

2.1 Deputy G.P. Southern of St. Helier to the Minister for Treasury and Resources regarding the stimulation of the Jersey economy:

In the light of the news that the U.K. (United Kingdom) is officially in recession and that the leading cause is a 0.1 per cent drop in the finance sector, which accounts for 29 per cent of the U.K. economy, what evidence, if any, does the Minister have to suggest that Jersey is not in recession and what further measures, if any, will the Minister take to stimulate the Jersey economy?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

The leading cause of the fall in U.K. G.D.P. (Gross Domestic Product) is not the 0.1 per cent fall in the finance sector. Most economists see the sharp fall in the construction sector within the United Kingdom as being the main cause and even then, the figures published last week are the provisional figures. G.D.P. figures are notoriously almost always revised with accurate information later on. The Deputy is aware that a recession is normally defined as 2 consecutive quarterly falls in real G.D.P. or equivalent measure of overall economic activity. We do not have quarterly figures and what G.V.A. (Gross Value Added) data we do have relates to the activity in 2010. However, the latest business tendency survey does suggest that conditions are weakening in the economy in 2012, both in Jersey and elsewhere, with business activity falling at a greater rate but 8 of the 10 indicators remained essentially at the same level as the previous quarter. It is because business conditions remain difficult for local businesses and unemployment is rising that the Council of Ministers has responded by tasking the Minister for Economic Development to bring forward his economic growth plan and in the medium-term financial plan funding appropriately for that, bringing forward £27 million of social housing projects supporting the construction industry which then supports the rest of the economy. In addition, the spending of £40 million of 2011 carry-forwards this year to support the economy and we are also supporting and considering other measures of support to support the economy over the coming months.

2.1.1 Deputy G.P. Southern:

Never mind quarters' recession. Does the Minister accept that the figures for the last 3 years, 2007-2008 were a 3 per cent drop; 2009 a 6 per cent drop in G.V.A. and 2010, another 5 per cent drop? What estimate does he have for the drop in G.V.A. at constant values for 2011 and does he accept that we are in deep recession?

Senator P.F.C. Ozouf:

No, I do not, and I refer the Deputy to the estimates compiled by the independent Economics Unit and overseen by the F.P.P. (Fiscal Policy Panel) which stated that the economic situation of Jersey was likely to be within a range but was probably around zero or slightly positive. I do not think that G.V.A. numbers in themselves are the actual barometers that we should be looking at. Certainly I agree with the Deputy that it is the issue of unemployment that is immediately the issue that the Council of Ministers is dealing with and we are responding proactively because we can, unlike some other governments, to key projects such as bringing forward social housing. I am not going to steal the thunder of the Minister for Economic Development's economic growth plan but certainly there have been discussions with Ministerial colleagues only yesterday about the latest draft of it and that is going to be bold and it is going to be positive in its outlook attempting to do the very best we can in what is clearly a very difficult economic situation.

2.1.2 Senator S.C. Ferguson:

The Minister has said that the recession in the U.K. is driven by the construction industry and given that the construction industry has been driven by overheating of the housing demand, is the same factor not applicable in Jersey?

Senator P.F.C. Ozouf:

I think the factors are quite different. I think it is important to understand the role that the construction sector has in the economy and what I would say to the Senator is that I believe that the economic situation of Jersey would have been far worse had we not engaged the Fiscal Stimulus Plan with the various initiatives in terms of capital infrastructure and housing projects. They made a real difference, not only to our infrastructure, but the third sector too and they kept people in work. That is one of the principal endeavours of the work that the Minister for Housing and myself have been doing in terms of stimulating order books for the construction sector which employs so many local people are very low and we are seeking to get good value for housing projects and we are seeking to get also projects such as the police station up and running, keeping people in work in a situation which would otherwise definitely lead to job losses.

2.1.3 Senator S.C. Ferguson:

Given that we were putting money into the construction industry, has that fiscal stimulus not, in fact, stimulated the immigration over the last 2 years?

[9:45]

Senator P.F.C. Ozouf:

On the contrary, I think that the Senator will be aware in her position as Corporate Services Scrutiny Panel Chairman that the rules surrounding fiscal stimulus were only “local employment” and I have said before on my feet in this Assembly that I myself went in the middle of the night to check on projects such as at Victoria Avenue to ensure that it was local labour together and I saw myself that that was the case. We delivered local labour for those projects and it was the right thing to do.

2.1.4 Deputy M.R. Higgins of St. Helier:

Does the Minister not accept that the fall in G.V.A. from 2008 to the present time, let alone this year’s figures, means that Jersey will not even get back to the level it was at in 2008 probably for another 5 years because the recession was that deep and the impact on the economy? Does he not think that having put all our eggs in one basket over the previous years of concentrating on one industry at the expense of all others has cost this Island dearly?

Senator P.F.C. Ozouf:

The Deputy and I often stand across this Assembly and disagree on what is optimistic about Jersey. Our industry, our engine of the economy, is financial services. The Deputy will be aware that last week I had the privilege of representing Jersey in Abu Dhabi. Abu Dhabi is one of those areas with the growing areas of the world, 13 per cent of our deposit base now coming from the Gulf Region, having added £1 billion worth of deposits on our Jersey deposit book over the last 12 months since we opened the Jersey Finance Office. We are concentrating our endeavours in the growing areas of the world where we enjoy a good reputation, where we can provide good quality financial services and we will continue to do so. I hope the Deputy believes, as I do, that we have a great future in providing quality financial services in the growing areas of the world and that is going to help make sure that we do diversify financial services quite apart from what we are doing in the digital economy.

2.1.5 Deputy M.R. Higgins:

I agree with the Minister that the finance industry is our main industry and we have got to keep it to save other jobs and to keep the Island where it is but does he not agree that the failure of previous governments was to concentrate on one industry at the expense of others, which means that the Island economy is vulnerable to shocks and we know that this recession was caused by financial services’ abuse and that we are all suffering as a result of it.

The Deputy Bailiff:

Deputy, if I may say so, you have got a question on almost exactly the same point coming up later.

Senator P.F.C. Ozouf:

I think the Deputy is simply wrong. The recession has been caused in the world by poor financial regulation in some countries and overspending by governments. That is why governments are, in the western world, in so much difficulty and while we have been chilled by these effects, and yes we have been affected by them, we have positioned Jersey to be in a much stronger position to seize opportunity and seize growth as other places cannot. The failure is not concentrating on financial services or overspending in this jurisdiction.

2.1.6 Deputy M. Tadier of St. Brelade:

I will not ask the Minister for Treasury and Resources whether he thinks that this position is the ultimate point of capitalism as that would be too much fun. The question I do have is does the Minister for Treasury and Resources agree with the comments of the former Chief Minister in March 2009 which said that there is no Plan B if there is a structural downturn in the finance industry? If he does not, does he agree that diversification is the real key to sustainably stimulate the Jersey economy going forward?

Senator P.F.C. Ozouf:

I agree that absolutely we must diversify. We must diversify the financial services industry from a product base and also geographically. It is important that we do recognise that that ensures that all our eggs are not in one basket. The drivers of different elements of financial services are different. Some are delivered by legislation, some by other factors. That is a key part of diversification and I agree with the Deputy that we do need to step up further our attempts to diversify into other service elements of the economy and I believe that the digital economy and I.C.T. (Information and Communication Technology) endeavours could present an important area of our economy in the future which Gigabit Jersey - which Jersey Telecom with the Treasury support - is now driving and now supported by the Digital Jersey Group which is the replica of Jersey Finance. This will deliver jobs and we are positioning ourselves well and we are going to put more effort and resources to deliver those jobs for people in Jersey.

2.1.7 Deputy M. Tadier:

The Minister for Treasury and Resources almost fell into the trap of simply talking about diversification in the finance industry. Will he talk about whether real diversification is possible at all when we have one high network in this industry which is capable of the cuckoo-in-the-nest phenomenon which makes all other industries too expensive and not worthwhile investing in, as we have seen this very previous Government taking money away from tourism and giving it to finance which is more than capable of funding itself?

Senator P.F.C. Ozouf:

It is important that we promote the Island and that is what we do and I would remind the Deputy that the allocations within Economic Development's budget - and it is almost as though the Minister for Economic Development should be answering these questions but I think we are absolutely united on our view - is that there has been a direction; he has maintained the support for the tourism and agricultural industry and, yes, we have been putting more in financial services and I do not agree with the pessimistic view that the Deputy has. I think that we have a great future in financial services, properly regulated, properly marketed, with all of the attributes of the way that we do things in Jersey perhaps unlike some other offshore centres which are receiving international attention and rightly so.

Deputy M. Tadier:

A point of order. Can I ask the Minister for Treasury and Resources not to attribute any views, pessimistic or otherwise, to me without a firm basis for doing so?

The Deputy Bailiff:

I do not think that is a point of order.

2.1.8 Deputy R.G. Le Hérissier of St. Saviour:

Notwithstanding the Minister for Treasury and Resources' optimism, and indeed the cautious optimism of many of us, would he accept the view stated by the departing Guernsey Minister for Treasury and Resources that the economy has to radically reposition itself in Guernsey because it is on a false basis essentially?

The Deputy Bailiff:

Deputy, is this not a question that can be put later on? Question 10 is precisely on this issue.

Deputy R.G. Le Hérissier:

Can I ask another, Sir? [Laughter]

The Deputy Bailiff:

Deputy, for you, anything. [Laughter] [Members: Oh!]

Deputy R.G. Le Hérissier:

Thank you, Sir. Would the Minister for Treasury and Resources consider whether or not the plans he is putting forward, particularly for construction, are sustainable plans? Is he, for example, convinced that proper apprenticeship schemes, proper training schemes, proper recruitment schemes, are in place as opposed to the almost hysterical and unconditional expansion of the industry which has occurred in recent years?

Senator P.F.C. Ozouf:

The construction industry is an important part of the economy. It employs hundreds of local Islanders and when order books, because the credit squeeze happens... those people find it difficult to find work and large contractors go out of business. We need to avert that happening and there is an alignment of objectives. The Minister for Housing and some other Ministers have a backlog in maintenance which needed to be sorted out and we have used the downturn to get good value for money for housing projects, Pomme d'Or Farm, Miladi Farm, all the others are now building new social housing for the benefit of our Island community. Yes, he is right; there has been some necessary improvement in terms of apprenticeships that need to happen with the construction industry. He is Assistant Minister for Education. His Minister sits on the Skills Board and there has been good work done on apprenticeships and other things. There has been a lot done but there is more to do.

2.1.9 Deputy G.P. Southern:

Could I repeat my question? Does the Minister have an up-to-date estimate of the G.V.A. figures for 2011 and 2012 and, if so, will he give them?

Senator P.F.C. Ozouf:

I have not got an update of where G.V.A. is compared to the Economics Unit and I honestly do not think that it would be a good use of the Economics Unit to update those figures at this time. The Chief Minister has said very clearly that the major objective of the Council of Ministers is to tackle unemployment and frankly, working out theoretical numbers, which are notoriously revised when the actual numbers come in, I think is a waste of resources. We need to tackle urgently our growing unemployment. We need to create the conditions for economic growth. We need to put public spending in order to ensure that there are opportunities for growth creation

that otherwise would not happen and we need to be thinking about the long-term growth strategy, which the Economic Adviser is working on. There are many debates in many parliaments about G.V.A. numbers. It is short-term politics. It makes good media fun but I think it is short-term and we need to be thinking about the medium and the long-term, not just having a “yah boo” in relation to numbers across this Assembly.

2.1.10 Deputy G.P. Southern:

May I have a point of clarification from the Minister since he went on to employment? Will he detail for Members the £67 million he quoted earlier and state how that £67 million is going towards creating how many jobs in the economy as of now?

Senator P.F.C. Ozouf:

I will give a consideration to answering that but, of course, the £40 million is the underspends from last year which departments are being allowed to spend, which itself is a stimulus to the economy, which means otherwise jobs and other procurement and people kept in work and the £27 million of the construction industry working with the Minister for Housing is going to create jobs. If he wants the number of it, I will try and do my best to estimate but it is quite clear that that scale of investment in the economy makes a difference.

The Deputy Bailiff:

All right. Can I just inform Members that we took 15 minutes on that question and it is not a debate; it is question time and so I am sorry that some Members will be disappointed that their questions were not answered but we must get on with question time.