

**ECONOMIC DEVELOPMENT DEPARTMENT**

**DISCUSSION PAPER ON  
THE DEVELOPMENT OF A PUBLIC PRIVATE PARTNERSHIP (PPP)  
FOR THE MARKETING AND PROMOTION OF JERSEY  
AS A VISITOR DESTINATION**

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## 1. Executive Summary - The Increasingly Competitive Market Place - How Should Jersey Respond?

The international market place for leisure and business visitors has always been highly competitive. Recent developments in e-commerce and broadband internet access have allowed all visitor destinations to compete in the market by developing and increasing their profile utilising multiple direct channels to market. All governments recognise the importance of destination marketing and, as a consequence, invest in brand building, marketing and communications to establish market presence. This market presence, in Jersey as elsewhere, compliments the activity of businesses in the visitor economy who then have confidence to invest in their product and undertake tactical marketing activities to attract visitors and increase profitability.

The States of Jersey has a long record of significant investment in both destination marketing and in-Island facilities and off-Island transport infrastructure. The evolving competitive landscape means that we cannot stand still and assume that, of and by itself, Jersey will remain an attractive visitor destination - it will not. We have seen an upward move in the quality of hotel accommodation driven by unprecedented levels of investment in new quality hotels in St Helier. This has, to an extent been complimented by investment in existing and new activities for visitors. During 2007, The Economic Development Department (EDD), through Jersey Tourism, changed fundamentally the branding and marketing of Jersey in our key UK and European markets and placed a new emphasis on support for air and sea route network expansion. This combined private and public sector investment has delivered results, with 2007 seeing the first material increase in visitor numbers for many years. With this success behind us, the Island must look at how we can deliver the “1+1=3” outcome by increasing the effectiveness of the combined efforts of the public and private sector in Jersey’s visitor economy. To do this, we must question whether we have the most effective organisation, funding and delivery mechanisms to exploit the opportunities of real public/private sector collaboration. If we do not, we will, during a time of intense competition from other visitor destinations, “miss the boat”.

The Locum report, “Jersey - A Destination Audit” (Appendix 1) examined the current position of all elements of Jersey’s visitor economy and compared the Island’s “offering” to current and future market demand. In addition, it described examples of best practice for destination marketing in both the UK and Europe. The work concluded that, amongst other key developments that should be delivered, a Private, Public Partnership (PPP) might represent the most attractive option for the future marketing and promotion of Jersey. Locum subsequently undertook a specific project to further investigate options and best practice for PPP’s in the UK and Europe (Appendix 2).

This is a very significant change in culture for both the public AND private sector. It will and can only work to the greatest effect if ALL marketing and promotional activity in the Island is either under direct control or can, to a great extent, be influenced by the PPP.

Based on examples of best practice, what are the characteristics of a Private/Public Partnership (PPP)?

1. The PPP would be independent of the EDD and established as a purpose trust. The funding relationship between the PPP and the Government will be through

a Partnership Agreement compliant with States Financial Directions. This will include agreement to deliver outputs and outcomes that will be directly related to grant funding levels, annual business plan and marketing plan approval

2. The PPP would be a stand-alone organisation that would not benefit from centralised EDD support such as HR, Finance or IT and as such would incur some additional costs. This is examined later in the paper.
3. A governance model comprising a Chairman, Board and an organisation headed by a Chief Executive Officer would be established. The Chief Executive would be a Board member.
4. Comparable models in existence are Jersey Finance Limited and the Jersey Conference Bureau.
5. The PPP would be charged with delivering a series of outputs, measured by Key Performance Indicators (KPIs) that would be agreed with the Minister for Economic Development
6. Whilst the PPP would receive initial funding from the Economic Development Department at a level equivalent to current departmental budget expenditure applied to Jersey Tourism programme and staff costs, subsequent funding would be dependent upon the PPP's ability to generate a significant level of private funding which in turn would secure the public financial support on an ongoing basis. Jersey Tourism currently generates approximately £1,015,000 revenue from the private sector, £765,000 of this revenue being derived through joint marketing and the remainder through the accommodation guide (StayJersey). There is also a private sector contribution to the Conference Bureau of £90,000.
7. The PPP proposal would increase the joint marketing revenue from £765,000 to £875,000 in the first year [2010]. In the subsequent year [2011] a further £150,000 target would be set with further increments set to build industry contribution to the marketing process.

Whilst from a financial perspective it will take a significant period for additional revenues to improve the marketing fund due to added costs associated with set up and additional staffing this is still an attractive option from a destination marketing perspective as it increases the involvement of the industry in the management of the resources for the benefit of all. However there are significant challenges if it is to succeed. The primary challenge will be to persuade industry partners to provide funds for centrally managed campaign activities. Alternative options, should such industry funding not be forthcoming are:

1. Status quo, if the PPP or alternative proposals fail to secure support - this is not an acceptable outcome
2. A "Tourism Board" option under which a board constituted in a manner described later in this paper would operate under the authority of and provide advice to the Minister. Under the latter it would still be possible to increase industry contributions to funding but the additional funding would be associated to specific marketing activities rather than through direct

annual contribution. This option could be implemented whilst working towards a full PPP incurring some additional staffing and administration costs but without the full estimate of £650,100 which would be required for the first year, and subsequent additional sums of £440,100 for ongoing years.

The preferred option is the formation of a PPP. At its core, the PPP is a relationship between EDD and the Industry by which the resources currently deployed by EDD in the visitor economy would be redeployed to the PPP. This redeployment would be contingent upon additional funding of £260,000 being raised by the private sector as shown in appendix 5.

This proposal would therefore have the benefit of raising the funding available for developing the visitor economy and at the same time would place the responsibility for the management of marketing the destination with a board who would enjoy the strong support of the Industry and the States.

It is proposed that once the Scrutiny process has been completed, that a Report and Proposition will be presented to the States Assembly to provide the legal framework to create the entity which would take future responsibility for tourism.

#### Phase 1

Appointment of a Chair and Shadow Board (following Nolan Principles) to advise the Minister on Tourism policy and to oversee, with EDD senior officers, activities leading to the creation of the full PPP. These appointments would be undertaken by EDD with the full support and engagement of the Appointments Commission. There will of course be costs involved in the setting up of such a Board and it is envisaged that the non-States Board members would be remunerated for the services they provide.

Preparation, planning and agreement on the creation of the PPP Private Sector Funding Structure to secure the necessary private sector funding to augment the substantial EDD investment and deliver the benefits of the PPP would constitute a significant element of the work to be undertaken during this phase.

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

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

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

Money spent by the industry in support of individual marketing activities outside of the PPP and the Jersey brand could be considered an eligible private sector contribution, however this judgement would be made on a case-by-case basis by the PPP Board .

The industry have set out in Appendix 5 the additional revenue which might be expected with a breakdown of the individual component sums which would add a possible £312,000 to the marketing spend which could be available to the PPP.

## 2. Introduction

The marketing and promotion of Jersey as a visitor destination is currently undertaken by the Tourism and Marketing section of the Economic Development Department. Political responsibility for the sector rests with the Minister for Economic Development. The main representative body of the industry is the Jersey Hospitality Association (JHA).

Regulatory functions, previously undertaken by the department have, in recent times, been transferred and activity has focused on marketing and customer facing services, reflecting a more modern approach to the development of an industry which has matured as customers have become increasingly more sophisticated and aware.

Visitor numbers to Jersey had, until 2007, been in steady decline as the nature of market demand from our key UK market changed in response to the phenomenal change in the development of tourism products and their distribution. In particular the emergence of low cost airlines offering access to more destinations at affordable cost and customers utilising direct booking across the internet has driven much of the change in market behaviour. The trend is towards shorter stays in multiple destinations and away from the traditional Jersey market in 7 or 14 day “bucket and spade” vacations. To put it bluntly the competitive landscape changed and Jersey had not kept up with the changing market conditions in both product development and marketing - we were providing and selling a product that the market was moving away from and we needed radical change to exploit the current and future market trends. The Locum report, “Jersey - a Destination Audit” published in September 2006, highlighted the gap between current demand and the Island’s ability to supply and market a product that matches it

In the last two to three Jersey has benefited from a significant level of private sector investment and is now better placed to offer a quality product to the UK. Thanks to increasing air and sea transport networks to Continental Europe, Jersey is now more accessible to the European visitors who, in common with UK residents, are increasingly taking short stay holidays.

The challenge to Jersey’s Government and Industry is how best to capitalise on the changes in market demand - to increase revenues from the visitor economy and encourage future investment on the Island whilst expanding our all important transport links. This is a huge task and one which is only likely to be achieved by encouraging all sectors to work more closely and preferably in partnership.

This paper has been prepared by the Department, working in close co-operation with Jersey Hospitality Association (Appendix 5). The figures for industry contribution are modest and therefore should be easily achieved but should be viewed as the minimum acceptable level for the partnership if it wishes to be seen to provide a financial benefit for the industry as a whole

If approved the Public Private Partnership (PPP) would undertake the marketing and promotion of Jersey as a destination for business and leisure visitors.

In summary:

1. The PPP would be independent of Government and established as a purpose trust.

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

In consideration of the most appropriate way forward a report was commissioned from Locum Consulting, a firm with significant experience in the tourism sector and in Jersey in particular. This report examined a range of alternative models for a PPP, based upon best practice elsewhere (Appendix 2). The findings of that report form the basis of the proposal and are summarised in Appendix 1, together with observations on the contextual relationships which exist between the various organisations operating in the sector. What is clear is that, whilst there are many different organisational models from which Jersey could learn, our circumstances are unique and will require a specific Jersey solution.

### **3. Objectives and Benefits of the Proposed PPP**

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

## 4. PPP Structure and Functions

### 4.1 Governance

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

### 4.2 Constitution of the Board

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

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

In order to attract and retain an appropriate quality representation, the Board members would be remunerated for the services they provide.

### 4.3 Staffing

Current (2009) staffing levels in Jersey Tourism team are:

The current permanent staff complement is supplemented by “seasonal” employees in the Visitor Services Centre during the summer months. Gross costs for this team are £1,200,000 in 2008 excluding JCB staff that cost an additional £95,000. The cost of conference bureau staffing is met from the grant from EDD to the bureau which is combined with the membership income to form the annual budget for bureau activity. A more broadly based membership scheme would be a component of the PPP.

Additional services are provided centrally for finance, building management, human resources and information technology. It is estimated that the separation of the organisation from the Economic Development Department and the need to provide membership services would increase the staff requirement by an additional 5 posts, 2.5 of which would be compensated by the amalgamation of the Jersey Conference Bureau and the transfer of the JCB Manager.

The Jersey Conference Bureau (JCB) has a total staff of 2.5 (1 based in London and 1.5 based in the Jersey Tourism building in Jersey). The gross cost of this team is £95,000.

Following the establishment of the PPP and the amalgamation of the Jersey Conference Bureau the full complement of staff would equate to 31.5 FTEs at a cost of £1,436,500 including provision for pension and Social Security contributions. This would represent an additional cost of circa £141,500 at 2009 approximate costs after an allowance for current Conference Bureau staff.

As there is a significant duplication of activity between the JCB and the PPP, it would be more efficient to combine the two, from a staffing perspective, whilst leaving the conference marketing specialist operating in that specific sector, but as a part of the new PPP team.

Appendix 4 provides a breakdown of existing posts and details of the additional requirement to cover administration, finance and membership services.

### 4.4 Private Sector Funding Structure

To achieve the full benefit of the PPP, a mechanism for delivering the additional private sector contribution to the total PPP marketing and promotion budget, must be introduced. To achieve this objective, based on best practice in the UK and elsewhere (Locum reports, 2006 and 2007), a Private Sector Funding Structure possibly including a membership scheme or levy would be a fundamental component of the proposed PPP. This is currently under discussion with the Jersey Hospitality Association as the components of a membership scheme would be a key contribution method to the new revenue stream and would also be a method of providing industry members with representation within the PPP structure.

It should be structured in order to encourage the widest possible participation, with two price levels based upon the number of employees. A target of 200 members would be established by the end of the first two years of operation.

For the Jersey Conference Bureau, membership contribution is set according to the size of the entity and related to specific marketing benefits. This works for the bureau as there is a smaller number of members with a common purpose. It may however be difficult to apply this approach across the wider visitor economy sector in Jersey, where a much broader range of marketing activities is undertaken.

A modified proposal has been developed to engage with the private sector to deliver the necessary funds to achieve the additional revenue.

The membership proposition has the following characteristics:

- Members would have the opportunity to advertise in publications and on the website and participate in marketing activities such as trade exhibitions.
- Members to receive bi-monthly newsletters and the opportunity to attend a minimum of 3 marketing briefing sessions per year
- Members to be entitled to use a quality assured bird mark to promote their services.
- Members would receive professional support for planning their individual campaigns.
- Proposed costs would be varied dependent upon the size of the organisation. An initial view is that a lower membership cost would be applied to organisations employing less than 15 people and a higher charge for those whose employees exceed this number.
- Member categories would include Accommodation providers, Tour Operators, Attractions/Activity Centres, Retail Outlets, Transport providers and Corporate.
- Members will be supported by a nominated account manager within the partnership.

#### 4.5 How will the PPP differ from Jersey Tourism?

The PPP must be a real partnership if it is going to be successful. This makes it imperative that private sector members, who will be making a contribution to the annual budget, are given a significant role to play in partnership with EDD who would continue to be the major source of funding.

Throughout the organisation, from its Board through to employees and members, individuals will need to subscribe to the partnership ethos and be empowered to adopt a commercial approach to marketing and promoting Jersey as a visitor destination.

The Locum Report has largely concluded that the functions currently performed by Jersey Tourism are appropriate and should be continued as they mirror good practice elsewhere. However, the competitive landscape is constantly changing and Jersey must also change to maintain and grow market share. The emergence of e-commerce and internet in the market place with the associated need to match

consumer requirements dictates significant change in the marketing and promotion of the Island.

An independent PPP, established outside the EDD structure, will require functions which are currently provided centrally to EDD's Jersey Tourism team by the States of Jersey. These include financial management and processing, information technology provision/support and human resources. These are all necessary and will need to be provided either by direct employment or under a contract either with the States of Jersey or with a private sector supplier. Both options will have one-off and recurring cost implications for the PPP.

It will also be imperative to deliver, through an account management function, membership services which, from the experience of the Jersey Conference Bureau (JCB), are financial and resource intensive.

As the existing JCB employees are already working in the areas of accounting and membership services, we have assumed an amalgamation of this function within the PPP, creating greater utilisation of the key competences. However, it is proposed to retain the role of Conference Manager and the JCB membership scheme as separate entities as they have a track record of proven success. They could continue to flourish alongside the PPP membership scheme and deliver added value and increased productivity. To account for this added requirement an estimated cost for a further 3.5 posts has been included in the cost estimates (plus the 2.5 JCB posts).

## 5. Budget, Objectives and KPIs for Jersey Tourism - the basis of funding and objectives for the PPP.

To assess the likely budget and outputs of the PPP, the 2009 Jersey Tourism budget and business plan has been used as a benchmark. It is this budget and these outputs that, had Jersey Tourism now been a PPP, it would be expected to deliver.

It is a realistic assumption that in 2010, when the PPP is in prospect under the shadow board, that this budget can be used for planning purposes. The exact level of public sector (EDD) grant funding to the PPP will be captured in a Partnership Agreement between the PPP and EDD similar to that in effect for Jersey Finance Limited. In this model, funding determined by:

Agreement between the Minister and the Board of the PPP on a three year rolling business plan and budget (one year budget and two year projections) with defined outputs associated and marketing programme.

Achievement of the additional private sector funding over a 4 year period, captured in the business plan and delivered by the Board through a membership and revenue generation scheme (Section 4.4)

The 2009 gross cost of EDD's Jersey Tourism team to EDD, including the cost of services provided from within the Department is:

Jersey Tourism budget - 2009	£
Core Programme	4,450,000
Staffing	1,200,000
Value of Central Services	332,700
Value of current commercial activities	1,015,000
<b>Total</b>	<b>6,997,700</b>

The current Jersey Tourism team within EDD is tasked with delivering strategic and operational objectives.

The Jersey Tourism team is an integral part of EDD and, as a consequence, enjoys the benefit of a number of centrally provided services (appendix 4) that would be required to be funded by the PPP once independence had been achieved.

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

This figure is calculated as follows:

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

Supplies and services includes licence fees for the main tourism data base at a cost of £60,000 and all of the other ancillary computer charges but excluding Jerseylink which is in the activity budget.

Building costs include rental and other charges for the building calculated on a percentage utilising 3.5 floors of the current building.

These figures are best estimates based upon current cost and which are calculated using the extensive buying power of the States which may not be replicated within a smaller stand alone entity. New relationships would need to be negotiated with service providers and are unlikely to be lower than those stated above.

#### 5.1 PPP Budget - 2009 Basis

The PPP would be established with a grant equivalent to the programme and staff related costs of the Jersey Tourism team. Reflecting the independence of the PPP, no grant provision will be made to replace the value of direct services provided by the States to EDD's Jersey Tourism team as shown above

The EDD contribution in 2009 to marketing and promotional activity is £4,450,000 with a further £1,200,000 of staff costs. This is supplemented by an industry contribution of £1,015,000 which is largely generated through industry contribution to joint marketing activities and through advertising revenues. If the PPP proposal is adopted it is anticipated that with an additional industry contribution of £110,000, in 2010 the process of increasing industry contribution would be commenced and expectations are that these could be increased by £150,000 in the following year and then further increases being added annually.

<b>Proposed Budget-Turnover for PPP</b>		<b>2009 Base Year</b>	<b>2010</b>	<b>2011*</b>
<b>Income</b>				
Income from EDD for marketing activity			4,450,000	4,450,000
Income from EDD staffing			1,200,000	1,200,000
Income from Industry			875,000	1,025,000
Jersey Conference Bureau (Industry membership)			90,000	90,000
Accommodation brochure (Advertising revenue)			250,000	250,000
<b>Total</b>		<b>6,755,000</b>	<b>6,865,000</b>	<b>7,015,000</b>
<b>Expenditure</b>				
Staffing at proposed new level		1,200,000	1,386,500	1,431,350
Additional administration costs		Included	650,100	440,100
<b>Total staffing &amp; administration costs</b>		<b>1,200,000</b>	<b>2,036,600</b>	<b>1,871,450</b>
Marketing programme value (EDD grant + industry spend - staff and administration)		5,555,000	4,828,400	5,143,550

(Note 1) The Conference Bureau income is being shown in 2009 for comparative reasons as it does not form part of the budget.

For the purpose of this comparison the assumption is that industry contribution will be increased by £110,000 in 2010 and then a further £150,000 in 2011 in accordance with the figures in appendix 5 produced by the Jersey Hospitality Association. It should be noted that this additional income does not compensate for the additional costs involved and that a much more ambitious target will be required if additional marketing activity is to be undertaken

The one off additional IT set up costs of £210,000 are applied to 2010 followed by on ongoing cost of £160,000 per annum.

Staff costs are increased across the two year period as it is unlikely that they would all be engaged at once.

The administration costs for budgetary purposes for 2010 and beyond which are to be funded within the PPP budget have taken the current costs for supplies and services, administrative costs, and premises and maintenance less those IT costs

which are covered by the new IT specification which has been prepared and which indicates a one off set up cost of £210,000 and annual running costs of £160,000.

As shown below this produces a total for additional running costs for non staff of £650,100 in 2010 and £440,100 in 2011.

#### Breakdown of additional administration costs

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

#### Marketing Plan and Key Performance Indicators

##### 6.1 Strategic Objectives

Increase the value of the visitor economy, measured by GVA published by the States Statistics Unit, by a minimum of 2% in 2011.

Develop partnership arrangements with the industry which will create an increased level of involvement in planning and delivery and will result in improved financial contribution - this is a proxy for the PPP membership scheme (Section 4.4).

Consistent with the Island Brand, implement a consistent brand communication to enhance Jersey's image and profile.

##### 6.2 Operational Objectives and KPIs

- Publish a suite of printed brochures to exceed customer expectation at each stage of the customer life cycle.

KPI - advertising revenue and conversion ratios.

- Develop a full e-commerce and e-marketing capability with Jersey.com as the primary source of customer communication and convert enquiries into business for Jersey and revenue for re-investment.

KPI- web unique visitors and affiliate revenues.

- Increase volumes of passengers from regional departure points through joint marketing initiatives with carriers and tour operators.

KPI - increase in air and sea route network and passenger arrivals.

- Develop integrated communications to target segmented areas either by primary target audience or niche markets.

KPI - customer response data, participation in direct mail and media evaluation

- Set up and sell participation in the proposed partnership membership scheme.

KPI - numbers of members and revenue generated.

- Provide a lively and attractive festival and events programme which covers as many months of the year as the budget will allow to enhance the quality of visitor experience and encourage event led tourism.

KPI - customer satisfaction and attendance/unit spend.

- Generate high value media coverage through a range of media in all source markets.

KPI - value of media coverage measured by industry norms

- Increase customer experience and consequently on Island spend through the promotion of Jersey's best offerings.

KPI - numbers using visitor centre and customer satisfaction surveys.

- Encourage investment in quality throughout the key visitor areas by taking a leading role in town centre management projects.

KPI - measurable improvements in the quality of the public realm.

## **7. Human Resources Issues**

Current employees of EDD's Jersey Tourism team are civil servants, employed by the States Employment Board. It is anticipated that many members of the existing Jersey Tourism team will transfer to the PPP.

Whenever the States of Jersey has transferred any employees from out of its direct employment, for example, the Jersey Financial Services Commission and Jersey Telecoms, it has followed good practice and has adopted the approach set out in the United Kingdom's Transfer of Undertakings (Protection of Employment) Regulations (commonly known as TUPE). This legislation is designed to provide employment rights for those employees whose employer changes as a result of a transfer of undertaking.

In essence, the effect of this legislation is to preserve the continuity of employment and terms and conditions of those employees who are transferred to a new employer. It is as if their employment contracts were made with the employer to whom they have been transferred. Every term and condition of their contracts of employment, every collective agreement and everything done in the past will be as effective upon transfer as it was on the day immediately before transfer.

In addition to the above, it will be recalled that the States of Jersey has also entered into a commitment with all its employees that, during a period of significant re-organisation, it will not enforce compulsory redundancy on any of its employees who are no longer required in their current roles. In such circumstances, the States would manage the situation through re-deployment or by mutually agreeing voluntary redundancy terms.

Thus, in considering the potential situation that might arise when employees of the Tourism Department are transferred to a newly formed PPP, both of the above considerations have influenced how it is considered that this should take place.

### **7.1 Transfer of Employees**

It is anticipated that the majority of the current employees of the Jersey Tourism team will continue within the new PPP. It is therefore considered that these employees should be transferred to their new employer under the same terms and conditions that they currently enjoy. An employee who is unwilling to accept such a transfer should be allowed to make that decision. However, where this occurs, such an employee should be considered to have voluntarily terminated his contract rather than transferring it and he would not, therefore, have title to any redundancy terms provided by the States of Jersey.

Where, however, there are no equivalent roles for a Jersey Tourism employee in the new PPP or where there are significant differences between the role that an employee currently undertakes and other roles that remain vacant within the newly created PPP, it would be inappropriate for the States of Jersey to require that person to transfer. In these circumstances, the States should offer alternative suitable employment for those employees within the public sector or agree mutually acceptable redundancy terms. Clearly, it would not be fair and responsible to force employees into roles for which they are not suited, nor would it be sensible to place the success of the new PPP in jeopardy if such people were

placed into roles for which they did not possess the relevant knowledge, skills and experience.

An additional safeguard that will be provided to any employee who has transferred to the new Tourism PPP - and which has been provided to other employees in similar circumstances - is that these people will be circulated with all vacancies that arise within the public sector and would be able to apply for any such vacancies for a period of a year following their transfer. If they were to make a job application then they would be treated by the States of Jersey as if they were a States' employee, which would mean that they would have to undertake any of the recruitment processes that are applied on such occasions to internal applicants.

An important element of the TUPE approach in the United Kingdom is that all employees and their representatives are informed of the intended changes. Where such significant changes are to affect employees, it is good practice to ensure that they fully understand how they would be affected. Such an approach has always been fully accepted and supported by the States of Jersey and staff representatives and Tourism employees will be fully consulted over the proposed re-organisation.

## 7.2 Pensions and Public Employees Contributory Retirement Scheme (PERCS)

Another important feature of earlier transfers of public sector employees has been the continuation of membership of PERCS. The newly created organisations to which the employees have been transferred have been accepted as "admitted bodies" for the purposes of PERCS and employees have retained their membership of the pension scheme. It is felt that a similar approach should be adopted in the case of the creation of the Tourism PPP.

An actuary study has been undertaken in June 2009 to ascertain the value of past service debt in respect of employees currently working in the tourism team and to inform decisions as to how future pension arrangements might be made.

The Actuaries have confirmed that with the relatively small numbers of staff involved, there is an assumption that no ring fenced fund would need to be set up and that an admitted body status might be the most appropriate way to proceed.

The Tourism share of debt has been calculated at £1.4m as at December 2008.

There are some options as to how this might be resolved and these will need to be considered before progress can be made.

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

## 7.3 Terms and Conditions

It was noted earlier that TUPE has been applied by the States of Jersey where transfers have occurred outside the public sector. It has always been recognised that, in such circumstances, it is vital for all employees to secure their existing terms and conditions. However, as the new organisation develops, it is recognised that circumstances might change and that it might be appropriate to adjust these terms and conditions to reflect the altered circumstances. This is recognised and permissible within the terms of the UK legislation and has occurred in the past in the case of employees who have moved from Jersey's public sector. Clearly, any

such contractual revisions would have to occur within the terms of the Island's employment legislation.

#### 7.4 Centralised Functions

Currently the Tourism function within the Economic Development Department receives the support and guidance of a number of centralised functions, such as human resources and ICT. In creating the new Tourism PPP, the revised organisation will not necessarily continue to receive this support and consideration will need to be given to the manner in which such support will be gained in future.

It is possible that the Tourism PPP might wish to retain the services of these functions from those employed within the public sector under a new service level agreement. However, it is suggested that this might not be an appropriate route to follow. As the new organisation adjusts and transforms itself in response to its new environment, it would seem more relevant to consider how to meet these challenges in ways that are unique to its own particular circumstances.

It is felt that the administration and day-to-day management of these functions might be provided in-house. However, strategic support and high level advice and guidance might be "bought in" from appropriate agencies that exist within the Island. All of these functions are of major significance to the effective management of the new organisation and so it is vital that careful consideration is given to the range of services that need to be bought in and the success with which it is considered that any external agency might be able to meet its particular requirements.

## **8. Recommendation**

The recommendation to the Minister is that the proposal for a Public Private Partnership (PPP) should be implemented, subject to agreement by the States and for satisfactory arrangements being made for existing members of Tourism staff.

Early implementation is desirable and would of course be possible if the process and commitment to funding moves along at a quicker pace.

## Appendix 1

### THE LOCUM REPORT- PUBLISHED APRIL 2007

#### Key Conclusions

“Form follows function”. The organisation must be based upon the objectives that it seeks to achieve. Whilst there are many different organisational models from which Jersey could learn, our circumstances are unique and will require a specific Jersey solution.

There are 4 roles which must be considered and which are fundamental to future success -

1. Leading and co-ordinating the development and promotion of the destination
2. Attracting visitors
3. Serving visitors
4. Serving the industry.

The first three of these roles are likely to remain with the new entity whilst the fourth, at least in part, currently sits with the Jersey Hospitality Association.

The decision on whether to create a P.P.P could depend on its ability to secure significant additional funding for the Jersey brand and this in turn could require the additional support of non tourism businesses.

The organisation should seek to incorporate businesses which operate in key commercial hubs and could possibly develop a town centre management function in partnership with the parish of St Helier.

To facilitate joint funding, a membership scheme should operate possibly with two tiers, one for corporate members and a second for smaller businesses in the tourism sector. This will ensure the involvement of a broad base of business interests who would benefit from the promotion of Jersey in the UK and European market place.

The future involvement of both the Jersey Conference Bureau and the Jersey Hospitality association should be given further consideration.

The structure of the new organisation could consist of a number of executive groups each with responsibility for delivery of a specific market segment, including visitor services, holiday Jersey, prestige, conference Jersey, events and festivals.

## Appendix 2 Locum 2

## 2. Options

The following is a summary of possible options. 3.4 is the one that we recommend and we have outlined in more detail in section 4.

### 2.1 No change

The existing structure could be retained, perhaps with some relatively minor changes to provide a fresh approach. They might include the creation of forums to oversee key aspects of the delivery of the strategy on a similar line to those suggested in the next section.

Jersey Tourism has recently been reorganised, with a new management structure, but the changes have not yet had time to bed in. Jersey Tourism has been talking with the Jersey Hospitality Association about how they can work more closely together and remove causes of friction.

#### *Advantages*

- Would cause minimum disruption and allow focus on the job at hand without distraction by organisational change.
- As mentioned previously, the existing structure has relatively clear delineation of the four roles outlined in section 1.2.
- Retains the ability of the Jersey Hospitality Association to speak independently on behalf of the tourism industry.

#### *Disadvantages*

- It would be seen as preserving the status quo. There seems to be an appetite for more radical change in order to address the major challenges facing the industry.

### 2.2 A "Virtual" PPP

A structure could be established that resembles a PPP without it actually becoming an independent entity. This is the approach taken, for example, by New Forest Tourism.

It could apply to either a narrow focus tourism oriented organisation or one that is more broadly focused on the promotion of Jersey (i.e. the two options outlined below).

It could entail the creation of executive committees, similar perhaps to those outlined in the next section. Staff would, however, continue to be employed by the States within the Department of Economic Development and it would not be a legal entity.

#### *Advantages*



- Could create better collaboration and many of the advantages of a PPP without upheaval.

*Disadvantages*

- The freedom of the organisation to act boldly could be undermined by its lack of independence from the States.
- It probably would not be as effective in releasing additional funding from the private sector as a proper PPP would be.

### 2.3 A Tourism Focused PPP

This would involve the creation of a PPP that was focused on the traditional tourism sectors - especially accommodation and attractions. It would probably mean the merger of Jersey Tourism and the Jersey Hospitality Association into a single independent organisation.

It would probably also be logical for the Jersey Conference Bureau to be included. It would probably have a membership scheme, a continuation of that of JHA.

It would be similar to a regional tourist board in England.

*Advantages*

- A streamlined way of bringing the private and public sectors together to develop and promote the industry.
- Would be seen to represent major change and a fresh approach.

*Disadvantages*

- Would cause considerable disruption while it is being implemented.
- Might be seen by existing staff to represent less security.

### 2.4 A Wider Focused PPP

This would be similar to organisations like Marketing Manchester, The Mersey Partnership and Göteborg & Co. Its remit would be to promote the image of Jersey for all purposes and to improve the quality of life on the island for the benefit of visitors and locals alike.

It would engage with a wider range of businesses in doing so. It would probably have a two tier membership scheme - "normal" membership for businesses that are directly involved with the visitor economy and corporate membership for those that are not.

*Advantages*



- Should have the capacity to release considerable more resource from the private sector by engaging major players that have an interest in the success of Jersey but are not directly involved in tourism.
- Engages with companies, especially from the retail sector, that benefit from tourism but currently do little to contribute to its promotion.
- Should promote a more collaborative cross-sectoral approach to the marketing of Jersey, along the lines that New Zealand has taken.

*Disadvantages*

- May be conflict with Jersey Finance, which represents many of the largest players on the island.
- Possibly a less direct focus on tourism issues.



### **Appendix 3**

#### **ORGANISATIONS OPERATING IN JERSEY AND THEIR RELATIONSHIP TO A PPP**

##### **The Jersey Conference Bureau (JCB)**

The JCB has been operating as a corporate entity with issued shares organised as a Not for Profit Purpose Trust with a rolling 3 year budget under the management of its members for the past 11 years. Current funding is circa £320,000 pa with an approximate public: private sector ratio of 3:1. Public sector funding comes from the Economic Development Department (EDD) and is accounted for in the Tourism Marketing element of the EDD budget.

The JCB Board is elected from and by its members, with the Chairman being approved by the Minister for Economic Development and non-voting representatives from the EDD Tourism Department and the Jersey Hospitality Association who act as advisers.

This has been a successful arrangement which has enabled the JCB to market the sector to the maximum advantage, with members deciding policy and strategy.

The PPP proposal includes the integration of JCB into the new organisation. Although there is an argument for not changing a successful model we must also avoid “reinventing a wheel”. Many of the lessons learned and good practices adopted by the JCB can add significant value to the PPP, particularly during the start up phase. Integration will also generate cost savings by eliminating duplication in areas such as membership management and financial accounting.

##### **THE JERSEY HOSPITALITY ASSOCIATION (JHA)**

As the main representative body for the industry, the JHA will be a key partner in the PPP. Representatives of the JHA have been closely involved in the discussions about the proposed PPP.

The JHA (which recently celebrated its 50<sup>th</sup> anniversary) is a membership organisation which represents a broad range of the industry including accommodation providers, tour operators, attractions, restaurants, and carriers. In order to maintain its independence the association will operate in parallel with the proposed new organisation for a period of three years until 2011 when it will review its position and decide whether to merge with the PPP.

As the PPP will have the sole responsibility for marketing it will be necessary for the association to transfer the responsibility for publishing the accommodation brochure. This is currently being achieved by a partnership arrangement between EDD and the JHA in which the JHA receives a grant for the delivery of a range of services for the industry and delivers agreed outputs. These services will include training, recruitment and other activity associated with quality assurance and skills development from which the industry would benefit. This arrangement is the subject of an annually negotiated service level agreement. Following the establishment of the PPP, it would assume EDD's role in the partnership agreement

## **THE TOURISM DEVELOPMENT FUND**

Operating under an advisory panel appointed by the Minister for Economic Development, the Tourism Development Fund exists to consider and evaluate requests for funding of tourism related projects. Officer support is provided by the department.

There is currently an unspent balance of circa £0.6m. in the fund but there are a number of live requests being evaluated. Consideration has been given to broadening the fund criteria to economic activity. No decisions have yet been taken on future direction although there are proposals being worked upon to consider tax incentives for those investing in the industry.

As the proposed remit for the new organisation is largely tourism marketing related it is proposed that the TDF maintain a relationship through the presence of a senior representative at panel meetings, but that the administration remains with the executive of the Economic Development Department.

## **TOWN CENTRE MANAGEMENT**

The Locum report made a strong reference to the need to improve and promote the experience in St Helier as towns provide an important ingredient for a short stay and much of the recent investment which has taken place has been in the environs of the town and waterfront.

Work has already been done through working groups and the Parish but there are aspects which could benefit from further detailed attention.

These include:-

- Areas which could benefit from a makeover such as that which has been achieved in Conway Street and Broad street, and along the Esplanade .
- Enhancement of the festival and event programme to increase the frequency and quality of entertainment in the town centre.
- Banners and decoration to highlight key periods throughout the year and at times of the major festivities such as Christmas and the Battle of Flowers.
- Extend the programme to the waterfront in St Helier and to the waterfront harbours of St Aubin and Gorey.
- Creating and maintaining an atmosphere which is conducive to work and leisure and which is welcoming and friendly.

The partnership would have a keen interest in achieving an improvement in what is often described as the public realm which would be as beneficial to our visitors as it would be to our residents. Funding for these initiatives is challenging but much can be achieved by working together and combining even meagre budgets. The membership scheme which is being proposed would certainly encourage St Helier businesses to participate and might also generate support for the common good initiatives.

## **MARKETING SUPPORT FOR ECONOMIC DEVELOPMENT DEPARTMENT**

Since the formation of the Economic Development Department, internal marketing support for non tourism functions has been provided by the tourism marketing team. Notable success has been achieved in areas such as Jersey Produce with a number of campaigns for the Jersey Royal potato and promotions for local produce where it has been possible to obtain greater leverage the Jersey brand by aggregation of our export range.

- With the new Enterprise team undertaking an increasing number of marketing functions it would be beneficial to retain an arrangement by which support could be provided in order to maintain the service.
- The partnership would be in a position, subject to availability of staff, to undertake tasks on a rechargeable basis for both marketing and communications. It would be envisaged that these services would have to represent value for money and therefore have cheaper charge out rates than those currently available in the commercial market place.
- This arrangement would require careful management and each task would need to be properly briefed and signed off according to the terms of an SLA or similar mechanism.
- There would be many benefits in doing this for both organisations in terms of efficiency and value, but the main objective would be to ensure consistent marketing under the Jersey brand.

## Appendix 4

### STAFFING IN THE ORGANISATION

The current staffing of the Tourism Section of Economic Development has an F.T.E of 25.5 consisting of permanent civil servants, a contracted UK based employee and some seasonal posts within the visitor services centre.

The breakdown in terms of business activity is as follows:

Director, Marketing Manager and team x9, Public Relations Manager and team x2, Festival and Events Manager and team x2, Visitor Services Manager and team x 5 and also 5 summer seasonal staff members (2.5 F.T.E).

In addition 2.5 staff are retained by the Jersey Conference Bureau, a P.P.P. which receives a significant provision of its budget from EDD/Tourism.

All of the above staff are engaged in operational activities and whilst some re-organisation might take place within P.P.P. there is no scope for re-allocation of these staff without reducing operational functions.

The following protocol for additional staffing of 3.5 F.T.E assumes the integration of UK Conference Bureau (1.5 F.T.E) into admin/membership plus the Conference Sales Manager who would continue his similar role within the P.P.P. taking the total staff compliment up to 31.5 F.T.E.

### ADDITIONAL STAFFING/CENTRAL RESOURCES

A number of employees will be required to provide support services to the Board and management team of the PPP. Employees will be needed to ensure that a number of important services such as finance, human resources and administration will run efficiently and effectively. The central resource team should be headed up by a Manager who would take responsibility for all of these services and would be a new appointment.

Supporting the manager will be a number of staff:

**Finance** - It is considered that one full time equivalent will be required. At present, there is a part-time member of staff employed at the Conference Bureau who would be replaced in the PPP with a full time member. Tasks will include handling all membership fees, supplier payments, budget development support, bank reconciliations, cash flow maintenance and production of financial statistics for both Board and Senior Management Team.

**Administration of Membership Schemes** - The proposed membership schemes will need to be adequately supported in order that good service is provided to all those who join. The existing Conference Bureau membership scheme will continue and additional schemes will be introduced. The most significant new scheme will be that which incorporates all those organisations linked to the tourism industry. However, in addition, other schemes will be supported; including the existing "Friends of Tourism" scheme and a new category which will cover organisations which are not directly linked to Tourism but whose standing will be enhanced by the success of the Island and who will therefore want to be supportive of the industry.

It will be vital that efficient and effective support is provided to all members in order that they value the service that is being provided in return for their membership fee. As a consequence, it is proposed that 2 members of staff, a Membership Scheme Supervisor and a Clerk, are recruited to this team. The membership scheme supervisor would be transferred from the existing conference bureau staff.

**Administrative Support/Human Resources** - There is a need to ensure that all the routine human resources tasks associated with employees of the PPP are adequately performed and records maintained. In addition, there are a number of important support duties that will need to be performed for the Chairman and members of the Board of the PPP, as well as the Chief Executive and Senior Management Team of the organisation. For example, Papers and agendas for Board Meetings will need to be prepared, Minutes of meetings recorded, travel arrangements made, etc. It is therefore considered that a member of staff should be employed to undertake all of these duties.

In the light of the above, it is considered that 5 employees will be needed to take on the central resource role for the new PPP organisation. One and half of these employees will be transferred from the Conference Bureau, which would mean that three and half new posts will be created. However, it should also be recognised that some of the functions taken on by these staff are already undertaken within the Economic Development Department. Thus, action should be taken in that Department to seek to make savings as a result of the formation of the PPP and the consequential offsetting of some of its current role and responsibilities.

The approximate annual salaries of the above staff would be:

Post	£
Finance and Administration Manager	54,000
Membership Scheme Supervisor	40,000
Administration/HR Clerk	30,500
Finance Clerk	27,000
Membership Scheme Clerk	27,000
Conference Manager	50,000
Total	228,500

In addition both PECRS and social security contribution costs associated with these staff should also be taken into account at an additional cost of 10% (£22,850).

Total additional staff cost - Circa £251,350.

Less an allowance for current conference bureau staff who are funded from within the current Tourism/EDD grant of £95,000.

But with an additional cost of remuneration of non States board members estimated at £75,000. Therefore the additional staff and Board cost is £231,350.

## Appendix 5

### **Jersey Hospitality Association Industry Funding Plan Proposal**

Current industry contribution to the M&P programme is circa £1,080k  
Year 1 2009 £110k uplift, year 2 2010 £150k uplift, £260k in total with a further aspirational, not contingent, target of £150k in years 3 & 4, 2011 & 2012 respectively.

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

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

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

#### Membership Scheme

Est £ value

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

50k

#### Increased Joint Initiatives

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

87k

#### Redirection of Existing M&P Investment from Direct into the PPP

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

100k

#### Corporate Contributions

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

75k

**312k**

**September 22<sup>nd</sup> 2008**, Group: Paul Luxon, Gerald Fletcher, Robert McKenzie, Andrew Shrimpton and Malcolm Lewis.