the cost-saving there. That work is fairly well advanced and we are hoping to be into new premises by June, July of this year.

The Minister for Economic Development:

I should add to that, the concept of moving to Cyril Le Marquand House, although less appealing premises from a personal point of view, it is more practical from an efficiency point of view because it is not just about cost; it is about the fact that we work and are aligned very closely, as you would appreciate, with the Chief Minister and Treasury. As 3 departments we work very closely together and it makes sense we are in the same building.

The Deputy of St. Martin:

You are still in line to save your £147,000 on that if you relocate in the summer?

Chief Executive:

That was the forecast that was made some considerable time ago. We will make that saving. We may not make it purely as a function of relocating from where we are to Cyril Le Marquand House, but we certainly will make that saving in terms of our overall corporate spending. I think what the Minister said, while we are asked to save 10 per cent over the 3 years, which we will do, I think the word “easier” is ... we have a process in place that allows us to, as we do on a fairly regular basis, reallocate resource based on the economic opportunity and it does allow us therefore to make that bottom line saving. If a more effective way of making that saving than doing an awful lot of property perspective arises, then we will pursue that because it is more effective if it allows us to continue to deliver the services we want at a lower cost. Lower cost is something that we have and we will achieve and more into 2011, 2012, 2013.

The Deputy of St. Martin:

I was not really going to go there, but talking about Cyril Le Marquand House, if E.D. moves into that building I presume there are some people being moved out of that building to somewhere else.

Chief Executive:

Do you want me to comment?

The Minister for Economic Development:

You can do. Before you do, I was just going to say it is better utilisation of space. It is a large building, and yes, I think that the space there can be better utilised so we can fit in. We are not large numbers in E.D.D. and if we are talking about moving the key central corporate function, which I think you have seen on our third floor we have been in; so it is not large numbers. It does not take an awful lot of space. Anything you want to add?

Chief Executive:

No. What I said at the outset, I think what we are looking at from an E.D.D. perspective is net, and net reduction in the amount of space that we occupy. There is space at Cyril Le Marquand House which is currently underutilised; hardly utilised at

all. That is where we plan to go. So I do not think anybody is going to be moving out to allow us to move in.

The Minister for Economic Development:

You have probably noticed if you have been up to our third floor that we utilise space very effectively. We cram bodies in. You are more than welcome. I know, Chairman, you I think have seen. I am not sure that the 2 Connétables have seen our third floor. If you have not you perhaps ought to have a look. It would give you an idea how we try ...

The Connétable of Brelade:

I have been up and had a look. I have been there.

The Minister for Economic Development:

You have seen it, have you? Fine, okay.

The Deputy of St. Martin:

Something else I wanted to touch on. We are going to come to Jersey Business later, which is part of the saving; the biggest part of saving this year on your C.S.R. But further down the list there is a saving of £90,000 for merging of Strategic Development with Regulatory Services to achieve these efficiencies. I just wondered if you could elaborate a little bit on the Strategic Developments and the Regulatory Services.

Chief Executive:

In some ways that related to the movement or occupation of the Gambling Commission which allowed us to merge 2 teams, our old Policy and Strategy team and our Regulated Services team, into a single team. The net saving arises from that integration. Once we moved that Gambling Commission out there was no reason to retain a separate Regulatory Services team. So we merged it with the old Policy and Strategy team and that is what savings arise.

The Deputy of St. Martin:

I am going to move into the Medium-Term Financial Plan which is just a little bit of the extension of the other.

The Connétable of St. Brelade:

I do not want to go into Jersey Business because I know you want to go into a separate thing. But in terms of the merger of Jersey Enterprise and Jersey Business Venture, is it going to make you the savings that you are expecting it to make, both in resources and staff?

The Minister for Economic Development:

Yes, it will. Effectively the savings that were identified on the sheet you are looking at at the moment is largely the grant of Jersey Business Venture. We had 2 operations, J.B.V. (Jersey Business Venture) whose grant was funded directly by E.D.D., and Jersey Enterprise, and they were covering much the same ground in different ways and different premises and they just did not make sense. So by consolidating the 2 together, yes we are confident that we can deliver the savings, but also more importantly we deliver a better service. A lot of what we do is not just

about cutting services or cutting costs without making sure we do things in a more effective way.

The Connétable of St. Brelade:

Well, there was a duplication there.

The Deputy of St. Martin:

We are going to come back to Jersey Business a little bit later, but if we could just move from this year's C.S.R. to the Medium-Term Financial Plan, could I just ask, Minister, what you have been doing towards Medium Term and where you are at the moment with that?

[10:00]

The Minister for Economic Development:

Yes. We have been working internally quite hard on the resourcing requirements for the Medium-Term Financial Plan, looking at our existing budgetary position and what we would need moving forward, particularly, and this is the important point, in the light of the Economic Growth Strategy which we are anticipating will come to the States sometime now for review. I know you have had an initial copy of it and we will have to give you an updated one just as an aside so you can see this is progressing. The Economic Growth Strategy is going to need, in our view, additional funding to be able to deliberate if we are going to seek to preserve the funding allocations that we have got for some of the, I can describe them as, lower value but important sectors such as tourism and agriculture. Now if we are going to maintain the funding for those we are not going to be able to deliver on the new initiatives that are coming forward in the Economic Growth Strategy without a bid for additional funding. So we have started the process of identifying exactly what that is going to look like and discussing with Treasury our bid for Medium-Term Financial Plan.

The Deputy of St. Martin:

I know this is a subject; the next question could come up in any one of the headings that we are going to discuss this morning, but in the Isle of Man, for example, their Economic Department has been given more money given the current circumstances, whereas over here we are cutting back on everything given the current circumstances. Do you have any particular views? As I say, it is a very general question, but your views on whether I guess you would be very happy to receive more money under current circumstances instead of having to go through a C.S.R. process and look at long-term cuts.

The Minister for Economic Development:

First of all, I want to see the maximum return we can get for every pound we spend. So I want to see us properly utilising the budget we have. But in all reality we are living in quite extraordinary times. There are opportunities for diversifying the economy, for seeking to develop new industries, new sectors, and it is going to cost money. But more importantly it is not what I would describe as consumption cost; it is what I would describe as investment. It includes areas that you might not immediately think are relative to Economic Development, like skills and training. We do put funding into skills and training. It is absolutely essential the workforce is properly skilled, and that process starts right in the schools with the curriculum and so

on, particularly when we are getting into new industries, digital industries, e-commerce and so on. To answer your question, I think we do need to invest at this time and that is the reason why we are putting forward a bid to the tune of £4 million, which represents a growth bid above and beyond where we have got to. In some respects we have been discussing efficiencies and C.S.R. and what we have cut and the fact we have discretionary spend. But nevertheless we have done that and I think that is an important exercise to have gone through. But for the future, if we are going to deliver and help to assist returning the economy to growth, importantly getting people into jobs and maintaining jobs, then we are going to have to invest further and we are broadly scoped about at £4 million. So that is maintaining support for existing industries, but putting more funding into what will be Jersey Business and new industries is, in my view, essential. That is the debate and the process that we are embarking on at the moment.

The Deputy of St. Martin:

We see it quoted quite often in the various strategic plans that we have that E.D. is going to lead the charge towards small government. Could I just ask you to give us your views or ideas on where you see that going in the next few years, given the Medium-Term Financial Plan?

The Minister for Economic Development:

First of all, we should not link growth to increasing the size of government. The 2 do not go hand in hand, certainly not in our world. We see E.D. doing less delivery of functions, and I think we can see that by the way we have approached Jersey Enterprise, Jersey Business Venture, by consolidating into Jersey Business, putting the model outside of government, grant-funded board, effectively run by the private sector under a grant. A similar model purpose trust to Jersey Finance. So government does less delivery. We are moving towards that, for example with the airport and harbour. I know we are coming on perhaps to discuss a bit about that in a moment, so I will just touch on it. But we believe that government should do less and let the private sector do more in the delivery side and that we should stick to the oversight of regulations, strategy, policy. That is what government should concentrate on and let the people that have the expertise to deal in the other areas of delivery go ahead and do it. So you can have smaller government. That does not mean we do not need the growth bid because of course we need to provide funding but we need to make certain that we have the right mechanisms to control the funding to make sure it is not just a blank cheque and that there is no control there on how that money is being spent.

The Connétable of St. Brelade:

Just regarding the funding. I am going to mention the Isle of Man again, and I know we are not quite the same, but just regarding funding, which you say you may need £4 million for, the Chief Minister in the Isle of Man, Allan Bell, is quoted as saying in regards to the rainy-day fund there, that: "These resources were gathered for a rainy day, that is what they were put there for. I do not know about you, but I am soaking wet." That is a tongue-in-cheek quote, admittedly, but again, he says it is absolutely necessary to maintain employment confidence and growth. Is there any stage you see where it may be necessary to dip into those reserves to make sure that we move the Island forward?

The Minister for Economic Development:

I think we have been in a very fortunate position. I should say that I have met Allan Bell, he used to sit opposite me as the Minister for Economic Development in the Isle of Man, he has been down here, we have had conversations. I hold him in high regard. But the Isle of Man is different from us: we were in a position where we had reserves, we had the Stabilisation Fund, we have been able to deploy significant resources into supporting the economy and supporting jobs and the Back to Work scheme and what have you, without the need to even consider it. My view is that the Strategic Reserve is there if we have a structural change in our economy in the future. That could happen in the longer term, it is not there now. We have had the resources, we currently have the resources to stimulate the economy and the capital programme, the money that has been put into supporting the construction industry; all that funding that came through the Stabilisation Fund, rightly so, has been properly deployed. We are not in the same position as the Isle of Man and, certainly, we are not in a structural change to our economy as we speak.

The Deputy of St. Martin:

If I could just maybe take that a little bit further. Another island which is a lot closer to us is our neighbour in Guernsey. I know politically they are in a bit of limbo for the next couple of months while they get their elections sorted out, but do you sense that they share our views when it comes to medium-term financial plans? Under the current economic circumstances, are they going to be looking to do the same sort of initiatives that we do at the moment? I know Carla McNulty-Bauer is not going to be there, but ...

The Minister for Economic Development:

It is difficult to comment where they are going to go. As you have rightly pointed out, they have elections and there could be a very different political landscape in Guernsey within just a couple of months' time. It is probably wrong for me to comment on perhaps what they might or might not do, or what they should or should not do. They have a slightly different structure to us. What I do think is important is that the islands work more closely together. I think good progress has been made in the last few years, I think we have got a long way to go. We could build on mutually beneficial areas of co-operation: we have seen recently the opening of the Brussels Office, for example, and Jersey/Guernsey sharing costs, we saw the co-operation on the court case for L.V.C.R., that was positive. We have seen the sharing of the Director of Civil Aviation at the airport, we have seen the Chief Executive of the Office of Utility Regulation and the Jersey Competition and Regulatory Authority shared, Data Protection-sharing Commissioner. These are areas ... and, frankly, it is scratching the surface. We have been talking to Guernsey about a joint shipping and aircraft registry. Again, we have been talking to them about sharing an ombudsman - a subject we will no doubt come on to in due course - all of which are very positive. So, yes, we need to work more closely with them but their structure is slightly different, their resources are slightly different, they have a slightly different approach on their internal economics, if you like, but that is very much a matter for them.

The Connétable of St. Ouen:

Just with that, do you feel there is any way that they hold us back? I can see one area we have just touched on ourselves and I can see that they are possibly holding us back. Do you think we should move ahead if they are not prepared to come with us?

The Minister for Economic Development:

Are you talking about a particular area or ...? I mean ...

The Connétable of St. Ouen:

Well, one subject has come up, it seems that Jersey is keen to move on with this area where Guernsey is still thinking about it and in the doldrums, and we are saying it would be nice to have them on board. Do we keep waiting or do we suddenly make the move and go?

The Minister for Economic Development:

Without a specific ... I think we need to just assess what the benefits are of operating jointly, because there may well be efficiencies by so doing, there may be competitive advantages or disadvantages by going jointly or going alone. So I think we have to assess the individual item, whatever it happens to be, and try and align ourselves as best we can. It is always difficult when you have got 2 governments working in slightly different ways and having the ability to move at different paces, aligning oneself. It is not impossible, as we have proved by the examples I just gave. At times, if we felt we were genuinely being disadvantaged, I think we have to have open dialogue with them and give a clear timetable timeline and set a target for progressing. But it has to be clearly in our interest to do so.

The Deputy of St. Martin:

I would like to move on to economic growth quite quickly, but I have got a couple of other questions: the first one, as we are talking about Guernsey, they went down the work permits route that we did not go down and yet the figures that have come out in the last couple of weeks would show that their work permit scheme has not restricted the increase in numbers of people living in Guernsey. I just wondered if you had any particular views on that.

The Minister for Economic Development:

We have looked at work permits some years ago, it pre-dated my time in politics, but I have seen some of the papers. The principles behind work permits are right in one respect at one level in terms of appropriately controlling immigration, migration and so on. The cost in so doing is quite high. The question is, can we adapt and utilise the systems and mechanisms we have in place which, to date, have not been as effective as they should have been, in my view? I am confident and hopeful that the new Control of Housings Law, which comes in in June/July, will have the necessary controls in place to allow effective and appropriate controls to be put in place.

The Deputy of St. Martin:

The last question on employment before we move on to economic growth is that in the Strategic Plan it quite clearly says that the ageing population that we know is coming is going to be an issue, and I presume you would not be in favour of capping the population of the Island at a certain level on the basis that we quite clearly defined that we are going to need some people coming on to the Island to maintain the number of people in work?

The Minister for Economic Development:

Yes. That is right. If we are blunt about it population is, understandably in an Island of our size with our limited resources, a highly emotive topic, and I appreciate that and I share many of the views of Islanders on that particular issue, but we have got to be realistic as well. We have got to understand that if we want to maintain our standards of living as they are, if we want to deliver economic growth and job opportunities, job growth and so on, there will have to be some inward migration; closing the doors and having none is unrealistic. What our thrust is about is increased productivity and looking at high-value opportunities with low footprints, so inward investment is important; I would go so far as to say it is essential. We can see in the last 4 years we have delivered through inward investment 85 to 90 new businesses across a broad range of different sectors which, if nothing else, delivers diversification to the economy which, in my view, is essential. Those new businesses have created 900 jobs, of which 90 per cent have gone to local people, so inward investment bringing wealth creators and businesses into Island, not floods of them, but appropriate levels, creates jobs for local people, diversifies the economy and creates and sustains the services we have got. We have got to get this balance right and we have got to have the right controls in place to ensure we do, and I accept in the past that the controls perhaps have not delivered as effectively as certainly I would liked to have seen, but zero job growth would be an economic disaster for Jersey; an economic and social disaster, I would go so far as to say, because the standard of living that we enjoy would be certainly threatened if we do not have an effective and vibrant economy.

The Connétable of St. Brelade:

You mentioned the word “realistic” a few times there. David Wall made some interesting comments about the motivation of young people in Jersey. Do you think young people in Jersey do need to be a bit more realistic about what sort of jobs they look for and how realistic their job opportunities are in Jersey? I am thinking of sectors like tourism and agriculture, and what your department could do to assist those youngsters into jobs in those industries.

[10:15]

The Minister for Economic Development:

Absolutely, I do. In a sense, and this is quite distressing in some ways, in Jersey working in hospitality is almost looked down upon as a very menial career or job opportunity; in Europe it is entirely different. In Europe people are proud to serve at tables, they make it into a career. It is not just about what you can earn, because you can progress in hospitality through to management roles and the earnings, once you get into middle and upper management, are very reasonable indeed. So I think we need to try and change the culture, we need to try and get hospitality in particular as an industry that people find attractive and are proud to be part of. Certainly, I am pleased that the Jersey Hospitality Association, and many companies, like Jersey Pottery for example, have embraced the concept of trying to get local people. We talk about population, we talk about immigration, and a lot of the problems exist in the lower value industries like these where we have currently nearly 3,000 non-locally-qualified people in hospitality. That is a large number. We have got the highest number of unemployment, as you know, in Jersey at the moment, and a third of those are young, why can we not get our young people going into hospitality jobs: hotels, bars, restaurants, retail, any of these sectors, even if it is a stepping stone to greater

things? It is better to have a job and to be doing something before you move into something else than sitting on benefits.

The Connétable of St. Brelade:

The argument many employers have is they will not take people on because they have not got experience and those type of industries are industries where young people could get experience, but I think it needs a co-ordinated approach from all the departments to try to persuade young people that there is a future for them in those industries.

The Minister for Economic Development:

Yes. You are absolutely right and one of the areas that we are looking at at the moment and we are working closely with other departments, including Social Security, are incentives; we need to encourage employers - and there may well be a need for different types of incentives to do so - to take on young people and, in their view, take a risk. We have to remember that it is very easy for me to sit here and say: "This is what I would like to see happening" and I think all of us in this room would like to see, or I would hope broadly outlining, that we get our young people into jobs, even if it is not the final career outcome. But employers want to have the right material, so we have to deliver to employers' individuals who have the right attitude and are prepared to embrace the concept of working. We have got to make sure it is not too comfortable to sit in an unemployed position by getting a range of benefits, and getting that balance right and understanding the sensitivities and difficulties associated, because there are some people, quite rightly, who need support, they need the benefits and so on, but we need to make sure that carrot and stick balance is right. There are many elements to this.

The Connétable of St. Brelade:

Fortunately, I do not know about the others, but most people I meet desperately want to get into work, they do not want to be on benefits. That is the message I get across daily.

The Minister for Economic Development:

With an increasing unemployment issue in Jersey, there are a large number of people who do fit in that bill and, indeed, they are the ones that we need to employ and with Skills Jersey in place to ensure that that happens, there are Back to Work teams and all the rest of it, that they have the right skills and training opportunities to give them if they come out of one industry and cannot find a role in that, to get them into another industry. But we also need to make certain that they have interview skills and C.V. (curriculum vitae) preparation skills. Confidence for people who are unemployed for a long period of time is an issue and we are seeing an increasing number of long-term unemployed. The longer somebody is out of work, the more difficult it is, their confidence gets impacted, they are less appealing to employers and so on. It is a very complex area and that is why, rightly, significant resources, £7.4 million effective funding into the Back to Work Team, has been deployed, and it is an absolute priority of the Council of Ministers to deal with and tackle unemployment and all the issues associated with it.

The Deputy of St. Martin:

Another important industry in the Island is construction, which is going through particularly difficult times at the moment. As the Minister for Economic Development, are you satisfied that our Ministers for Housing and Planning are working hard enough together to put some more construction out there for people to go out and do?

The Minister for Economic Development:

We have, as you would probably expect, some fairly robust discussions at the Council of Ministers, and I think that is right. We have seen changes, for example, in the U.K. to the planning process, speeding up the process. Planning themselves will argue that there are quite a number of approvals that have gone through and are not being auctioned because funding is also a problem for developers. Some developers are finding it very difficult in this climate to get funding to progress projects. But we do need to - and I feel strongly that we need to - try to assist in all areas to remove barriers, whether that be the planning process, or whatever process within government, government needs to smooth the way as best we possibly can to allow businesses to get on and deliver growth and employment.

The Deputy of St. Martin:

Do you think there is a case to be made that planning applications that have funds in place ready to start should or could be given some sort of prioritisation or looked at differently?

The Minister for Economic Development:

Well, yes, in principle. I think it is right. There is a fast-track process for small works now that I know the Minister for Planning and Environment has initiated. I have yet to see how that is working in practical terms, but I think that is an encouraging step. I think the idea that if there are funds ready to progress a project then, again, that should also be fast-tracked. I think the difficulty, of course, is that quite often funding will be dependent on planning approval being put in place, so you need to get your planning approval put in place so that you can have raised the funds based on what has been approved. So there is a little bit of chicken and egg, I suppose.

The Deputy of St. Martin:

One or 2 of the largest and major building contracts in the next couple of years will be States-led ones. Are you satisfied that the Housing and Planning are working hard to achieve results in a short period of time over that?

The Minister for Economic Development:

I certainly hope so, I would be very disappointed if that was not the case. My view of the new Council of Ministers is that it works very well together and it is absolutely essential that all Ministers do work in a constructive and co-operative way. I would certainly be prepared just to add that as a department we support business and if businesses have issues in any of these areas, we will always support a good, commercial proposition with any blockages that may exist in any other department. We are interested in assisting businesses to overcome issues such as that.

The Deputy of St. Martin:

Going back to the tourism strategy in economic growth, can I just ask where we are now with the P.P.P. (Public-Private Partnership) for tourism, because it has been there

or thereabouts for quite a long time now and I am aware that there has been a level of success and some other areas have not progressed quite as well. Could you bring us up to speed on that?

The Minister for Economic Development:

Yes. We had a proposal originally from P.P.P. which was worked up initially before the global crisis hit in 2008. The very different economic climate made it impossible to deliver from a cost perspective, there was not going to be the savings that was identified or, indeed, the structure was not going to really deliver. It was reviewed by your predecessors and we agreed with that review that the model proposed and the timing was wrong. We have gone away now and we have been working with industry to work up a new model and we are still looking at that now. We have been getting some cost estimates in on how the new structure would work and we are just assessing those cost structures to see finally whether or not it is going to be deliverable in that way or not. We hope to have that resolved within a relatively short period of time, probably about a month.

The Deputy of St. Martin:

Something I was going to mention is the new fund now that has been open to businesses in assisting in developing tourism that has recently been made available to people outside of the States, or charities. To your knowledge, has there been a good take-up so far, or is that very early days yet?

The Minister for Economic Development:

Well, you are a little ahead of the game. It has not gone to the States but ...

The Deputy of St. Martin:

Oh, okay.

The Minister for Economic Development:

No, it has been lodged and you are understandably reacting to the media coverage of the scheme, which did give the impression that it was approved, so I fully understand the mistake. But no, it has been lodged. It has to be lodged by the Minister for Treasury and Resources, it was a proposition lodged by him because it is an amendment to the Finance Law, but it is an E.D.-sponsored initiative. I have for some time been keen on opening the Tourism Development Fund to the private sector on a matched-funding basis, effectively. So, for every pound of funding the private sector would match on a project, which would give us greater leverage. If approved by the States, which I hope it will do, because we have currently got around about £700,000 ...

Performance and Operations Manager:

Well, just less than that.

The Minister for Economic Development:

Right. Just less than £700,000. In any event, we have got a decent level of funding in the T.D.F. (Tourism Development Fund) and so I am very hopeful that the round that is out at the moment, if it is approved by the States, will potentially attract private sector projects. But we will have to wait and see, it has only just started to be advertised.

Chief Executive:

I just wanted to mention that the one-to-one is the minimum gearing we would expect; we would expect far higher multiples of private sector to public sector investment, so at the very extreme we would look at match funding, but we would expect it to be many multiples in terms of the amount of public sector funding that goes in versus what the private will be into any particular scheme.

The Connétable of St. Brelade:

Just coming back to what will be Visit Jersey hopefully in the future in terms of funding that partnership, where will the private funding come from, from private sources, i.e. the hotels, how do you see that working? Obviously there are all different sizes of organisations within that, how do you see them funding that with that?

The Minister for Economic Development:

There are quite a number of joint marketing initiatives that go on any way where the private sector, i.e. the hotels, as you rightly point out, contribute on a project-by-project basis. The initial scheme which I referred to a moment ago, which was worked out pre the global crisis, was estimating a certain level of contribution increasing from the private sector on the basis that, of course, they would have far more control of the outcome of where the funds were going and general say in the destination marketing of the proposition. In reality in the climate, people have got less, businesses have got less money to spend. I think that was one of the limiting factors of the proposal as it then stood. I think, to be realistic, it will build over time, but it will take time to get the contribution from the private sector up.

The Connétable of St. Brelade:

Will the onus not tend to fall on the larger establishments, certainly to begin with, because obviously they have probably got more budget to spend on it where some of the smaller establishments probably have not at the present time. Would that be a fair ...?

The Minister for Economic Development:

Yes. You will always get that, but it would be worked on a weighting basis, so the larger establishment would contribute, as often happens with these functions like J.F.L. (Jersey Finance Limited), you would have a different grade of membership so you contribute more based on your size.

The Connétable of St. Brelade:

But will the smaller organisations still have a say on the Visit Jersey? Will they have representatives on that board?

The Minister for Economic Development:

Well, the actual detail is yet to be established, but it has got to be broad-based. What we have at the moment, when the first scheme, the first P.P.P., did not progress, what we put in place was a Tourism and Marketing Panel, which is populated with private sector individuals who advise the Tourism Department on destination marketing. That, to me, has been exceptionally valuable in changing the direction and focus of our destination marketing proposition, and that is populated by a range of different

individuals; you have to have balance to understand the proposition that we have in Jersey. There is no point just having representatives from 4 and 5 star hotels because their focus is very different from the 3 star, for example. So there would have to be a balance.

The Connétable of St. Brelade:

As with Jersey Business, obviously, there is going to be some reorganisation of staffing levels and who is going to be staffing that particular body. Have you looked at where you are going to be going with staffing levels on Visit Jersey and whether there will be changes within the department, or will you be losing people within that department, for example?

The Minister for Economic Development:

Well, again, we are a little bit ahead on that but with using the Jersey Business example, all the staff that were in the Jersey Enterprise and Jersey Business venture were offered the opportunity to come across to the new organisation. In reality, only one person decided that they wanted to do that. Through the Visit Jersey, that is the route that progresses. Again, the offer would have been made.

[10:30]

At that stage, we will have to see who wants to come across and who does not. In many cases, these changes, if you get for example the existing staffing moving across, any sort of financial benefits that one might seek to gain will come in the more medium term rather than the short term. It is about putting a changed structure in place and making sure that that structure is going to deliver what you want in the medium to longer term.

The Deputy of St. Martin:

We saw a slight change, well, not a change, but we had a brand new advertising campaign on television this year which is now recently receiving accolades and awards.

The Minister for Economic Development:

Was it not fantastic?

The Deputy of St. Martin:

Yes. Well, most of it. **[Laughter]** No, it was very good. Can I ask how that campaign - obviously we had a huge number of hits on the website - has translated into bookings?

The Minister for Economic Development:

Well, it is difficult to say at this stage what the level of take-up is going to be. Certainly, you are absolutely right that the level of inquiries is up significantly so, clearly, it has caught the imagination, the key is going to be the bookings. What we have seen in recent years in tourism is that bookings are coming later and later. Whereas people used to book their summer holiday at Christmas time for the following summer, you are now finding people booking literally a month or 2 before they plan to go. So I cannot give you any definitive statistics on whether the conversions are happening yet, it is almost too early to be clear about that, we need

another few months. But I would certainly hope that it is very much a late-booking scenario. This is not just something that Jersey is seeing, it is happening in most jurisdictions, that the lead time has closed significantly.

The Deputy of St. Martin:

Mike looks like he wants to say something.

Chief Executive:

Mr. Chairman, it is just to say we do have a forward-looking survey, and we can make that available to you. We look on a regular basis at what booking arise from the advertising campaign, and we have not got the latest one of those yet. But just coming back just quickly to the television advertising - and this is where the impact of the Tourism Marketing Panel has been really quite profound - both in terms of the creative content which most people seem to like, but also in terms of the amount of time and over what period we have been on television, and there has been a fundamental change over the last few years, not in the amount of money that is spent but in how it is spent. There is far more emphasis on television and far more emphasis in the television ad on putting "jersey.com", which drives people to the web which is where the information resource is. That has been very much influenced by, I think, the input from the Tourism Marketing Panel, which is made up of people from businesses of all sizes in the Island but, as importantly, people from outside the Island as well who are in the market seeing this and are buying. So I think it is a pretty effective campaign consciously changing the pattern. We do not do much print advertising any more, it is very much a television-led campaign in the U.K.

The Deputy of St. Martin:

My last question on tourism, because I know we want to talk quite a lot about skills if we can, and that is strategy. The last 18 months, 2 years, there was a move within the tourism industry that we could not really allow the industry to shrink or decline any further and, if we did that, we risked starting to lose restaurants and attractions and then we would have less retail for those people, and the wheel starts going backwards, and that proves very difficult to stop. Do you think we are close to that tipping point, or we were, in terms of seeing reduction in the size of the industry? Dare we let it go any further?

The Minister for Economic Development:

I guess it depends what you mean by the size. There has been a material reduction in the number of bed spaces in the Island from 25,000 or so in the peak to around about 11,000 or so today, but that has largely reflected the material change in the industry and is not a Jersey issue, it is much broader than that; low cost airlines, for example, which suddenly gave our main donor market in the U.K., British people, the opportunity to go all over Europe for a few pounds, and we had to try and compete with that and it was very difficult to do so. So, yes, there has been some material changes but I think what we have seen is that the industry has adapted quite effectively to the changing profile of the industry. They have managed to change the product, we have see a significant investment in not just 4 and 5 star, but improving the quality of the 3-star propositions, and I think the short-stay market is one that was identified. It is not government picking winners, which they certainly should not do, but it is industry realising where their potential clientele has come from. They come for a shorter period of time but they spend more money, and there has been a good

adaptation. The market has changed, the industry has changed but the contribution to the economy is still significant and I think in the medium term and longer term has an opportunity to develop still further. We have a peak in the season around about 6,000 employed, so there is a lot of employment involved, we have had a review done by Oxera as to the value of the tourism sector, hospitality. If you look at purely G.V.A. (Gross Value Added) figures, it is identified at around about 3 per cent, but that typically deals with the hotels, restaurants, bars element of tourism. Tourism, you will appreciate, is far broader than that in the Island and the impact that it has on the retail side and elsewhere. It is probably worth about 8 per cent, in truth, £250 million a year, something like £15 million of G.S.T. (Goods and Services Tax) is paid by visitors to the Island, leisure visitors and business visitors. That is a huge contribution. So is it valuable? Is it important? Yes. Will we continue to invest in it? Yes. I ring-fenced the budget for tourism, it had taken a bit of a beating in recent years, but we ring-fenced it, it was part of the C.S.R. process for 2012 and onwards as we go through the transition to the way in which we are going to deal with destination marketing in the future. Until that is clear, and what we have just touched on - and, as I have said, we have not quite got there yet - until that is ring-fenced, and then we will have to decide what is appropriate for fundings in the future to deliver and to sustain the industry and give it the opportunity to grow. It is important but it is not just as the industry perhaps would have you think about throwing more and more money, it is about how you spend the money you have got and how you do it more effectively. We have mentioned printed media is not very expensive, but it is not necessarily the future, the future is web-based marketing, it is perhaps strategic targeted marketing, like the television ads that we have done. It is database marketing and making sure you leverage your existing clients and you sell back to them again, if they have been here before, we want to get them to come back again, special events and so on and dealing with the shoulder months. We can pretty much fill Jersey in August or key periods, what we cannot do is fill the Island in the way we would like to in the shoulder months, we need to develop that. So there is niche marketing, and the industry itself will lead on these initiatives, they are the ones that need to pick the way forward, we need to provide the assistance.

The Connétable of St. Brelade:

Can I just ask one further question? You mentioned about how you spend money, this really goes on to event-led tourism a little bit, and we had a fantastic event on Saturday at St. Aubin with a very large group of, I think it was, Norwegian people that were over for a few days, which culminated in a run of big events at St. Aubin. I do not know whether E.D.D. put any money into that, and also this polo event possibly at the end of the summer. Are E.D.D. open for business in terms of people coming to you, looking for money to get these types of large groups in? Because I have had a complaint from one or 2 that it has fallen on deaf ears to so some degree, but I would like to think E.D.D. were behind that type of tourism.

The Minister for Economic Development:

I am pleased you used the phrase: "Open for business", I have been using it for the last 3 years trying to express that not only E.D.D. is open for business but Jersey is open for business. Those are cheap words, in a way, but it gives a message that is important. There is some misunderstanding in terms of what we should do with public money and how we get the best return possible. There are some events that approach us for funding that do not get funding. There are some that approach us and

we direct to the Tourism Development Fund, who have a private sector panel and they have a set criteria they go through to make sure that they maximise the return for every pound that they have for the benefit of the tourism industry, and that is about bringing people in that contribute to the economy. They turn down some events and some events, quite naturally, and like all of us, do not like being turned down. If they assess a particular event and they feel that it is going to happen anyway and that their grant, public money, is going to go purely to the bottom line of the event, then it is not something that is high in their priorities and, unfortunately, some people do not like it. I have had 2 or 3 that have come back to me and appealed and we have been through the process and looked again at them, but again, if the criteria does not meet the right level then we cannot support it. We will support anything and everything we possibly can that is going to develop and offer economic value to the Island.

The Connétable of St. Brelade:

Well, just leading on from that again, has the fact that you have had to cut some grant funding affected your ability to fund some of these events, or help to fund or assist them?

The Minister for Economic Development:

I think in a way we need to look at the events themselves. What we are after is long-term sustainable events. What we wanted, if somebody comes forward with an idea for an event with a business plan seeking funding, we will provide funding if the business plan stands up. What we want to see happening is that that event becomes self-sustaining within a period of 3 years, 4 years, whatever it is, and not just that it is an ongoing grant if there is not associated value with it. Could we do with more money, which is where you are coming from? In an ideal world if we had limitless funds, yes we could. We are sure what we have to do, going back to what I have said several times, we need to absolutely target to get the maximum return we can with what we have got. We hope we do not turn down anything that is of genuine value to the Island, but some may disagree with that.

The Deputy of St. Martin:

I want to try and press on because time is going past at a huge rate. If we could move to ...

The Minister for Economic Development:

Chairman, could I just add as an aside, if you have a particular concern and if you would ever like to raise it, do come and have a chat, because we will always look again; if there are any particular events, raise it. We are not closed to anything, we look at everything and we would like to support as much as we can, but they have got to deliver value.

The Connétable of St. Brelade:

I know you are very proactive because obviously some of the events that have been highlighted ... and certainly the polo one sounds a very exciting event and I wish you all the luck for getting that across.

The Deputy of St. Martin:

We are going to move to skills and training now, and I know Constable Pallett has got some more questions that he wants to ask on that, but could I just kick off by asking

you, Minister, how it is going with other Ministers around the table to come up with a cohesive set of policies in coming up with training for the new work force?

The Minister for Economic Development:

Well, the body through which we operate in a cross-ministerial group is the Skills Executive, which involves myself, the Minister for E.D.D., the Minister for Social Security and the Minister for Education, Sport and Culture with, clearly, supporting officers. We set the strategy for that together with the private board that sits as part of that agenda. I think, broadly speaking, the framework is correct; it has always got room for further development. I think the area where we need to perhaps focus, particularly at the moment and certainly from my point of view in terms of future opportunities for the economy, we are launching today, in fact, an organisation called Digital Jersey, which is going to be a promotional organisation sitting outside government, as I have said on numerous occasions for different things, with the right private sector. We have not created obviously a board yet or an executive, it is only being announced today, we will get on with the board appointments. Now, that particular organisation will have as part of its remit ensuring that the education, skills and training available in the Island meets the future requirements of what I would describe as a digital economy. I do not know but I think, Chairman, you came to the Malta presentation. I am not sure if you had the opportunity to do so?

The Connétable of St. Brelade:

No. I am sorry, I was not at that.

The Minister for Economic Development:

But what Malta has achieved in the last sort of 15 years in developing a digital economy is quite remarkable. It now represents about 8 per cent of G.D.P. (Gross Domestic Product) there and is growing significant employment. We see this as an opportunity for the Island we need to develop. You have seen the investment that is going in through Jersey Telecom into Keeping It Jersey, Fibre-to-the-Home, high-speed internet broadband access. We have to have the skills, and there is an opportunity, and this ties in with population, immigration and migration, because if we can start at the level in schools ensuring that the curriculum does not just teach our kids how to use computers; frankly, they know how to use them anyway in this day and age, you hardly need to teach them, my 8 year-old is telling me what to do on a computer. What we do need to teach them though is we need to teach them skills in programming and things that are going to be added values for developing digital world that we are living in. We want those skills as these youngsters grow up and go through the schooling process into further education so that they can add value to the economy here as we develop and become what I would like to see: Jersey as an international e-commerce hub. That is the sort of future goal that we have got but the skills and training need to start, and it starts with the curriculum in the schools.

[10:45]

The Connétable of St. Brelade:

Are you satisfied that the Minister for Education is taking this on board and moving?

The Minister for Economic Development:

He has certainly heard the message. To be fair, there is an element that needs to be addressed with regard to the curriculum in the U.K.; they are not quite there yet. There is a lot of talk, you will have heard, from the Coalition Government about what they are doing, not just in infrastructure, where they are lighting up various cities with high-speed internet apparently, they are starting a number of initiatives, they also need to address the curriculum element in schools and we need to make sure we are properly aligned with that.

The Connétable of St. Brelade:

I think you have answered many of the questions but again, just to reiterate, really, that the finance industry have said themselves that they need the right skills coming through schools and if we are going to look at the tourism industry again, presumably, there will have to be at some stage a look at, maybe at Highlands College level, what sort of curriculum we are giving and to make sure we have got the right skills in the Island. Is that something that you are looking at at the moment with the other Ministers, presumably?

The Minister for Economic Development:

Yes. You are absolutely right. In fact, what we are seeing also spring up, which I think is quite encouraging, are some private sector initiatives, the Jersey International Business School, for example, just round the corner in the Weighbridge, doing finance-related degrees. It is almost a micro-university, they are looking for international students now, you may have seen the article that was in the paper a week or 2 ago, they are looking to find premises to create a small campus. There has been talk in the past about a Jersey university. The reality of that is probably hard to justify or deliver; there is no reason why we cannot build on micro sort of universities, if you like, like Jersey International Business School, the Jersey Institute of Law, which we have got, and frankly, I can see in the future something related to high-tech programming, similar courses of that nature. So we can have courses, we can attract international students but, importantly, we can provide the skills and training to our local young people as well.

The Connétable of St. Brelade:

Do you think we are missing a trick in some ways in not using some of the experience and similar, from the older generation in the fact that they could possibly mentor a lot of people at an older age, when they have a little bit more time to do it, not necessarily in the finance industry, certainly in some of the other industries like construction, for example, where people of an older generation might have little bit more time, little bit more patience to teach some of the skills that are desperately needed. I can think of my own son when he was growing up, what he needed was not me but somebody of later years that could have talked to him about some of these skills. That is something that we are missing now.

The Minister for Economic Development:

Yes. I think that is right and it is not just of the older generation, clearly, they have got the experience, but there are some younger people who have been very successful and are prepared to give their time to mentoring generally, not just ... in business as a whole, through the Jersey Enterprise awards process, we provide assistance to businesses wanting to put in applications, we provide sort of mentors that assist with that, developing the mentoring into small and medium-sized businesses. It is one of

the reasons that the likes of Dragons Den, dare I mention it, albeit that it is a successful television programme, there is a serious note there. We have got a business angels facility here in the Island, it is not just about the money. Access to finance is obviously critical, it is also when an entrepreneur will invest in a small or medium-sized business, they will take an active interest in what is going on and, for a small business owner, it is invaluable to have that sort of experience. Just having the money is only half the battle, it is the help, assistance and advice and so on.

The Connétable of St. Brelade:

Just while you are on that, just one small point. In terms of new small businesses, you were saying today there were 220 new very small businesses started up. Has there been a move to reduce some of the red tape involved in setting up some of these businesses?

The Minister for Economic Development:

Well, it is a subject close to my heart and officers on both sides will no doubt be ruefully smiling. I say that because I pushed for a review. There have been historically reviews on red tape and bureaucracy in a more general way. There was one carried out, I think, in 2005, which did not really show all that much, and that pre-dated me in politics, not that I am trying to excuse myself from the outcome. But what we carried out more recently was a review on red tape and bureaucracy from the business perspective specifically, so far more targeted, and we enlisted the support of the I.O.D. (Institute of Directors), Chamber of Commerce, businesses organisations generally, and we had the feedback from that. There was not a huge amount, I think I am right in saying, Andrew, that came out of it, which is quite surprising in many respects, aside from things that we have touched on: the Chairman mentioned a moment ago the planning process, that was picked up on as being a frustration and many thought the process was too slow. Some steps have been made to improve it, I think more work needs to be done and we need to keep on watching it. I guess, we have been talking about the digital economy, moving more towards e-government where things are done online is exactly where we need to be, and consolidating forms so that small businesses in particular, where the greatest impact is undoubtedly on a small and medium-sized business where the business owner ... and we mentioned in the last year 220 new one-man-band businesses starting up, that is a lot. That individual has to do all the work, they have to do all the administration themselves and they have to go out and sell or carry out the service that they have started their business up to do, so we have to streamline it as much as possible. So e-government consolidated forms and so on, there is still room to improve in those areas, in my view.

The Deputy of St. Martin:

So one of your 3 objectives in Open for Business was this removal of barriers for existing and new businesses; are you generally happy with the way things are? Would you like to see more?

The Minister for Economic Development:

I am never happy. There is always room for improvement.

The Deputy of St. Martin:

Good. That takes us into Jersey Business, quite conveniently, and this is where we want to go now. We have had Jersey Enterprise and we have had J.B.V. (Jersey Business Venture) and we have had a process of moving the 2 together, and I just wondered: I am a little bit confused as to whether Jersey Enterprise is still working. Have J.B.V. got their doors closed? Is Jersey Business or Business Jersey now up and running? Where are we on the timescale?

The Minister for Economic Development:

Yes, Jersey Enterprise is still operating and still supporting businesses, and that will continue on until Jersey Business formally open their doors, if I can put it that way, the anticipated target is June, it may be July; it is June/July time. Jersey Business' Board has been appointed and I have to say I think it is an exceptionally high-quality board. I am delighted by the board that has been appointed, it is a really good group of broad-based entrepreneurial characters who I think will add significant value. So that is a good start; the executive now has to be appointed.

The Deputy of St. Martin:

Can I ask if we know where this new enterprise is going to be based physically?

The Minister for Economic Development:

Some offices have been considered. Are we able to ...?

Deputy Chief Executive:

We are in advanced negotiations over a property, yes. At the moment we are not far apart within in our board. The property does need some work done to it, but we have still got pull, we can get in there by July this year.

The Deputy of St. Martin:

You mentioned it earlier that obviously Enterprise is moving into this new entity and Jersey Business Venture is becoming combined. You mentioned staff briefly earlier on. There were a number of people in J.E. (Jersey Enterprise); are they moving? I do not think that they all are. How many are moving and what is happening to the ones that are not moving?

The Minister for Economic Development:

There is just one member of the existing Jersey Enterprise team that is moving into Jersey Enterprise, the other members of the team have been offered redeployment opportunities, which is the way the system works in the States of Jersey.

The Deputy of St. Martin:

So Jersey Enterprise is still going, because I see that there is a £22,000 income for charging for services in this year, which is an increase on last year, and that is going to be general policy, more user-pays opportunities.

The Minister for Economic Development:

Yes. There will be, appropriately so, but we are moving from a position of no charging to what one might describe as a modest broad range of charges.

The Deputy of St. Martin:

Before we move away, the only other question I would have with Jersey Business is ... I am sure we will have, but we will have some useful statistics coming out of them, meaningful and comprehensive, that we can really monitor how we are getting on, and targets. Are we going to have some targets which we are going to try and achieve or ...?

The Minister for Economic Development:

I certainly hope you are going to get them, because I am wanting them. [Laughter]

The Deputy of St. Martin:

Just carrying on with the growth strategy, we are going to quickly move into Locate Jersey, and I know Constable Paddock has got some questions he wanted to ask about how this is up and running.

The Connétable of St. Ouen:

Yes. Basically, is it up now and fully running?

The Minister for Economic Development:

Locate Jersey?

The Connétable of St. Ouen:

Yes.

The Minister for Economic Development:

Yes. Locate Jersey is a rebranding exercise of a function that was already being carried out of inward investment and it was part of Jersey Enterprise. Jersey Enterprise consisted of support to small and medium-size on-Island, broadly non-financial services businesses. Within Jersey Enterprise, there was a 2-man team, in fact, a lady and a gentleman, to be precise, who ran inward investment activity, looking to bring in low-footprint high-value businesses to the Island, I touched on it before. They have achieved, in my view, a significant amount in the last 3 or 4 years. I have mentioned the 85 to 90 businesses, a broad range of types of business, and the 900-odd job opportunities that that has created. Inward investment is an absolutely key and essential plank to diversifying the economy and growing the economy in the future and, most importantly, in job creation. So it has been running, it is continuing to run, it is just a seamless action. All that has happened is we have branded because Jersey Enterprise is, as a brand, closing to create Jersey Business. Having taken advice, it was deemed that the inward investment function should have a proper and clear branding, and we went through an exercise to arrive at Locate Jersey. There are various other inward investment organisations in other jurisdictions who call themselves similar things: Locate ... I cannot think of an example at the moment.

Deputy Chief Executive:

Invest is another one.

The Minister for Economic Development:

Invest.

Deputy Chief Executive:

I think it is important to point out that we deal with this at no cost, we literally changed the name.

The Connétable of St. Ouen:

Yes. One of my questions was what was the cost involved, but there was no cost involved.

The Deputy of St. Martin:

When it comes to inward investment in 1(1)(k)s in particular, do you have criteria for a successful year? If it is, is it the number of physical people that come or is it the value that they bring with them that you look for?

The Minister for Economic Development:

I think the way in which we approach 1(1)(k)s has changed in recent years. We are certainly keen to attract 1(1)(k)s who I would describe as economically active as opposed to somebody who has sold a large business and wishing to perhaps retire, we feel there is greater value to the Island for economically active 1(1)(k)s who are going to start or sponsor business angel funding for businesses. This subject has been touched on on many occasions and in many different forums, but 1(1)(k)s contribute significantly to the Jersey economy in a broad range of different ways and they are valuable. In terms of numbers, their numbers did drop considerably some years ago; there were, I think, no more than one or 2 a year. I think on average we are hitting about 8 or 10 at the moment. There is no set target but one would broadly, if you look at the average, that is probably where we are. If we got a few more than that, and they were the right type of individuals, I think that would be beneficial for the Island. But you are never going to see large numbers, it is always going to be small but the contribution will be large.

The Connétable of St. Ouen:

So for somebody who just comes with a large amount of money who just wants to live here, you are disinclined to encourage them to come, or ...?

The Minister for Economic Development:

It depends. You take every case on its merits. What we are seeing is there are far more people who are much younger, and consequently therefore are not retired and want to carry on in business; that is particularly attractive from the Island's perspective. We take every application and treat it on its merits, but I was perhaps making the point, to be clear, that we are seeing a lot more younger people, and they are economically active, and that is something we are very much encouraging and keen to see. It is good for the Island in every respect.

The Connétable of St. Brelade:

Is there a minimum investment for a 1(1)(k) now, and what are the criteria? What would be the bottom level if you were looking to come to the Island as a 1(1)(k)?

The Minister for Economic Development:

On the basis of what you would need to qualify or are you talking about ...

Chief Executive:

It is what you have to pay ...

The Connétable of St. Ouen:

Really, yes, I suppose what the bottom line would be.

The Minister for Economic Development:

It is £625,000 at 20 per cent and then it is 1 per cent on worldwide after that.

The Connétable of St. Ouen:

Sorry, I did not know that, that is why ...

Chief Executive:

I think it is important to point out that 1(1)(k)s is a very small proportion of what we describe as inward investment. Inward investment is companies, more often managed companies coming in with the principle, perhaps, of having a (j) cat, and then employing local people to run their business.

[11:00]

There are very good examples from last year of mining companies, oil companies that have done exactly that. There is one mining company that has employed 2 local geologists who are now working in their operations around the world, but Jersey people who have graduated in geology, probably before that, very little opportunity for them to work out of Jersey, but that is now what they are doing.

The Deputy of St. Martin:

I wanted to come back to that because business investment is hugely important. Something I have not been happy with for 10 or 20 years is Government's lack of investment in light industry, and it has been a long time since we have put any infrastructure into the Island for light industry, from what I can see. There has been talk of hi-tech parks and clean-tech and bringing these businesses to the Island, which I think would be hugely beneficial, but we need somewhere for them go. Are we making some strides towards finding sites for these people to set up?

The Minister for Economic Development:

As an example, in fact, it was a 1(1)(k) curiously which relocated to the Island in scientific research, that was his background, and he has set up a facility up at the Lido Medical Centre, in front, and in fact, that was another very good example. It is very specialist in terms of the scientific research that they do, which I will not begin to start to try and explain now, despite the fact I have seen it.

The Deputy of St. Martin:

Spectrometers. Yes. I have been there.

The Minister for Economic Development:

Yes. Exactly. But he advertised for some local research assistants. Obviously, we make people advertise for local employment and we did not really expect him to be successful. He has managed to take on 2 local Jersey residents back from university who had the necessary base qualifications and he is training them up in this highly-specialised scientific research element, which I think just goes to show you can never

say there are not local opportunities here. Those are 2 individuals who would never have come back to Jersey without this.

The Deputy of St. Martin:

I am going to move on because I am conscious of the time, I am also conscious that at 11.30 a.m. this room is required by somebody else and we need to be finished well before then. Harbours and Airport's incorporation, I am not going to dwell too long on it, but we were given to understand things would have moved a little bit quicker and it might be somewhere in Q.1, which we do not appear to have been. I just wondered if you could bring us up to speed as to where we are, please.

The Minister for Economic Development:

Yes. We are slightly behind in the terms of the business case that is in its final, I understand, stage of preparation for either proving or disproving the potential for incorporating harbours and airport. That is going to the board meeting, I believe, this week, and I expect to have, therefore, the outcome of that particular business case, which I had expected at the end of the first quarter, so we are just slightly behind on that timescale. Ultimately, if the case is proven from that and we are able to progress forward, we would be looking to prepare a report and a proposition. I have said that this decision is one that should go to the States. The business case, when proven, I am happy to share with yourselves, and the idea is to lodge and hopefully debate around about June-time.

The Deputy of St. Martin:

One of the many drivers behind the incorporation of Harbours and Airport was the assumption that it could aid with the development of the St. Helier Harbour. Do you see that you are going to be in a position to push for the harbour to be developed to the south in the future? I am aware that the slowdown in building, the slowdown in the economy is going to be a factor in maybe that not happening, but do you feel that there is still a need for that to happen, regardless of whether the money is there or not?

The Minister for Economic Development:

That was not the only driver for incorporation. Perhaps just to wind back very briefly. We have gone through a process of integration between the Harbours and the Airport. We have put in place, as you know, a shadow board, we have put a new management structure in place and rationalised the business as a whole. All of that has positioned the Harbours and Airport to be more effective in considering I think what you are talking about, Chairman, which is looking at and exploiting more commercial opportunities to ensure, and this is the key driver, the long-term sustainability and self-funding model of Harbours and Airport into the future. By way of example, it was only a year or 2 ago that financial models prepared for both were showing that the Airport had in excess of £100 million funding gap over the next 20 years. The good work with the new structure, the new board, the new Group Chief Executive is that they have already got that down to somewhere round about £30 million. There is more work to do, it is still a funding gap, it is still a problem, but they have made significant progress, all of that without incorporation. Of course, moving towards incorporation really gives the opportunity for the combined entity, if it was a combined Harbour/Airport incorporated body, to act in a more commercial manner to seize commercial opportunities, to be more fleet of foot, to control their own future, to raise funds, if possible, to exploit commercial opportunities and do what you are

talking about. That is really for them to deal with if we get to that stage. I think it puts the structure in place to allow what you are talking about to happen, an enabler.

The Deputy of St. Martin:

I am going to move into a related topic. Next year we see, we believe, the new ferry licence for sea transport, and the sea transport policy is something that gets referred to in many of these documents. I know Constable Paddock has got some questions he would like to ask about that.

The Connétable of St. Ouen:

Yes. I believe the contract is up for renewal next year. Will this go out to tender, is that the plan?

The Minister for Economic Development:

Yes, the ramp owner licence comes up for renewal in December next year, December 2013. We have to make a decision as to how we are going to deal with that and transmit that to the incumbent operator by no later than June of this year. We are working with Guernsey at the moment on the way forward. There is an officer group working with Guernsey and also working with the incumbent operator to see what indeed it is that they would be in a position to offer if they were successful in getting a licence in the future. Once that piece of work is concluded, a decision will be taken as to whether indeed that has progressed, if it is satisfactory, or indeed, whether a tender will need to be considered. If we were to consider a tender, again, that decision would have to be made by June of this year, but that decision has not been taken yet. I should emphasise it is absolutely essential that we work with Guernsey on this because, frankly, our sea passenger and freight routes are a network: U.K., Jersey, France; you cannot split them up, they include Guernsey, and no operator is just going to want to cherry-pick one bit, in other words U.K./Guernsey or Jersey, southern route, France. So it is a network, we do need to work with them and we have had some constructive conversations to date. As I say, this officer group is currently working with the incumbent operator to see what they would offer should they have the opportunity.

The Connétable of St. Ouen:

You have answered one of my questions, it was: "Are we working with the other islands?" It might not be cost effective to have 2 operators, but how can we make sure that the service and the fares are competitive for the end user?

The Minister for Economic Development:

The subject of competition is one that is close to my heart. I always believe that competition is the better option rather than regulation in a particular market. That said, there are some markets where it just does not necessarily work, is not sustainable. There has been research undertaken over the years. Oxera, you will be familiar with that particular organisation, have done a review of the sustainability of the sea routes and in particular the impact of competition. The view is that competition is unsustainable. We have seen on the southern route, for example, other operators come and go. There has been a lot of media coverage and other views as to the reasons for that. The fact is the route is not sustainable with competition year round. Yes, you can make it work on the southern route in summer when there is plenty of activity, you cannot make it work year round. The reality is that even for

one operator, the southern route, for example, is not viable in the winter, and yet we make the operator run a route through the winter because Islanders want it, they want to get to their homes in France and other things. So the operator is having to carry a cost that, if you and I were running the business, we would not have to carry, it is just the cost of having the benefit of the licence. In terms of how do we control prices, we have the ability to consider regulating the route if necessary, there is clearly a cost to regulation, and we would need to consider with the new licence, when it is put in place, whether or not we commission the J.C.R.A. (Jersey Competition Regulatory Authority) or similar to actively regulate. As I said, there is a cost to regulation and the cost ultimately usually feeds through to the consumer, so we do need to be careful of getting the balance right. The threat of regulation, of course, has also the benefit of keeping an incumbent or a new operator on their toes and delivering better value.

The Connétable of St. Ouen:

Have we ever considered a subsidy which made the operator ensure that we had a cost effective service?

The Minister for Economic Development:

No. Certainly not in my time, there has been no suggestion of subsidy. We have worked with not just ferry companies but airlines in terms of providing grant support for opening up new routes, developing routes where there is economic value to the Island where we are bringing people in supporting tourism, or whatever it may be, but not purely for operating the service per se..

The Connétable of St. Ouen:

With the amalgamation eventually with harbours and airport, are you happy that the necessarily qualified people are there to ensure that we have the correctly qualified captains, et cetera, for the services that will be offered? It is ironic that I ask this question because it is the anniversary today of the sad incident that took place last year. Will we have the on-the-spot experts such as ex-harbour masters, et cetera, to make sure those qualifications are there?

The Minister for Economic Development:

Well, you mention the sad incident that happened a year ago, that was as a result of a Condor vessel with their captain and their staffing and it happened in French waters, just, otherwise we would have to be dealing with the investigation and what-have-you. As it happens, it is the French authorities that have dealt with the investigation, but we have independent professional bodies that are called in, if indeed an investigation into a particular incident is required, and obviously commercial operators have to provide appropriately-qualified staff for their vessels.

Chief Executive:

The issue of regulation is not handled by Harbours, that is handled by E.D.D. so maritime regulations, ensuring people have the appropriate certification, is a legislative function that is undertaken within E.D.D. by the Marine Compliance Manager rather than by Harbours itself, who are simply self regulating its users.

The Minister for Economic Development:

That is a position that has changed in recent years and it changed for the airport as well. We used to be operator and regulator, which is, as you can appreciate, not a

very satisfactory situation, hence that has been split up both at the harbour and at the airport.

The Deputy of St. Martin:

All right. We are just going to move to the last subject, there are literally 2 questions that we would like to know about the Licensing Law, well, one question really; my words will only be an observation. I think it is right to say that the licensing laws might have a number of laws which really need updating, but probably will not get updated in the very near future, but we hope so, but the Constable may have some other questions he would like to ask.

The Connétable of St. Brelade:

Obviously, there was a question that was given to the Minister for Home Affairs last week. Are you currently working together with the other 2 Ministers involved in trying to progress this because it seems to me that there is a bit of a stalemate with it at the present time, and what is the sort of time frame in moving it forward?

The Minister for Economic Development:

This has been difficult. This is our law, as you will appreciate. It is a law that we are keen and determined to progress, despite the fact it has been stalled over a considerable period of time, because of largely the differences that have arisen between the different departments' views. Clearly, we have one from an economic point of view where we need to consider the impact on local trades, local businesses and so on. Home Affairs have a view from a policing point of view and, as such, I recently went out with police the other night to see what it was like on the front line, which was an interesting experience. I have to say it was not as interesting as I thought it was going to be because it was minus 1 degree and most people were not causing any trouble in that sort of temperature. So I have said that I will go back out in summer time when it is a bit livelier, perhaps.

[11:15]

But I was very impressed with the approach of the police and I got the impression from their point of view, certainly the officers on the front line, that they do not see a significant issue because they are able to manage it quite effectively, and I think it very much is about how you manage it. Then, of course, we have got the Health Department and I suppose we are at one end of the scale and they are probably at the other end of the scale, almost in a prohibition area, and I think it is trying to corral the differing views of the department into an accommodation in a sensible place to deal with some very serious and real issues. We have too many young people drinking too much at times and it needs to be dealt with. I think we all agree on the principle that we do not want young people drinking too much, however, the solution, the way we deal with it, that is where the differences of opinion currently lie. We have had a meeting recently, which was constructive, between all the stakeholders, all those that are interested, and we have agreed that we are going to on the basis of that meeting where we have reached consensus in a number of key areas, consolidate the position paper, take it to the Council of Ministers in the second quarter of this year. The intention then is that I would like to publish a White Paper with a view of moving towards instructing draftsmen to bring the legislation forward, which obviously will

come to the States for debate. Looking at the law drafting time that is in reality going to be some time, I would anticipate, next year.

The Connétable of St. Brelade:

Just a very short question, the answer will probably be fairly easy. Presumably you have been lobbied by businesses and the breweries and people that you obviously have to deal with. Has that been quite strong lobbying? Obviously, there are probably a lot of issues that they are not happy with and I presume one of them might be something we brought up with the Minister for Home Affairs over dealing with binge drinking and minimum pricing. What are your views on, for example, minimum pricing, do you see it as an issue or problem for the people that you have to deal within an economic front?

The Minister for Economic Development:

There has not been what you described as significant lobbying. Some have made their views clear about minimum pricing; you will be very aware of what has been proposed in the U.K. If you want a personal opinion, I am not of the view that minimum pricing would necessarily work. I do not think it is really the answer to the problem, but I think we will need to give that some more consideration, that is very much a personal view.

The Deputy of St. Martin:

I have got one more quick question, have you had ...?

The Connétable of St. Brelade:

No, that is both in one.

The Deputy of St. Martin:

In that case, I would like to thank you, Minister and your officers for coming this morning. I am sorry we have gone over time a bit, but there were a couple of subjects which I am sure we will come back to at our next hearing. Also, thank you for your attendance. I declare the meeting closed.

[11:18]