



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

**THURSDAY, 4th JULY 2013**

**Panel:**

Deputy S.G. Luce of St. Martin (Chairman)  
Connétable S.W. Pallett of St. Brelade (Vice-Chairman)

**Witnesses:**

Senator A.J.H. Maclean (The Minister for Economic Development)  
Deputy J.P.G. Baker of St. Helier (Assistant Minister for Economic Development)  
Mr A. Sugden (Deputy Chief Executive Officer, Economic Development)  
Mr. C. Kelleher (Strategic Policy Manager, Economic Development)  
Mr. W. Gallichan (Director, Locate Jersey)

**Topics Discussed**

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[9:35]

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

Good morning everybody. Welcome to this quarterly hearing with the Economic Department. Before we start, usual housekeeping rules: no noisy electronic devices, eating, drinking, smoking, showing of teeth, laughing - all banned. Maybe we could start by just going around the table to introduce ourselves for the benefit of the microphone. My name is Deputy Steve Luce in the Economic Affairs Scrutiny Panel.

**The Deputy of St. Martin:**

Thank you very much for that. Minister, just a couple of very general subjects quickly, to start off with on transport. Could you update us as to work and progress on the replacement for Flybe on the Gatwick link next year?

**The Minister for Economic Development:**

Yes. To date there have been discussions with a number of airlines. The route is quite a popular route, as you may well be aware; quite a high level of traffic and generally high-value traffic so it is appealing to airlines. So far negotiations are ongoing. We hope to be in the position over the coming month or maybe 2 to be able to announce what the outcome is going to be in terms of a replacement for Flybe. As I have already stated in the States, Flybe continue until next year. So there is no immediate loss of capacity, but we are hopeful that the outcome will be at least at the same level in terms of numbers of rotations, and hopefully we expect to see an increase in capacity.

**The Deputy of St. Martin:**

The pulling back from Gatwick of Flybe is affecting Guernsey as well. Are you working with Guernsey on this? Is it something you speak to the airlines on together or do you work independently?

**The Minister for Economic Development:**

Well, we try and speak to Guernsey at a number of levels in a number of different areas because there are opportunities and indeed benefits for pan-Channel Island collaboration. There are some opportunities in the past that we have delivered on: for example, routes with Jersey and Guernsey combining to open up, a few years ago, a French Paris route. It added additional capacity by having the two Islands join together. There have been some discussions. Guernsey is certainly in a more challenging position than we are in terms of the routes that serve the Island. I know we are going to be coming on to talk about inward investment and such like. Jersey is far easier to sell because of our strong communication links with the U.K. (United Kingdom) and, for that matter, into Europe, to a lesser degree, than Guernsey. The length of their runway and the number of airlines that serve them are the difficulties, now with Flybe withdrawing will make it very

challenging for them. But we are very happy to work with them and options are being discussed; for example, interlining from Guernsey to Jersey to London, if that is something that would be of interest to them we are open to discuss that as a possibility.

**The Deputy of St. Martin:**

The other transport subject which we are also working with Guernsey on, I understand, is the Condor service agreement and the ongoing work that we do with that company. Can you update us as to where we are with the service level agreement?

**The Minister for Economic Development:**

Yes. I mean, that one is even more relevant in terms of pan-Channel Island collaboration. Over quite a number of years there has been various reviews which have looked at our sea routes, both car and passenger, and of course, essentially, freight. It is very clear that it is a network and, as such, for either Island to work independently is going to be to the detriment of the whole. So, yes, we have had some very constructive discussions jointly with Guernsey and indeed the current operator Condor. Their current agreement comes to an end at the end of this year. We are talking to them and negotiating with them. They have made an application for an extension, a period of 5 years, and that has been publicised. It has been in the *Jersey Gazette* - you may have seen it - which is an obligation which has to happen if somebody applies for a particular route. Their proposal is being considered by the Islands at the moment and fairly detailed discussions have been had between the Islands and also the operator to define what that might look like and, indeed, what would be required as part of that agreement; in other words, investment in vessels and so on.

**The Deputy of St. Martin:**

Is there a likelihood of the States of both Islands getting involved in investing in Condor or investing in boats?

**The Minister for Economic Development:**

That is not something that is very high on the agenda, as you might imagine. I know our colleagues in Guernsey have been keen to invest in an airline. It is not something that I think the Government of Jersey is considering.

**The Connétable of St. Brelade:**

In terms of links to Gatwick, is it a case of protecting the number of flights and the scale of the flights to Gatwick or will you be looking at options of watering that down and using other airports within London? Is that an option, or are you looking to purely protect the numbers of flights to Gatwick?

**The Minister for Economic Development:**

I do not think we should be too wedded to an exact number. I think at the time that Flybe withdraw, in the peak summer period they have 5 rotations and the rest of the year it is 4. To replace those is a possibility, but we have to consider the capacity of the aircraft. The Embraer, for example, they use typically on the Gatwick route is an 88 seater. Certainly 2 of the airlines that are interested in the route have got substantially larger aircraft, so they may well say: "We will not necessarily go for 5 or 4. We might do 3 instead." But it is that type of dynamics. I think one of the absolute key essentials is the early morning redeye flight. We are served with two airlines, British Airways and Flybe, at the moment. We would ideally like to retain that. I think that is important. So we need to look at it across the piece and not be wedded necessarily to it must be 5 or it must be 4.

**The Connétable of St. Brelade:**

But we need to retain some of the flexibility within those slots as well, presumably.

**The Minister for Economic Development:**

Flexibility within the slots and, in terms of other airports, it does in some respects amuse me that some airlines - and I am not saying this in a negative way - choose to describe, for example, Southend as London/Southend. We had some discussions some years ago when we supported the introduction at the time of a Heathrow route, which incidentally I think is very important for the Island. There are significant difficulties in trying to achieve that again, but we are always open to a debate about it and a negotiation if we can find a suitable partner. But at that time Flybe were arguing that it was taking business away from their Gatwick route and their Southampton route. They describe Southampton as sort of London/Southampton because of the very good rail link that exists between Southampton and London. It is not as straightforward as just Gatwick, but I think, as I said at the opening, we will get to a position where we will have broadly the same number of slots.

**The Connétable of St. Brelade:**

In terms of Heathrow, would that be purely down to cost?

**The Minister for Economic Development:**

Well, commercial realities actually, because of the value of the slot. You will have noted Flybe have sold their Gatwick slots for £20 million or whatever it was. The slots are sort of double the price at Heathrow. They are extremely valuable and for airlines to make a return on their investment they really do look at long haul and that is why primarily Heathrow has been a long haul airport. I would add that Gatwick, since the change of ownership, have been moving more towards trying to compete with Heathrow than what they did previously, and that has been one of the drivers behind them fairly significantly increasing their charges against the smaller airlines with smaller aircraft that are less environmentally friendly. That, I might also add, is where Guernsey

has a really significant problem, because their aircraft is smaller and less environmentally friendly than even Flybe. So their operating costs will be higher. The Government of Guernsey will have a decision to make, I suspect, in terms of additional support for Aurigny as the years go by on that particular route.

**The Deputy of St. Martin:**

It has been discussed in the past and I do not want to get into any great detail, but is it ever likely that Jersey will become the airport hub for the Channel Islands?

**The Minister for Economic Development:**

That was one of the points I made at the opening. We have offered to Guernsey the opportunity of discussing the potential of using Jersey for interlining purposes for Guernsey residents to come across to Jersey and then to London. That may well be not such a silly idea. It is not ideal if you are living in Guernsey, as you can appreciate, and that is why, when we come on to other subjects like inward investments and what have you, it does have certain connotations, I suppose, that they would I am sure want to avoid if they could.

[09:45]

**The Connétable of St. Brelade:**

This is a question we were going to throw in later on but I may as well cross it now. In terms of the current relationship with C. & E. (Commerce and Employment Department) in Guernsey, how is that relationship operating at the moment? Is there a positive feel about or is it moving down more of a negative route?

**The Minister for Economic Development:**

I think it is a business-like relationship. There is certainly very good interaction at both officer and ministerial level, but I guess the proof of the pudding in any relationship is the outcome at the end of the day. Although the language is positive, we have got to make sure there are deliverables because that will define whether the relationship is working to the best interests of both departments; but not just both departments, both Islands. It is critically important, in my view, that not just the relationship between E.D.D. (Economic Development Department) and C. & E. but Governments work well. There has been some very positive work going on at Chief Minister level, the Treasury in particular, and we have got to continue to build on that and make sure we have some outcomes to show for it. In the previous Government there were some good outcomes in terms of sharing of regulator for the airport, data protection, J.C.R.A. (Jersey Competition Regulatory Authority), sharing of Brussels office. All of that was effectively agreed and delivered on largely from the last group of politicians in the previous term. We have got to see some outcomes this time around.

**Assistant Minister for Economic Development:**

Can we just get back to the Gatwick question and say that one of the very positive outcomes of the next 12 months' negotiations is we should end up or are likely to end up with another airline that will allow local residents to interline through on to medium and long haul flights. For both business and leisure travellers that would be a huge advantage to the Island because at the moment British Airways is effectively the only airline that will allow you to check in here and go further afield. Subject to the final details and negotiations and who does pick up the slot, it is very likely that Islanders will end up with an alternative and I think that is a huge step forward. I think it will be a very positive move for us and it will naturally suck in some travellers from Guernsey.

**The Connétable of St. Brelade:**

You mention negotiations. You will not be able to go into details obviously because it is probably confidential and quite sensitive, but are we a fair way down the line in terms of who another operator may be?

**The Minister for Economic Development:**

Yes, and it was not a surprise when Flybe made the announcement that they did. We had been aware for some considerable time. As I think I said in the States, I had written to the Minister responsible in the U.K. Ministry of Justice, Lord McNally, and others including the Minister for Transport, expressing our concern about the direction in which Gatwick were going. There was very little in truth that they could do. We also wrote to the managing director of Gatwick Airport, but they are running their businesses. They have other priorities, but it was important to make the point and fight the corner - not just Flybe but for airlines generally - that regional routes are, for jurisdictions like Jersey, absolutely critical. For them to change in the model in the way that they were and put the prices up ... and even some of the other taxes like the airport's passenger duties, I mean, that is having an impact. If you look at Visit Britain on the tourism numbers in the U.K., Europe are the beneficiary of some of the pricing structures that have been put in place, not just with airport passenger duty. Also some of the immigration charges and other activities that the U.K. have undertaken in terms of raising funds have put up the cost and the barrier to people accessing the U.K. for leisure and business.

**The Connétable of St. Brelade:**

Is it too early to say whether E.D.D., in terms of the negotiations, has had to offer any incentives to another airline to come here? I know Ryanair have always said the cost benefit to them has to work out for them competitively. Would that be the same for another airline coming in here? Are they looking at you to provide some lead in terms of any incentive to come here?

**The Minister for Economic Development:**

Just a point on Ryanair, they do not have the fleet that can access our airport.

**The Connétable of St. Brelade:**

Too big?

**The Minister for Economic Development:**

Yes.

**Assistant Minister for Economic Development:**

It is a matter with their brakes. It is the same aircraft but due to the way they service and maintain their brakes and the material they use on the discs, that is the reason they cannot land here. They are arguably the same aircraft as other airlines but as they will not change the whole braking system they cannot land here. It is as simple as that.

**The Minister for Economic Development:**

I think they can land. The problem is they operate on a capacity model that they require about 85 per cent and they can only land with, I think, about 40 per cent or 50 per cent, which just does not work. So it is not going to happen with Ryanair as it stands at the moment. To be fair, I think the mix we have at the moment with airlines and routes is very good. With regard to your question about incentives, first of all the airport are now, and have been for a few years, actively managing the relationship. You would, I am sure, sit there and think to yourself: "Well, we would expect that to be the case." But it was not many years ago, that did not happen at all and indeed when an airline made a commercial decision to withdraw from a route the airport were almost the last people to hear about it. So we have come a long way in terms of moving to a much more commercial position, developing relationships, working with airlines when they have problems, and seeking to assist them in all number of different ways. This is through the airport - through the port, not through E.D.D. - in terms of landing charges and other sort of initiatives that can help an airline to make a route more viable than perhaps it is at any particular time. So those discussions go on all the time. It is as much about retaining existing routes in this climate as it is putting in place new ones. But if a new proposition came along and an airline said: "We need some support," then the airport would do what it could. If it could not do enough to secure something that was looking like it was in the interests of the Island then the ports would come along to E.D.D. We would look at it and put it through an economic model to see the value of the route. Primarily we are looking at the number of passengers inbound because we want to know what the benefit to the economy is going to be. If we could make that work then we, on top of the ports, would also look at potential subsidies or some other form of assistance, as we did with Heathrow.

**The Deputy of St. Martin:**

Are you in a position to subsidise one airline as opposed to another one, Minister?

**The Minister for Economic Development:**

There are potentially competition issues and, of course, that would have to come into the mix of consideration. That would depend whether the route had anybody else on it and, if it did, then the answer is you would have to give the same to both, for obvious reasons. But if it was a route, as in the case of the Heathrow at the time, where there was nobody else flying, there was then a debate as to where the catchment area was. That is where we got into discussions with the likes of Flybe who challenged, at the time, the decision to support Heathrow because they said it was going to impact their Southampton and Gatwick businesses. So those are the types of complexities that one has to consider, not just from our point of view in terms of using public money to support a route for the economic benefit of the Island, but also the competition aspects through the J.C.R.A. and so on.

**The Connétable of St. Brelade:**

By the ports becoming incorporated, will that allow them to operate in a slightly different manner in terms of reducing charges for airlines or would that always have to come through you, as the Minister, if they wanted to change potential costs to airlines to bring them in? I mean, they are not a private enterprise as such. They are still a public body, but would it give them more opportunity to be able to negotiate with airlines in terms of landing starts and fees and stuff like that?

**The Minister for Economic Development:**

They have moved now towards far greater autonomy and they have far greater flexibility, but there is absolutely no doubt that moving to an incorporated model will allow them even greater flexibility and it has to be beneficial in terms of building the relationships with key airline partners and developing new ones.

**The Connétable of St. Brelade:**

But in terms of major decisions like bringing in another airline, that would always be in the realms of the Minister's decision or would that be something you would have to be consulted on?

**The Minister for Economic Development:**

It depends. If it is particularly controversial yes, but they have far greater autonomy now. They operate a budget, they have to ensure that they have a positive budgetary flow and, providing they can operate within that, they can look over a 3-year cycle and work out whether indeed giving a discounted rate for a period to build a relationship that is going to pay back in years 3, 4, 5, that is a commercial decision that they can take now. That is exactly as it should be.



**The Connétable of St. Brelade:**

Presumably that type of decision would also be taken in consultation with someone like the Tourism Board, for example, if they felt that was the right route to go in terms of lowering costs at the airport to bring increased numbers in?

**The Minister for Economic Development:**

We have to be very careful about the lowering of costs. There is often a call from the tourism sector to reduce our landing charges. We did freeze them for a number of years, which has been forgotten about. We are not as uncompetitive as we were some years ago and, more importantly, we are flexible now, which we were not some years ago. It is that flexibility that is the key. It is a commercial decision and, as I have said, beyond the ability of the ports through negotiation of landing fees and other bits and pieces that they can do in terms of the general costs of an airline operating from an airport, they still have the option of coming to E.D.D. Even through an incorporated model, that would clearly be open for them to come to us to say: "We want to try and develop this new route but we cannot afford to do it. Will you have a look at it from Jersey's economic benefit perspective?"

**The Deputy of St. Martin:**

I want to go back to the order of play - we are already a little way into our meeting, Minister - if I may, and I would like to move now to Locate Jersey which is a subject we wanted to talk to you about. We have been speaking about Guernsey. Are you aware of how Guernsey go about its own version of Locate Jersey?

**The Minister for Economic Development:**

Only very broadly. I mean, they did not start at the same time that we did and I think the activities that they undertake are probably at a lower key and level to what we intend to do.

**The Deputy of St. Martin:**

We have seen in the most recent months an additional number of staff being put onto the Locate Jersey team. Could you explain exactly how that happened, given that your Chief Officer told us in a hearing quite recently that there would be no more jobs; he was not in the business of employing more people? How is that you managed to employ more people?

**The Minister for Economic Development:**

I think we have not if you look at the overall headcount. We have been obviously making some quite significant structural changes to E.D.D. in terms of delivery and this is the key bit. So we have outsourced, if you like, activities like business support to S.M.E.s (Small and Medium Enterprises); Jersey Business, which I know we will talk about shortly. When you look at that,

what we have done is effectively outsource those jobs and we have created some jobs with Locate Jersey. That has been necessary in order to ensure that function, which we see as a key function of Government, is properly resourced to deliver on the inward investment agenda, which is one which is central, as you will be aware, to the economic growth and diversification strategy. So the overall headcount has barely moved, but what we have done is we are outsourcing just about all the delivery functions of E.D.D. and have done over the last few years. We are focusing, with the exception of Locate Jersey, largely on legislation, regulation and policy-making, strategy and so on.

**The Deputy of St. Martin:**

You talk about resource. Do you have a number in your head as the cost of running Locate Jersey within your department?

**The Minister for Economic Development:**

It depends what year you are referring to, but Locate Jersey started in 2008 and had at that stage a budget of around about £278,000. We are perhaps not comparing apples with apples. I should explain that at that stage the 1(1)(k) high net worth activity was separate and that was around about £107,000 back in 2008. So if you add those 2 together then you get a more accurate view of where we are now. That was roughly £386,000 back in 2008 for those 2 functions. I mention that because we have put them together now, quite rightly. With the employment of Kevin Lemasney taking over, leading on the 1(1)(k) high net worth area, those 2 functions fall under Locate Jersey. The budget for 2012 was £561,000. That was the actual spend. We are looking at increasing that. Through 2013 we have increased the number of staff, which you have noted in earlier comment, to allow us to extend the level of activity that we undertake. That will see effectively a total spend of around £800,000 in Locate Jersey. When you add on top of that the high-value residency element it puts in a budget just in excess of £1 million for those 2 functions.

**The Deputy of St. Martin:**

So you are still looking upon the 2 separately?

**The Minister for Economic Development:**

No, no. They are together. I am just to try and give you a ...

**The Deputy of St. Martin:**

So the budget is around £1 million?

**The Minister for Economic Development:**

What we have done is we have more than doubled the high-value residency budget. I am comparing 2008 to now so that you hopefully have a clearer picture.

**The Connétable of St. Brelade:**

That budget for 2013, does that include the new post in China that was ...

**The Minister for Economic Development:**

Yes, that is within the budget.

[10:00]

**The Connétable of St. Brelade:**

What is the cost of that particular post in China, just as an individual?

**The Minister for Economic Development:**

Really interesting, it is about £65,000. That includes the office facility and the individual. The key element of this is that we are tied into it. Is it a one year ...

**Mr W. Gallichan:**

It is one year and renewal.

**The Minister for Economic Development:**

One year and renewal. So doing it as we have done, as a launch pad, that gives us access. It gives us credibility within the market which is very important with China in particular. To be seen to have invested in China is important. Perhaps we will come on to that in a minute, but it is a relatively low level investment to get really good access to that market.

**The Connétable of St. Brelade:**

It is somewhere you have spent a lot of time and obviously you are hoping to do a lot of business there. Are there any other locations that you are looking to maybe get a representative in or is that your main focus at the present time?

**The Minister for Economic Development:**

I would not like to describe anywhere as a main focus. I think the region: Asia Pacific, even Middle East, Israel, if you like. There are a number of interesting areas that we have been doing quite a lot of exploratory work, both from a Government point of view and also on joint delegations with industry. That is really important because what we have noted in places like China and Israel is that you get far greater penetration for businesses and far greater access if you do a joint Government and industry delegation. James has been out as well. Status is really important in those areas; so if you come along with a ministerial delegation, even though we are small, it is a very big status thing and it opens doors for the business community. So that is what we have been trying to do. In terms of other offices, we continue to monitor where the opportunity lies. The

reason that we opened up in China was because it was becoming clear that just popping in, as it were, on a trip and then coming back and even doing it 2 or 3 times, they do not really take you seriously. It is a sort of commitment. Although the money is low, it is the signal that we are serious about putting foot soldiers on the ground and, importantly, using somebody local with local contacts and so on is a big step forward. I personally believe - and we have discussions with the likes of Jersey Finance and obviously they have a number of representative officers in different places - we have to do far more collaborative working to make sure that we leverage the budgets of Jersey Finance and our budget and so on, so that these officers can be multifaceted. There is no reason at all that we cannot do that. It makes sense, it is more cost effective, and there are opportunities that exist there. Jersey Finance agrees with that. We will do that and allow our launch pad facility to be used by others as well. Obviously we retain control over it. We will see how we can develop from where we are.

**The Connétable of St. Brelade:**

This might be a question for the directors of it, but do you see Locate Jersey as a growing structure? Is it something that will need resources put into within a relatively short period of time? It is a market that you obviously want to grow, quite rightly, but is it something that you see as part of E.D.D. that you are going to need to grow in the near future, both resource-wise and maybe staff?

**The Minister for Economic Development:**

Yes. We have obviously put in place a number of extra posts. I think it is resourced quite effectively now to be able to do far more penetration into different markets and run different events. I think to date Locate Jersey - starting back in 2008 - has achieved, in my view, quite a considerable amount from a very small beginning. Basically Wayne and one other staff member initially right up until the end of last year; so a team of 2, effectively, within E.D.D. What they were able to do was largely develop and refine a sort of on-boarding. So leads were coming along. Whereas in the past, pre-2008, it meant that any inward investor, any 1(1)(k) had to largely go around all the different departments, get frustrated - many of them were never converted because they got fed up and left or if they did come on board they were left to their own devices - those 2 areas have been worked together effectively and so now we get far greater conversion in terms of leads coming through. Importantly, and this is particularly relevant with the introduction of Kevin Lemasney, he is working with high net worth individuals on the Island, bringing those groups together. That is creating more business activity, whereas they were all in their own little silos of 1(1)(k)s, doing their own business. A lot of them are very keen to add something more and they want to develop the networks and, to the benefit of the Island, it is very important.

**The Deputy of St. Martin:**

The cost back in 2008, Minister, as you said, for the 1(1)(k)s has trebled now to what we are paying for Locate in E.D.D. Have you seen a trebling in the output at the other end? Are we converting? Do we have targets and are we meeting them?

**The Minister for Economic Development:**

That is a very good question and one that I ask myself on a regular basis, not about: "Do we have targets," but making sure that we do have targets and that we seek to meet them. I think, just in terms of the budget trebling, although I gave you the 2008 and to-date currents, you have quite rightly pointed out that is a big jump. There was not a big jump between 2008, 2009, 2010, 2011, and 2012 when there was only a team of 2. The jump has been basically from the end of 2012 when the staff were recruited and the beginning of 2013. So, to answer your question in terms of output, which is the key bit, that is going to come slightly further down the track because the big increase in budget has been from 2012 to 2013.

**The Connétable of St. Brelade:**

You mentioned targets. How do you quantify your targets?

**The Minister for Economic Development:**

Probably the best way to put it would be within the enterprise strategy that I hope you have had a draft of. I hope you have a draft of it.

**The Deputy of St. Martin:**

Yes, we know all about the enterprise strategy. We are going to come onto that later.

**The Minister for Economic Development:**

Okay, jolly good. Within that, it is noted that we have put a target of jobs. We have had many discussions previously about the Innovation Fund and measurables and so on. One of the targets - and this captures probably the whole lot - is about job creation. What we want to see is jobs created. That is probably the number one measure and so the new enterprise strategy is setting a target of 1,000 jobs in 3 years. That is 500 high-value and 500 others.

**The Deputy of St. Martin:**

Okay. So that is split between Locate and other departments?

**The Minister for Economic Development:**

Well, within E.D. (Economic Development) or driven by E.D. The enterprise strategy has got to deliver. The target we are working on is 1,000 jobs over 3 years - 500 high-value, 500 through the

rest of the economy. What we are working on at the moment is the actual definition of high-value and there is a debate with the Economic Adviser on what that number looks like. As you will be well aware in the finance industry, for example, a G.V.A. (Gross Value Added) basis it is £120,000. We had a discussion around the £65,000, if you recall, for the Innovation Fund. The Economic Adviser's view is that it probably should be somewhere around that, but we are debating as to whether that is realistic. We are just finalising figures from a G.V.A. perspective that we can then use as a benchmark to performance at the end of calendar year.

**The Deputy of St. Martin:**

Are these jobs for locally-qualified people?

**The Minister for Economic Development:**

Yes. That is a good point because inward investment means there are going to be some people coming to the Island, and that is obviously in the framework of the population sensitivities. That is something obviously has to be explained and understood. The context is important. But overriding statistics demonstrate that since Locate Jersey was put in place the vast majority have been locally qualified. There has been a question mark around J-cats, which are locally qualified in the context of the law. Some may not describe J-cats as locally qualified, so we are splitting it out, but what we are seeking is three-quarters of the jobs created would be locally qualified.

**The Deputy of St. Martin:**

Would that include J-cats?

**The Minister for Economic Development:**

No.

**The Deputy of St. Martin:**

No, so none of those jobs would be J-cats.

**The Minister for Economic Development:**

This is the figure that we are looking at. In the past I have quoted in the Assembly that something like 80 per cent or 90 per cent of jobs have been local jobs. Those did include the J-cat element. The J-cat element is not huge, but it is a percentage of that. I think the enterprise strategy will be seeking to define more clearly that local job creation must be around about the three-quarters mark of the jobs created and there you will have an element of Js. The Js are not a problem, certainly in the overall figures if you look at the numbers of Js coming in and so on. The larger quantity of Js tend to go into places like health, education, and so on. So if you then break down

the J numbers to those that are going into finance, for example, or other high-value businesses, the numbers are pretty small, yet the multiplier effect is significant.

**The Connétable of St. Brelade:**

Obviously you have got a defined cost for running Locate Jersey. You have got a fantastic target of 1,000 jobs over 3 years, which I think is great. But in terms of pounds, shillings, and pence, have you got a figure in mind of the value over that 3-year period, for example, what it will bring to Jersey in terms of tax take and things like that?

**The Minister for Economic Development:**

The measurables are what we are defining at the moment and that will come out. You have seen, I think, the raw data and one of the later drafts of the enterprise strategy. What you are asking for is absolutely key and we have got to clearly define what that is going to look like. We have talked about the jobs. We are working now on the actual G.V.A. contribution and we have talked about figures around £65,000 or whether indeed that should be realistically lower. It is not going to be at the same level, clearly, as the finance contribution but we have to look at the average of the rest of the economy and ensure that high-value means above whatever the average of the rest of the economy is. There is no point bringing in something that is at the same level of what we have already got. We have got to raise that bar, but we have to be realistic in assessing where that bar is and that is the work we are doing with the Economic Adviser at the moment.

**The Connétable of St. Brelade:**

Do you realistically think you will be able to quantify a cost benefit of Locate Jersey as a single body in terms of what it brings in or do you think that is a difficult thing to prise out?

**The Minister for Economic Development:**

It is difficult but it is not impossible. I think there are a number of measures. You will not get it down to pounds, shillings, and pence absolutely, in my view, but you will get a very clear indication. You will want to see more jobs being created. You will want to see high-value jobs being created, and the contribution that you will see through the tax take from those high-value jobs. That is where the big benefit is, and the G.S.T. (Goods and Services Tax) and all the other associated ... I mean, you looked perhaps at the statistics issued on the finance industry the other day that showed the spend, which is not often talked about, the £700 million that goes into the local economy goods and services.

**The Connétable of St. Brelade:**

Obviously you will have people relocating here, probably some high net worth individuals as well. Presumably there is a figure on what they will be bringing in, in terms of there will be jobs and

there will be job opportunities and business opportunities, but also in terms of what they will be paying individually in terms of tax.

**The Minister for Economic Development:**

I mean, you are right with the question. In terms of measuring absolutely, it is not that easy, certainly with high net worth individuals, high-value residency. The 1(1)(k)s, quite simply you know what the tax take is, £125,000. You then have the one per cent worldwide. We are one of the most expensive places for somebody to decide to relocate to and we should not forget that. That is not necessarily a bad thing but we do have to be very mindful of the competitive level. It is fine being a little bit ahead of the pack, what you do not want to do is price yourself out of the market because it is not just the tax take. It is the other contributions. We are looking more and more now at 1(1)(k)s who are - I do not like the term but I cannot think of a better way of putting it - economically active. Historically you would get somebody who would sell up a large manufacturing business in the U.K.. They would have £50 million and they would relocate to the Island. You would guarantee your tax take but that was it. They would make, in their own right, contributions through charity and very many other ways, and that was good. What we are looking at now is individuals that come here who are still active in business, the average ages seem to be more in the 40s, and the added benefit to the economy is significant. Can we quantify it? It is difficult. It is difficult, to be absolutely truthful, and certainly the contribution in areas like charitable donations and so on are ... I am aware of a number that have been significant but, quite understandably, they do not want to talk about it.

**The Connétable of St. Brelade:**

It will stay confidential, quite rightly.

**The Minister for Economic Development:**

It stays confidential. I think, Connétable, you are aware of some perhaps and ...

**The Connétable of St. Brelade:**

Very generous people, with large amounts.

**The Minister for Economic Development:**

Absolutely.

**The Deputy of St. Martin:**

The numbers that you have provided us with, Minister, previous to this hearing, show that in the last 18 months we have had 55 businesses that have been granted licences. How many of those would be 1(1)(k)s?



**The Minister for Economic Development:**

That is a very good question. I am going to turn to Wayne.

**Director, Locate Jersey:**

I understand that in 2013 there has been 6 1(1)(k)s have physically relocated to the Island, some have only just arrived. You are obviously aware that the process of getting them here and landing them can take a long time, and settling in can take that time. So in terms of the businesses created here there is probably a couple of them that are in there. Some will not yet have started.

[15:00]

**The Deputy of St. Martin:**

So we have had 55 businesses and there is 8 or 10 which are 1(1)(k)s?

**Director, Locate Jersey:**

No, 6 1(1)(k)s have arrived in Jersey this year.

**The Deputy of St. Martin:**

What about last year?

**Director, Locate Jersey:**

That I am not sure of. I can check that for you.

**The Minister for Economic Development:**

In terms of numbers of 1(1)(k)s, they had been running at around about 6 to 9 a year. There has been a little of a blip and I think it was 2010 where it went slightly up on that. We are looking at a target more of 15 for next year but, as I have said, we are in a very competitive world. These are very small numbers, as you can appreciate, and one could, in my mind, be even more aggressive in time and I think we will because there are many reasons that people come here. As I have said, we are already more expensive than just about anywhere else for somebody to relocate in terms of what we require, but there are other reasons that people come here. I know we are not talking about financial services but there is so much talk about tax evasion and tax avoidance and so on. What people forget is a lot of people use Jersey for the professional services. That was where the industry was born and, critically, the stability and the safety. In a very unsecure world now, that is why people want to use someone like Jersey and that is why 1(1)(k)s want to be located here.

**The Deputy of St. Martin:**

So the 55 jobs over the last 18 months, on that basis if we have had 6 1(1)(k)s this year and we have had roughly 6 to 9 last year - let us say 15 - so still 40 of these businesses were not 1(1)(k)s. What is the main driver behind these businesses relocating then?

**The Minister for Economic Development:**

I think that is a really important point and that demonstrates what I was referring to earlier about on-boarding and how Locate Jersey has been very good at the on-boarding element, which we did not do previously. That is reflected in these figures and the previous figures. What we have got to do and what the enterprise strategy captures now is the need for more high-value inward investment. You are going to see more of a tying in between the 1(1)(k) activity and getting a higher number of those which will appear in the future figures of the businesses that have relocated here.

**The Deputy of St. Martin:**

But there are still 40 odd businesses that have relocated here, which are certainly not 1(1)(k)s. How are these people arriving on the Island that are being given employment?

**The Minister for Economic Development:**

Well, the individual may not be a 1(1)(k). They bring their business over here. They have significant earnings and potential, quite often, through the assessment of the business plan. I can think of one or 2 examples off the top of my head - one of which is financial services in the hedge fund area - that met the criteria under the J-cat criteria at the time, but their business plan seemed fairly aggressive and over a 3-year period they grossly exceeded what the expectations were. Interestingly, those people had the potential and the resources then to be able to apply for 1(1)(k)s. Of course, once you are here you cannot transfer from J to K unless it is prearranged.

**Director, Locate Jersey:**

I think to answer your question, Deputy, many of the businesses that are looking to relocate into Europe go around different jurisdictions. So they will go to Monaco, Isle of Man, Guernsey, Geneva, et cetera. They will make an informed decision based on the jurisdictions and the research they have undertaken. We do not win them all, quite obviously. Many of the businesses you have referred to - the 40 odd, 50 businesses that have come here - have done their homework. They have then come here. Much of that is down to intermediaries and the marketing they do. Some of it is down to the marketing that we have started to do as Locate Jersey. So the profile of Jersey has been raised and we are on the radar. That is very, very important. If we were not on the radar we would not even get to talk to them. One of the very important aspects that we do is the on-boarding and when we sit down with businesses - you may have seen some of the

testimonials on our website - having that access to Government and to the regulatory bodies that we provide is a service they do not get in many other jurisdictions. I sat with a business yesterday afternoon that is looking to relocate. They came in to visit us yesterday and they said: "If we go to London we get nothing like this whatsoever." So they really appreciate having the access and being taken through the hurdles - every jurisdiction has hurdles, but helped with that process - and I think if you were to speak to any of those businesses and just look at the testimonials there are some really good comments about the process that is in place. I think that is the question you were asking.

**The Deputy of St. Martin:**

Yes. Well, I am trying to get it in my head. These businesses then get J-cat licences to move here, do they? If they are not 1(1)(k)s, they will need a certain number of J-cats.

**Director, Locate Jersey:**

That is right. For example, a new business starting here, you might expect the chief executive or the chief financial officer, that level, to come in to start the business up. Then, as you will see from the figures, they employ local people. One element we have not spoken about is they also train up a lot of our undergraduates and graduates and pay for them to go to university and offer them placements in the summer, for example. They all want to work and they have training prospectuses in place for these people. They are very keen to work with us and understand the local community element.

**The Connétable of St. Brelade:**

Could I just ask on one particular sector and that is mining oil and gas. Obviously they may come and operate here and relocate to some degree, but obviously they are not going to be mining oil or gas in Jersey. What are the benefits to Jersey? Are these companies purely here from a tax point of view and that it is a benefit for them to be here? I suppose the finger could be pointing to saying that it is purely aggressive tax management to have these particular companies here. How would you answer that?

**The Minister for Economic Development:**

Well, our corporate tax structure, Zero/Ten, is attractive. I mean, that is one of the key elements of our inward investment proposition. I would add that we do not have anything else at the moment and that is something we are seeking to address. Most jurisdictions that are looking for inward investment - you will not grow and diversify your economy without it - have got a whole range of packages that they offer, relocation incentives and so on and so forth. We do none of that, but we do have Zero/Ten. So, to answer the question, yes, our corporate tax package is attractive and

that is one of the reasons why they come here. But the ones that physically are here and it is something like 7, is it?

**The Connétable of St. Brelade:**

It had 6 on this particular graph.

**The Minister for Economic Development:**

We do not hang around. There is probably 7 now.

**The Connétable of St. Brelade:**

But do they provide job opportunities here as well?

**The Minister for Economic Development:**

Yes. Those 6 or 7 physically are here. They are operating their headquarters, broadly speaking, or offices here that do real things; so it is not just a brass plate. There is something like 50 to 55 jobs in that number of 6 or 7 that have been created, the majority of which are local. Yes, there are some J-cats. So you have the C.E.O. (Chief Executive Officer) or finance officer or what have you, and each of them possibly that have been brought in.

**The Connétable of St. Brelade:**

The real expertise within the company?

**The Minister for Economic Development:**

The real expertise, but that is one of the advantages of this sector with the fact we are a financial services centre, and particularly as jobs have vibrated away - fortunately not too many - but there have been some jobs lost, as you will have noted, in financial services. That expertise, some of which are being snapped up by these new sectors, that is the benefit and advantage of inward investment. So they are real businesses. They are here. You asked the question, I think, why do they come? Is it just tax? Well, tax is obviously attractive. They also come here because of our geographical location. We have to admit that, in a sense, it was somewhat of a surprise that there was so much interest in the Island and the cluster has developed quite rapidly as they speak to each other. But when you look at where their mining operations are, the time zones and so on, the professional services that exist here and the ease of transportation - in other words getting to the U.K. and off to the centre of business - are all very easy to do and it is secure and it is safe. They have families, some of them, and they like to be here because of the stability and safety. It is the whole package of what the Island has to offer that seems to attract them.

**The Connétable of St. Brelade:**

I think that is what Wayne was saying in terms of, I suppose, the personal touch again that they do not get in other jurisdictions. Presumably that is what Locate Jersey is there to provide.

**Director, Locate Jersey:**

Indeed, and there are testimonials. We attended an event in Cape Town - a massive mining event, one of the biggest in the world - and there were 4 Jersey businesses that were exhibiting down there. When I say "Jersey businesses" they are actually located here, headquartered here, and 2 of them spoke on the main stand. There are articles there that we can provide you if you want them and they tell you why they are here and also about the service that we provide which enabled them to set up.

**The Deputy of St. Martin:**

In the numbers - getting back to the last 18 months, Minister - it says here there is potential for 467 local jobs to be created, but can we be a bit firmer than that? How many have been created?

**The Minister for Economic Development:**

I think it is worth just clarifying the point about job opportunities, because I have often talked about job opportunities. When a business relocates and it has a business plan over a 3-year period it will set out its expectations of the staffing it requires, how many Js it might require, how many local people, any training apprenticeships and so on and so forth - the whole package. That total number becomes the job opportunities. In terms of delivery, what we are noticing is that we have not hit those targets and businesses will not do it, it is over a 3-year or 5-year period so they roll out over that time frame. We have quite a few stats on actual jobs created which I think I have here somewhere. Can you remember, Wayne?

**Director, Locate Jersey:**

Well, one of the issues with that is, of course, the manpower returns only come in half yearly. So you are always retrospective, and, depending on when a licence is granted, it may not happen until the end of the year if it started in May, for example. Going back to resources before, now that I have got some resource in the team these are the things as part of our aftercare that we can follow up on a much better basis. When there were only 2 of us we could only do so much. Now I have got a team in place these are the sort of things that we can follow up directly with the businesses and we will be doing that; finding out how they are getting, what they are doing, any issues they have. That is very important. We have just helped a mining business, ironically, who had a situation where we worked very closely with Population and Immigration to resolve a crisis they had. That was done in 3 days. For a Government that is accused of not working very

quickly, this was a really good example where it did work quickly. I think that information will come forward in the future, but we perhaps have not had it in the past.

**The Deputy of St. Martin:**

What happens, Minister, when a company relocates with the promise of jobs or an expectation of potential for jobs and it does not happen? Do we come down hard on them after 18 months and say: "No, I am sorry, you have not done what you said you were going to do; we are withdrawing your licence"?

**The Minister for Economic Development:**

Well, that would be a nuclear option, obviously. I think we would need to look at what the contribution has been. The example I gave of the hedge fund, they far exceeded their business plan and their contribution. One has to weigh up the pros and cons; look at the economic climate, what has changed; if there is good rationale behind it. I think the important point is that the role that Locate Jersey has in terms of managing businesses, there is the on-boarding but there is the aftercare. Again, that is something, until just recently, we did not do. We did not have the resources to deal with it, but it is really important not just to ensure we deal with issues like the ones you have rightly raised, but also that we give the opportunity to make sure that we can help a business where possible to meet its aspirations.

**The Deputy of St. Martin:**

So in the past we have not had a means of monitoring, so we have no idea really of whether the jobs were created or not?

**The Minister for Economic Development:**

We have. I think the point that Wayne was making and where I was struggling, because of the manpower return dates, we do not have them for the dates that you just asked for. What I can tell you, which is the figure I was just fishing out, was the stats that we have got from the period of starting Locate Jersey in 2008 to 2012. We know that the job opportunities created were 1,398 and, of those, the actual jobs filled are 819.

**The Deputy of St. Martin:**

Is there still some time lag to be built in there so that people have still got a little way to go on those potentials, so those that go over a 5-year period of whatever we will do X, Y Z?

**The Minister for Economic Development:**

It would be exactly that and that gives you an indication but, of course, things are still changing. Business plans are still rolling out over their 3 to 5-year period. Some more of those jobs will

hopefully come through as businesses expand, but layered on top of that, I mean, a business that came in, for example, in 2009 might have found that trading conditions have got more difficult rather than the expected improvement. Back in 2009 people were still feeling optimistic that in a couple of year's time we would see an upturn in different sectors. Of course, it has been more prolonged than expected. But, yes, to answer the question in short, there is still potential here for more jobs to come through to fulfil the business plans that are still in train.

**The Deputy of St. Martin:**

What is the failure rate of businesses that relocate to Jersey? There must be a small number that do not make it.

**The Minister for Economic Development:**

Again, this is very recent statistics but Wayne can give you an example.

**Director, Locate Jersey:**

Again, now that we have the resource we are going to do a piece of work where we can engage with every business that has relocated. Some do not get here for whatever reason. I am aware of one bank where everyone worked very well together as Jersey to get them here and then head office have decided that they are going to go down a different route. So the licences were all granted for everything they wanted. The staffing was all there, they were ready to go, and then a decision was taken internationally for it not to happen. That is not a failure but it just did not happen, albeit it was licensed and appears in our figures.

**The Deputy of St. Martin:**

When a bank sends out signals it is looking to relocate, how much of that work is done through Locate and how much is done through Jersey Finance?

**The Minister for Economic Development:**

They work in partnership and it is essential that they do because Jersey Finance obviously has the technical expertise in order ... well, a bit of both actually. At the front end Locate Jersey can in terms of its different activities and, as there are more and more activities held outside of the Island to attract inward investors, we will come across finance businesses but we will pass them over for technical support and expertise to Jersey Finance. Then it will come back, from the on-boarding perspective, to a Locate Jersey team to make sure we land them, from a practical point of view.

[10:30]

**The Connétable of St. Brelade:**

In terms of some of the information that you have provided to us, 2 particular issues. One is obviously you had a recent trip to Switzerland which you have said has been very positive. Can you give us an update on what you mean by “very positive”? The other one is you mentioned aftercare and obviously the extra resource that Locate Jersey have now. I presume that your aftercare would include recently what was described as some of the networking groups at Longueville Manor for high-value residents. Again, what benefits came out of that type of get together?

**The Minister for Economic Development:**

Longueville Manor?

**Director, Locate Jersey:**

That has not happened yet. It is next week.

**The Minister for Economic Development:**

We have not had that yet.

**The Connétable of St. Brelade:**

Okay. Well, what benefits would you expect to get out of that?

**The Minister for Economic Development:**

It is again similar to what I was referring before about the silos - “silo” is probably not a good description but I think it demonstrates what I mean - where individuals came here and used to remain in their business activity but not necessarily interact with others of a similar ilk. What we have noticed is if you bring people together then that creates more business opportunities and we have had a great deal of plaudits from imminent investors that have been given these opportunities to meet people locally. When you relocate to a jurisdiction you want to get to know the local community but also you want to get to know other like-minded business people that you may well have interest in doing business with. They have been very keen that we do it and it is done elsewhere and it has been seen to be very successful. It is basically just building the relationship, helping to cement them here within the community and to generate more business activity.

**The Connétable of St. Brelade:**

That is an interesting point. The Director of Locate Jersey did mention that he was quite surprised about the silo mentality of organisations in Jersey and not wanting to work together. Do you see this as a way of breaking that down in terms of getting local businesses working together? A lot of



them are in competition, but there is no reason they cannot work together on things that have a mutual benefit.

**The Minister for Economic Development:**

Some of them might be in competition but, yes, it is a way of breaking that down. There is no doubt that it creates business activity. I do not know if you have some examples?

**Director, Locate Jersey:**

I think it is a great example. Just 2 weeks ago Invest Hong Kong approached us. They wanted to work with Jersey, which I take as a real feather in our cap, and we held an event with Invest Hong Kong and China British Business Council up at La Mare. We had over 100 attendees from local people. The Minister spoke. We had people come in from Hong Kong and China who also spoke. That is a really good example. We have our P.R. (Public Relations) and marketing lady in the public box here and we have just done a survey of that event which has come back extremely positively. The businesses were in competition with each other but they are all driving for the same sort of business from Hong Kong and China. They found the event extremely useful from a business development and networking perspective and are very, very keen to work with us going forward. One of the other things we are doing, again now we have some resource, is our team is going out in what we are calling an informal ambassador's network; going out and meeting with local businesses, telling them about the services and products that we, as Locate Jersey, can offer and working with them in partnership to sell Jersey, which is what we are all doing at the end of the day. I think that is a really good example of how we can work together and businesses work together. Many of them come on the trips with us to Israel or China and they go there to sell Jersey.

**The Connétable of St. Brelade:**

Is that where your links with Jersey Dairy, for example, and what you have done in China has been highlighted?

**Director, Locate Jersey:**

Indeed. Jersey Dairy, we facilitated the first piece of research through our connections with China for the Dairy. They have now taken it on. We gave them some contacts in Shanghai and in Beijing. They have now taken it forward and I believe today is the day they are signing the contract.

**Assistant Minister for Economic Development:**

You mentioned, in your question, about the recent visit to Switzerland and there are some quite interesting lessons that we can learn and opportunities we can gain from Switzerland.

Anecdotally, certainly the Swiss have been perhaps ahead of us for a long time in terms of Hoovering up people who are equivalent to our Ks. There are around 3,500 people who we would class as Ks, if you like, living in Switzerland. Over a number of years their tax rates have been agreed by negotiation with the cantons within Switzerland. The public in Switzerland have taken the view that it is not acceptable and there is, I believe, a referendum happening in Switzerland on this. That has created huge uncertainty for these - and I will refer to them as Ks because it is easier - people living in Switzerland. We have seen a significant increase in interest in these people relocating potentially to Jersey. There is also a matter of inheritance tax in Switzerland, which is going to be set at 20 per cent from next year.

**The Connétable of St. Brelade:**

That is inheritance tax, is it?

**Assistant Minister for Economic Development:**

Yes. The previous quite soft deals that these residents will be able to negotiate with the cantons are going. They will all be liable for 20 per cent inheritance tax and the income tax rate may well follow that. Whether it does or it does not, the significant uncertainty and the public opinion, if you like, within Switzerland are going to have a huge detrimental effect on their economy and it will affect at least 3,500 equivalent Ks. Although it is not good for them, it does create an opportunity for us to sell ourselves as a stable jurisdiction that these individuals should consider if they are planning to relocate.

**The Connétable of St. Brelade:**

You used the phrase "Hoovering up". This is just a quick question for the Minister. When L.V.C.R. (Low Value Consignment Relief) broke down, there was talk that a lot of companies would go and relocate to Switzerland. Has that happened and has there been any real benefit to Britain in terms of basically kicking us in the teeth?

**The Minister for Economic Development:**

It is worse than that from the U.K.'s point of view. I mean a lot of business has gone, not necessarily all the businesses. They have opened centres elsewhere, but a lot of the business that was flowing through not just Jersey but Guernsey (the Channel Islands) has gone to Switzerland, Hong Kong, the U.S. (United States) and elsewhere, exactly as we said in our submissions would be the case. Do not forget that Jersey was a regulated jurisdiction. We had M.o.U.s (Memorandum of Understanding) with the U.K. We had caps in place for a time with them with Play.com and Indigo and others, realising it was unlikely they were going to exceed the caps anyway because the D.V.D.s (Digital Versatile Disc) were being replaced over a period by direct downloads and so on. Yes, the U.K. has seen an increase, we understand, in products going into

the U.K. from all sorts of unregulated areas, as we predicted, and it has caused a great degree of chaos. Have they saved any money and has it done anything for the high street in the U.K.? The answer, we believe, is categorically, “No.”

**The Connétable of St. Brelade:**

Has the U.K. Government made any comment on that, either formally or informally, that the decision was not as well thought out as maybe we would like to think?

**The Minister for Economic Development:**

I honestly do not think they care because they won the battle at the time. They won an internal battle within the Coalition. This was a very strong point as far as the Liberal Democrats were concerned. It allowed the Conservatives to negotiate something else. I do not know the exact details, but they were able to give the Liberal Democrats something. They were going to come down and they were going to close down those wicked people in the Channel Islands and sort the problem out. They got a lot of very good press from their perspective. The Chancellor was able to stand up in the Commons and say that he had dealt with the problem. It is very similar to what we have just seen with the exchange of information agreements and so on with the U.K., where the Chancellor has managed to stand up with measures to deal with tax evasion, tax avoidance and so on. He has been able to stand up and say how much money the U.K. was going to get as a result of it. Well, these figures, all the work we have done, they are wildly optimistic. They will not be delivered on. Does that matter to the U.K.? No, it does not. He has already stood up. They have already spent the money that they say they are going to get on reducing their business tax rates in the U.K. So they have been able to say some very positive things that will roll out over time. This is all about politics and it is all about the fact that not just the U.K. but other jurisdictions have mismanaged their public finances for decades and they are not in the strong financial position that we are in, fortunately. We are strong in comparison to many, although we have our challenges. They are going to continue, I am afraid, to seek to divert attention away their own problems by trying to target places like Jersey and we have to become more and more robust in dealing with it.

**The Deputy of St. Martin:**

Is there a possibility sometime in the future that political gains of the Minister might well do a U-turn on the basis that he could prove that there is more financial benefit to the U.K. going back to the old regime of allowing L.V.C.R. to operate in the Channel Islands?

**The Minister for Economic Development:**

I do not think so. I would think that is unlikely. What we have noted is that, when we pointed out that the business could flow elsewhere into the U.K., they said: “Well, we will go after Switzerland. We will go after wherever.” We have seen no inclination, not surprisingly, to do that.

**Assistant Minister for Economic Development:**

Interestingly, when I was in Hong Kong and China in October as part of one of the Locate Jersey visits, we met an online retailer out there and we asked them whether they had seen any particular change since the Channel Islands had been excluded from this L.V.C.R. allowance into the U.K. He reckoned he had seen about an 8 to 10 per cent increase in goods that were flowing into the U.K. He also said that as a company, because the U.K. has no jurisdiction over them, they make low declarations on all the goods that they send in and the question was asked: "Well, how many items out of the 40 million that you send to the U.K. every year are stopped?" He said: "Less than one in 1,000. For those we just send a replacement items," and they just were not prepared to play the game. So, frankly, the idea that the U.K. is gained anything is utter nonsense. At the time the feeling was that they would stand to gain around £120 million in revenue at a cost to them of implementing the system of around £200 million. So they were already £80 million down. They will not recoup anything like £120 million. I was going to say it is a zero sum gain. It is not even that. It is a negative figure in the order of £100 million plus.

**The Deputy of St. Martin:**

Getting back to Locate, there are still just a couple of little things we would like to finish before we move on to the next subject. We are told here that on 24th June we had a short-listing and presentations for marketing and P.R. agencies. Could you tell us what that means, because it is not obvious to me?

**The Minister for Economic Development:**

Yes. Do you want to do that?

**Deputy Chief Executive Officer:**

Back in 2010, in the days of Jersey Enterprise, we appointed an advising agency to attend to the P.R. and marketing requirements of Jersey Enterprise. That contract was for 2 years with a one year extension.

**The Connétable of St. Brelade:**

Who was that with?

**Deputy Chief Executive Officer:**

At the time it was Orchard Communication. That contract had a 2-year timeline with a one-year extension and ran out earlier this year. Even having appointed somebody with marketing specialisation, there is still a requirement for P.R. and design activity for Locate Jersey, not necessarily for advertising and promotion on the Island.

**The Connétable of St. Brelade:**

When you say that has run out, have you got somebody currently doing that?

**Deputy Chief Executive Officer:**

That is the question I am trying to answer. There is still a need for external marketing and P.R. services to produce brochure-ware, websites and to deal with P.R. activity off the Island. So we put out a pre-qualifying questionnaire back in May of this year, looking to tender those processes. There was an invitation to tender at the end of May and we short-listed down to 4 companies. Those 4 companies came in and presented to a panel last week and now we are in advance negotiations with 2 of them, one to provide P.R. services and one to provide marketing and design services. That is the comment you were referring to, Mr. Chairman.

**The Deputy of St. Martin:**

I think I had better wait for the Minister. No, James can answer. I do not know what the cost of Emma's is, but we were told just now she is doing P.R. and marketing and we are now taking on P.R. to companies to do P.R. and it seems to be a lot of expense.

**Assistant Minister for Economic Development:**

Obviously Emma is in the public box. I think our remit is much wider than P.R. and marketing and I think there has been a bit of misinformation. As I understand it, it is very much event-generating and lead-generating, but the importance of positive P.R. and ensuring that the message is properly communicated, particularly at the current time, I do not think can be under-estimated. So I would take issue with anyone that says we are over-spending in that department because it is very easy ... and in previous questions we have been talking about our relationship, not just with the U.K., public imagine and generating interest in the Island, and surely inward investment is strongly supported. It is ultimately our future and the message that we send out from here must firstly be accurate, but it also must be ...

**The Deputy of St. Martin:**

Do you use the States Communications Unit at all, though?

**Assistant Minister for Economic Development:**

Yes.

**The Deputy of St. Martin:**

You do?

**The Minister for Economic Development:**

For certain things.

**The Connétable of St. Brelade:**

In terms of the overall budget, what is the spend in terms of external P.R. and marketing?

**Deputy Chief Executive Officer:**

I think last year the P.R. and marketing activity was in the region of about £100,000.

**The Connétable of St. Brelade:**

So that is quite a large ...

**Deputy Chief Executive Officer:**

It is significant, yes.

**The Deputy of St. Martin:**

That is part of the £1 million we were speaking about previously?

**Deputy Chief Executive Officer:**

Yes. Perhaps I can come back to the question you just asked Deputy Baker in terms of inward investment activity. I think the Minister has mentioned several times that we are very good at on-boarding people.

[10:45]

In terms of getting the people to on-board we have to have a significant level of profile of where we are at in the marketplace. The only way to generate that kind of profile and awareness is through marketing-led activity. So, in addition to having the capability and the team to deliver the on-boarding facilities in the Island, we still need to generate a level of interest; a pipeline, if you like, of inquiries and leads that can then be on-boarded.

**The Connétable of St. Brelade:**

So the companies that have tendered currently, you said, is 4, but for the 2 ...

**Deputy Chief Executive Officer:**

Four were invited.

**The Connétable of St. Brelade:**

Are they all local?

**Deputy Chief Executive Officer:**

They are all local. That was one of the specifics within the ...

**The Connétable of St. Brelade:**

All local staff, presumably, as well?

**Deputy Chief Executive Officer:**

Yes.

**The Deputy of St. Martin:**

I know it is a balancing act, Minister. On one hand you desperately want to employ local companies and local staff, but on the other hand you are telling us that you are doing your P.R. to the globe. Do we have people who are capable of doing both? Are local companies really global P.R. companies in the way that we are being told?

**The Minister for Economic Development:**

I think over time we may need to look more into that. Again, I keep touching on financial services. We are in our infancy with proactive inward investment in comparison to the way in which financial services has evolved and certainly the 2 different disciplines - and they are different - between marketing and the P.R. have to be recognised. There have been occasions, quite rightly, where professional P.R. companies have been used in order to make certain that we can get our messages across to the more global marketplace in a way that is understood. I suppose in the future we will perhaps have to reconsider it if we need to look at specialist firms in that regard, but do not under-estimate what is available locally. There is some good expertise, certainly from a marketing point of view. We should also bear in mind, from my view, that, from a tourism perspective, we spent millions of pounds advertising the Island out to bring people in. This is exactly the same. We are seeking to advertise out there in the global marketplace - much more targeted marketing obviously - to attract high-value inward investment businesses and individuals.

**The Deputy of St. Martin:**

I know exactly where you are coming from with the tourism, that tourism is a very broad church, whereas what we are looking for here with Locate surely a lot more specific and very targeted to a very defined ... "inaccessible" is probably the wrong word, but not necessarily a market that is in the public eye all the time.

**The Minister for Economic Development:**

No, you are right and that is why I use the word “targeted”. It is absolutely essential that we target the location, the necessary media and places that we want to attract business from. Just touching on tourism, it is important that we are more targeted there with our marketing. I know we are going to talk about them in a minute, so I will not go any further, but we have a finite budget with tourism and, although it is our largest spend, we have to make sure we get the maximum return for every pound that we invest.

**The Connétable of St. Brelade:**

This is sort of a contentious question because of what happened in the States the other day but, in terms of Locate Jersey and obviously entertaining potential new clients, is that a large of the budget?

**The Minister for Economic Development:**

Sorry, I was nodding before you asked the question.

**The Connétable of St. Brelade:**

The question was unnecessary, I think, but obviously you are trying to attract people. Is that part of the budget?

**The Minister for Economic Development:**

Yes, in short, and it is an important part of the budget. You do need to do some corporate entertaining. In the private sector you do it and you want a return on the investment. The key thing for us, certainly from my perspective, is that what we do, as the most commercial of all States departments, that is the way I like to see it and that is the way certainly that we have moved; that, whatever we invest - corporate entertaining is important - that we get a return on that. You are going to ask about how you measure it. Just in case you were, I am going to try and answer. In truth, it is difficult and you need to just go back to what we were talking about at the beginning. You need to see more jobs created, raising the bar in terms of G.V.A. per employee and one or 2 other measures that were ...

**The Connétable of St. Brelade:**

Simply, it is a justifiable expense?

**The Minister for Economic Development:**

Yes, and you will not get it straight away. For example, if we did some corporate entertaining next week, do not expect in a month’s time to get a return from that because it takes time to build relationships. That is not just with individuals. It is with countries, too, and China is a good



example of where it is going to take time and why the investment in the Launchpad Office and Representative Office is important. It will take a number of years before we start to really build traction, in my view, and I was quite surprised that Jersey Dairy had been able to get the project they have so quickly. The main reason behind that is because of the very significant problem that exists in China about milk and the quality of milk. That is what has really driven that.

**The Deputy of St. Martin:**

I want to move on but before I do, Minister, we have spoken a lot about targets, about returns on investment and this type of thing. All I would say is when you are in a position and you have spoken more resources now available to measure exactly the benefits of Locate Jersey, anything you can send us in the way of targets or those measurables as they become available at the end of 6 months we would be very grateful for.

**The Minister for Economic Development:**

Absolutely.

**The Deputy of St. Martin:**

Closer to home - and I do not think we will be very long on the subject - I just want to mention aircraft registry. We are aware of the generations almost of history behind attempts to set up an aircraft registry. The last time we spoke at any length about this a letter had gone to Guernsey with a legal opinion as to which one we preferred and we were waiting for a response from C. & E. We note that Guernsey have very recently approved the Aviation Registry (Guernsey) Law. Do we know where we are and, if we do, do we know where we are going?

**The Minister for Economic Development:**

Right. It is hard to keep a straight face after that question.

**The Deputy of St. Martin:**

I hope you are going give me a serious answer. It was a serious question.

**The Minister for Economic Development:**

I would hope so. It is a serious question. First of all, we believe we are still on target with regard to delivery of a registry; however that is going to look. There has been some debate between Jersey and Guernsey as to what that looks like: one registry, 2 registers and so on. There were effectively 3 different options. We sought independent legal advice, as you mentioned. We have written to C. & E. We have had a response, which came in yesterday and I have to admit I have not looked at it yet. We will do so and ...

**The Deputy of St. Martin:**

Are you hoping that is a response to the question of where we would prefer to be from a legal perspective?

**The Minister for Economic Development:**

It is a response to my letter outlining the legal advice we sought, the views expressed in that legal opinion and what we thought was the most appropriate way forward. It is a fairly lengthy letter. I perhaps should have just looked at the final paragraph before I came out but I did not. That might give us an indication, but we will come back to you fairly rapidly. All I can say to you is that we are committed to have a registry. I certainly hope it is a joint Channel Island registry. That is the direction we have been pushing for, for some time. But, come what may, we will have one.

**The Connétable of St. Brelade:**

If it is a negative from a Guernsey perspective and it is looking more like a Jersey registry and we having to set up our own registry ... I was at the meeting in January with stakeholders from a finance point of view but a lot of questions came out of that meeting. When you first looked at this, going back to 2007-08, obviously you had a business case put together to look at whether this was going to work. Has any work been done on an up-to-date business case, because the world is a different place now, from a Jersey perspective? I think we need to have a business case that looks at the world.

**The Minister for Economic Development:**

Yes. I think the best person to answer that question would be Chris because who has been leading on this project.

**Strategic Policy Manager:**

Yes. I am coming up to my third anniversary of working on Guernsey with this one. Has some work been done in looking at the business case recently? No. When the work was undertaken 3 years ago we were looking at statistics which were pre-2008. The world was very different. If we look at the marketplace at the moment there have certainly been a number of reports that we have seen, some highlighted in the *J.E.P. (Jersey Evening Post)* I think sometime back in April from a company called CTC Aviation talking about fractal ownership, which seems to be the way forward rather than people buying expensive aircraft themselves. That does raise issues with regard to registering of an aircraft. It is basically equivalent to a timeshare where one individual has to take the lead in that. What I can say is, through the airport, we are working with one of the board members of the shadow board who does have a lot of experience in aircraft, any number of airports and involved in the air registry, looking at the sort of opportunities that we can leverage against the aircraft registry. I think can submit what we are looking at, at the moment. We are

working with Guernsey and hopefully will come to a satisfactory conclusion on the actual registry. That is purely from a need perspective. What we now have to do is work with industry and see what the opportunities are, of which there are a huge number, not only fiduciary but possibly technical expertise in years to come to potentially train up people to become surveyors in particular areas. The model that we are working with Guernsey, we have agreed their timelines. We have agreed to the actual aircraft register being in Guernsey and we have agreed to working in public private partnership with SGI Aviation. The difficulty is the actual registry and registers. That is still the sticking point. We have, as the Minister said, sought legal advice from an expert in that particular field and he has given an opinion. The Attorney-General has also given his advice on that opinion as well, which we have shared with Guernsey, and, as the Minister said, we received a letter last night in response to that letter, which we will discuss with the Minister in our meeting tomorrow.

**The Deputy of St. Martin:**

Have we signed up with SGI? You say we have an agreement with SGI. Does that mean we have signed with them?

**Strategic Policy Manager:**

No. The agreement is with Guernsey, but we have had discussions with SGI Aviation who would be quite happy to have a sort of tri-partite agreement.

**The Deputy of St. Martin:**

But there is no obligation on our behalf to them?

**Strategic Policy Manager:**

No.

**The Deputy of St. Martin:**

Have we done any further work over the G.S.T. issue with the Treasury?

**Strategic Policy Manager:**

We had a number of discussions with the tax office. What we are waiting for from SGI is the actual process of how they will run the registry because, until we understand how the actual process will work, we cannot then determine what issues we may have with regards to G.S.T., but they are fully on board and I keep them up to date on a regular basis. I do not think G.S.T. will be an issue as such. It is just understanding what legislation will need to be changed, if any, to take account of it.

**The Deputy of St. Martin:**

The fractural ownership, are we in work-in-progress for that?

**Strategic Policy Manager:**

No, that is something that is being looked at. That would have been tied up into the actual legislation, but again that will determine which route we go down with Guernsey.

**The Minister for Economic Development:**

Chairman, if it is helpful, Andrew has just updated me on the rough content of the letter. So I thought I might share with you, having not had an opportunity to discuss them.

**The Deputy of St. Martin:**

If you wish to, Minister.

**The Minister for Economic Development:**

I think so, yes. I understand that the letter effectively says that Guernsey are pushing for option 2, which is the option that is most complicated and the least advisable. Our option preference, as you would be aware, is option 3, a registry registering both Islands which is the most sensible and the most logical. We understand the language is a sort of: "Take it or leave it."

**Deputy Chief Executive Officer:**

Yes. Basically, I think they have ruled out option one, though they can see where we are coming from as a jurisdiction. They think that option 3 gives Jersey probably too much of a competitive edge. So option 2 is the only option they are now willing to consider.

**The Connétable of St. Brelade:**

Which gives them the competitive edge.

**The Minister for Economic Development:**

It is complicated legally.

**The Deputy of St. Martin:**

I think now might be the time to move to the next subject and we will allow the Minister to consider those options.

**The Minister for Economic Development:**

In light of the letter that we have just received we will consider it, but I felt it was worth just mentioning to you.

**The Deputy of St. Martin:**

Yes, that is very good of you. Thank you, Minister. We are grateful for that.

**The Connétable of St. Brelade:**

With that then, would you then be looking, presumably in a fairly short period of time, to work on your business case with this gentleman ...

**Deputy Chief Executive Officer:**

Sorry, what the letter says is: "Option 2 is our preferred option. Could you go away and talk to your law officers again." So I think that is where the Minister will probably go to next.

**The Connétable of St. Brelade:**

I am just saying, if the worst comes to the worst, then obviously things will still progress from your point of view.

**The Minister for Economic Development:**

I think the point I made at the beginning was that, come what may, we intend to have an aircraft registry. The preference was and still is to have one jointly with Guernsey. It makes sense. We will, in light of the letter, continue to try and get to that objective. We will go back for a further opinion from the legal team and respond very rapidly to our Guernsey colleagues.

**The Connétable of St. Brelade:**

Understood, but fast forward a little bit. If we really had to go on our own, what would be the timeframe? Could we catch up with them?

**The Minister for Economic Development:**

I don't think we would catch up with the launch, obviously, but I think we would be not far behind. The most important point is if people know that we are coming then the choice is there as to where you want to go. So I do not think, from a commercial perspective, we would be very far behind the curve and at a great disadvantage. I do not know if you want to add to that, Chris?

**Strategic Policy Manager:**

Again, the only thing to add is that we have been working very closely with the Law Draftsman's Office. He is aware what we are trying to do and we have booked some time with the Law Draftsman. So if we need to bring legislation forward quickly then we have the resource there to enable us to do it.

[11:00]

**The Minister for Economic Development:**

We would probably be what you might describe as a “fast follower”. James, I do not know if you want to add anything to that?

**Assistant Minister for Economic Development:**

No.

**The Deputy of St. Martin:**

We will move on to the next item, which is the Jersey Innovation Fund. Minister, you pressed us quite hard back at the end of the last year to almost rubber-stamp the Innovation Fund as it was then written because it needed to be implemented in January. Are you in a position now to accept that maybe that was a little bit tough on us and a little tough on yourself, given we are now 6 months down the line and we are still not quite there?

**The Minister for Economic Development:**

Well, Chairman, I think it is right that you are tough on us and challenge us and I think it is right that we are also robust and we have a constructive dialogue and I hope that that is ultimately what happened. I think we are all keen to move opportunities forward as quickly as possible. We are progressing the Innovation Fund now. The adverts for the chairman have gone out. We have had replies and interviews are scheduled for mid-July, so coming up very rapidly. Next week?

**Strategic Policy Manager:**

Next week, Friday.

**The Minister for Economic Development:**

There you go, next Friday.

**The Deputy of St. Martin:**

The appointment of the chairman was supposed to take place last month, Minister.

**The Minister for Economic Development:**

Indeed.

**The Deputy of St. Martin:**

Was there a reason why between 14th June and the end of the month the chairman could not be appointed?

**The Minister for Economic Development:**

Well, I think it was just the cycle in terms of adverts and what have you. What I can say is we have been slightly surprised by the numbers of applicants that have come through. There has been a relatively low number of applicants, which we noted, although the ones we have got are of a very high quality I am pleased to say. Yes, we are slightly behind in terms of timing from advertising and getting suitable applicants in, but now we have got them. I think one area where we perhaps could have improved is the recruitment for the 3 N.E.D.s (Non-Executive Directors). The advice from the Appointments Commission was that we should run the recruitment process for the chairman first, before the N.E.D.s. I think, in hindsight, it would have been better if we had run the 2 in parallel. That is another slight delay but, having said that, we are still on target for September.

**The Connétable of St. Brelade:**

Is there an opportunity to move that process forward?

**The Minister for Economic Development:**

It is happening.

**The Connétable of St. Brelade:**

It is already happening?

**Deputy Chief Executive Officer:**

The advert for the board members went out last night and will be in there tonight as well.

**The Minister for Economic Development:**

So the board, we would anticipate, will be in place in early August. That is the target.

**The Connétable of St. Brelade:**

You have 14th September for launch.

**The Minister for Economic Development:**

13th.

**The Connétable of St. Brelade:**

Sorry. It has got 14th on here, but there we go.

**The Minister for Economic Development:**

Did we give you that? Is that what we sent you? Oh dear. Our fault; it is a typo. Sorry about that.

**The Connétable of St. Brelade:**

Are you still looking at that timeframe?

**The Minister for Economic Development:**

See, things have improved dramatically already, have they not? Just like that.

**The Connétable of St. Brelade:**

Obviously through the process of the scrutiny with it, this seemed to be a very important fund to get up and running and I think you think it is a very important fund to get prime business.

**The Minister for Economic Development:**

Absolutely.

**The Connétable of St. Brelade:**

Is that a realistic date for a launch?

**The Minister for Economic Development:**

I am told it is. I am certainly very keen that that does not slip. I do not see any reason why it should. We have mentioned the process that we have gone through to date and where we are with the recruitment of chairman and N.E.D.s. Yes, I believe it will happen in September and so it should.

**The Connétable of St. Brelade:**

Are you still getting inquiries with regard to possible funding through it or has Jersey Business told you that they are being asked about whether it is available?

**The Minister for Economic Development:**

There are inquiries coming through, yes. I would say probably a drip-drip is the best way to describe it but, then again, once it is advertised and promoted I suspect that there will be a lot more coming forward; although the volume is never designed to be, as you know from your review of it, high in terms of quantity. We are looking for quality, so the numbers are not going to be huge, but it is an important part of the toolkit and I am very keen to get it in place.

**Deputy Chief Executive Officer:**

The largest of that interest is coming through Digital Jersey. There are a number of companies off Island who are interested.



**The Connétable of St. Brelade:**

Obviously you are going to wait until the board is in place before they consider phase 2. Are you keen to see phase 2 broad forward as quickly as possible?

**The Minister for Economic Development:**

Absolutely. I hope I put the point across previously when you were scrutinising it that, to me, phase 2 is the most important aspect of it. It is a whole new dimension that we do not offer. Just going back to the importance of the Innovation Fund as well; even in its current phase 1 iteration. We talked earlier about inward investment and the fact that we do not have any products to offer inward investment businesses. This, of course, is one such product for an inward investment business that they could apply to it and I think Digital Jersey will use it and be able to leverage it and that is why they are so keen about it, to very good effect. I think that is important.

**The Connétable of St. Brelade:**

Can I ask another question? Are there other tools that we could be using in terms of inward investment that other jurisdictions use? We are not getting on board quick enough. I do like saying tax breaks, but that type of thing, or social security breaks and things like that, t.

**The Minister for Economic Development:**

You have mentioned 2 and there are many, such as relocation grants. There is a whole raft of things that could be put together. What I am keen to see is a toolkit for inward investment, a toolkit that we can keep adding to. This, if you like, could be the first tool in the bag but we need to do many other things. I think social security is one. This is out of the gift of E.D. alone and so are a number of the essentials for growing the economy. The local domestic economy and beyond fall into other departments and that is why it is so important that we work together, but I want to see the development of a toolkit. I have had some discussions already in some areas with regard to that and I would like to see a basic toolkit which will include the Innovation Fund and one or 2 other quite interesting opportunities for inward investment business and I want that to be in place in September and I believe it is possible.

**The Connétable of St. Brelade:**

So discussions are already in ...

**The Minister for Economic Development:**

Discussions are already happening with some central providers of services and other areas that we think can make a basic toolkit quite attractive for inward investment.

**The Deputy of St. Martin:**

But do you accept, Minister, that there are probably no more funds until the next Medium Term Financial Plan?

**The Minister for Economic Development:**

Yes, but we have got a 3-year Medium Financial Plan which gives flexibility for businesses to move their funding around. If a business case can be put, there is no reason why we cannot put into place at least an initial toolkit for ...

**The Deputy of St. Martin:**

I was thinking more so for the second £5 million for phase 2 of the Innovation Fund. I mean it is fairly unlikely that we are going to see that before the end of the M.T.F.P. (Medium Term Financial Plan), is it not?

**The Minister for Economic Development:**

I do not know. I think there have been warm words coming from Treasury and it never ceases to amaze me that the Minister for Treasury and Resources has little pots he can delve into. I am being a little bit facetious. But, no, in all seriousness, Treasury have indicated that there are options available. They, quite rightly, have also said that they want to see the fund operating and making a return. So I think we have £5 million. It is going to take some time in order to be able to allocate that effectively and get a return on it. I think we need to prove the point because we have done that and hopefully, moving rapidly to phase 2, that is when the conversation will be and Treasury will have the opportunity to deliver on the further funding. In truth, another £5 million is not enough. If we do it properly, if we utilise the Innovation Fund in the way that I think it should be and could be and must be, then I think we will need a lot more than that, but the important thing is we will get a far greater return ultimately.

**The Connétable of St. Brelade:**

In terms of the Law Officers and royalty agreements and any other agreements that might be necessary in terms of giving out loans, are we running on track with that? Are the Law Officers playing their part?

**The Minister for Economic Development:**

As far as I am aware. Andrew will give you an update.

**Deputy Chief Executive Officer:**

The pressure is up in terms of the equity. I think we are suffering with the pressure of the Law Officers in terms of getting the paperwork ready.

**The Connétable of St. Brelade:**

Obviously the equity side of it has a major implications.

**Deputy Chief Executive Officer:**

Yes, and we need the expert advice of the board on that to make sure we get that right. If I can just come back to the comment you made earlier, Mr Chairman, about the M.T.F.P. Within the M.T.F.P. there is some growth funding for 2014 and 2015 for the Department, particularly in the area of skills. When you are looking at inward investment one of the tools in the toolbox is skills, which also impacts on the migration agenda by getting people to come in here with the expert skills on day one, even on the short-term licences for people to come in while we train up people on the Island; Government and the company working together by investing in those skills.

**The Deputy of St. Martin:**

Yes, I should have been more specific.

**Deputy Chief Executive Officer:**

That is quite important for inward investment companies. I think that is an important tool to have available.

**The Connétable of St. Brelade:**

Has it been decided who the executive officer of the fund will be?

**Deputy Chief Executive Officer:**

(The Director of Business Creation and Growth) is going to be doing that role. He has the background.

**The Connétable of St. Brelade:**

Okay.

**The Deputy of St. Martin:**

Shadow Tourism Board, I just want to move on to that if we may. Minister, in our recommendations in our review we had a few that you accepted and I would just like to put them to you now. Recommendation number 2: "Ensure that the diverse array of small, medium and large businesses that make up Jersey's tourism industry are given the opportunity to have their opinions heard." Do you feel that we have got a makeup on the Shadow Tourism Board which reflects small, medium and large businesses?

**The Minister for Economic Development:**

Well, I think you have got a makeup of the shadow board that is drawn from people that have significant expertise in the tourism industry. Some of their businesses were smaller and have grown significantly, but if you are asking me: "Have we got representatives from small businesses and medium-sized businesses," no, you have not but what you have got is exceptional expertise in matters relating to tourism. The importance is that they give proper recognition to the importance and value of the small and medium-sized businesses in the sector, of which that makes up the majority of the sector.

**The Connétable of St. Brelade:**

Could you just explain, one of the recommendations as well was the chairman should be centrally in the recruitment process of the non-executive directors. What role did he play in that? I assume it was not a fait accompli and he had a fairly major role in picking his team, which I think is what we were trying to get across; that he had people he could work with.

**The Minister for Economic Development:**

Yes. He was nervous about this, if I am brutally honest, to start with because, given the choice, when we sat down with him, he said he would like to pick his team. You can understand that in some respects, but obviously we have got to be very careful that a proper process is followed and so adverts went out. There was a significant response in terms of the number of people being interested and then a proper process overseen by the Appointments Commission was followed. I think, and the chairman agrees, that the end result is something that he is very pleased with. It gives a nice balance. I accept the point that you have not got somebody that I can point to on the list that is running a small business in that particular sector or a small to medium-sized business. They are largely people with large business experience but, importantly, they are very much individuals who have broad hospitality expertise and that is what is required.

**The Connétable of St. Brelade:**

Looking at the balance of the board - and whether the mix is right or not, I suppose, is a matter of personal choice - but is there enough non-local members on it, enough outside expertise coming in to have maybe a fresh look at tourism in Jersey? There are some familiar characters on the board who have got superb experience, but I think what we were looking at originally was maybe looking at it from a bit more of an outside perspective of where we should be going.

**The Minister for Economic Development:**

It is difficult for me to answer the question because, at the end of the day, it is going to be what they deliver on. It is going to be tourism strategy that they bring forward and the way in which they bring together the private and public sector and stimulate a change in approach and direction and

the result. To specifically answer your question, I was always very keen on having somebody with an external focus. I have talked to the chairman about that and there is still the possibility that there could be an additional member added to the board, specifically to fill that requirement. I am more relaxed now because of the inclusion on the board of Robert Crawford. He is an extremely interesting character with experience running organisations like the Scottish agency for dealing with the development of Scottish economy.

**Deputy Chief Executive Officer:**

Scottish Enterprises.

**The Minister for Economic Development:**

Thank you. I was struggling to remember what it was called, Scottish Enterprise; one of the largest enterprise agencies in Europe in fact.

**The Connétable of St. Brelade:**

What is his specific role on the board, because it does say he is a special adviser? Is it just on specific items or is he attending at every board meeting? Is he part of the board? Is he a paid member of the board, for example?

**The Minister for Economic Development:**

He is not a paid member of the board but he is attending all the board meetings. He works in Jersey. He lives in Jersey and he is a valuable resource that will give his insight into the views and matters that the board are considering.

**Deputy Chief Executive Officer:**

He is a very powerful addition. He has got an external perspective. He has worked in tourism. He has worked in banking. He has worked in inward investment. I think he is there to challenge and drag out of the board members new ideas and new ways of thinking.

**The Deputy of St. Martin:**

Can we assume, Minister, that, because Sam Watts has become a board member, that Orchard are not in the frame for continuing with the P.R. for E.D.?

[11:15]

**The Minister for Economic Development:**

I think that would be a fairly reasonable assumption, yes.

**The Connétable of St. Brelade:**

Do we know - and I know it is something that I think you wanted the board to have a fairly major role or taking part in this - who would be the chief executive of whether it is going to be Visit Jersey or whatever you are going to call it? I know that David de Carteret is currently in the role and doing a good job, but is there any view as to who that person may be in future, whether it will change?

**The Minister for Economic Development:**

Not at this stage. I think it is too early. They have had four meetings, because I attended upon the last meeting that they had. The number one objective of the board at this stage is collating and putting together a new tourism structure.

**The Connétable of St. Brelade:**

We were going to ask about that because obviously there was comment made as to how important it was to have this ready towards the end of the summer 2013. How is it progressing? I know, looking out the window, it does not look like summer, but we are into the summer of 2013 and obviously they have a 2 or 3-month window here. Do you think they are in line to get a strategy ready for the end of the summer?

**The Minister for Economic Development:**

The strategy will not be ready at the end of the summer. The strategy, I hope, will be ready by the end of the year.

**The Connétable of St. Brelade:**

How will that impact on next year's plans in terms of making a difference, which is I think what the industry wants to see?

**The Minister for Economic Development:**

Yes, and they are already beginning to make a difference in terms of the way in which they are overseeing the general operation of the department and liaising with industry. They are talking to industry. It is a huge industry, very diverse. There has been a consultation Green Paper, you will recall, last year where there were over 1,000 responses. So they are going through all of those, but they are also calling in industry representatives and forming their own opinions as to how things should work and seeking to influence the direction for next year. The strategy itself will follow and is important, but it does not mean nothing is happening. I think that is an important point to make.

**The Connétable of St. Brelade:**

You mentioned - and I think we mentioned it in our findings as well - in terms of the operational and governance structure for Jersey Tourism themselves. Have they made any comment about the actual structure of Jersey Tourism and what they see the future of that being?

**The Minister for Economic Development:**

The board?

**The Connétable of St. Brelade:**

What the board have said in terms of the structure of Jersey Tourism and whether it is fit for purpose or whether it is doing what it needs to be doing?

**The Minister for Economic Development:**

I think it is fair to say Jersey Tourism have done a very good job.

**The Connétable of St. Brelade:**

I was not attempting to say it was not.

**The Minister for Economic Development:**

No, I know you were not but it is also reasonable to say that at this stage, with a rapidly changing marketplace, that it is right to evaluate all potential future directions, structures and so on. That is what the board are seeking to do. That is what will come out. I mean they are at this stage at a fact-finding development stage of their evolution. They have not been in place for that long. They have not made any formal advice yet. I would expect to be seeing formal advice in relation to what the strategy is going to look like and also structures by the end of the year.

**The Connétable of St. Brelade:**

How often are they meeting and how intense is their work programme at the present time? I would have thought it is pretty intense.

**The Minister for Economic Development:**

Yes. Well, any new structure that is put in place has to obviously get to know itself, understand how the individual component parts work for members and so on. They have had four meetings now. They were only put in place in April. So, yes, there has been a lot of activity as you would expect and that will always happen in the early stages.

**The Deputy of St. Martin:**

We have not got very much time left, Minister, but I would like to move on quickly to the enterprise strategy. I think it is fair to say that the panel were not enthusiastic about what they were seeing when we received something recently about the enterprise strategy. I guess the question I have to ask at the outset is, given that we have got a growth and diversification strategy, why do we need this now when there are other things that are more important or seem to us to be more important?

**The Minister for Economic Development:**

Well, the enterprise strategy was always part of the economic growth and diversification strategy. It was always a component part, as indeed, you will recall, was the one we have just been referring to, which is the tourism strategy. It is right to define what it is you are seeking to do in terms of target outputs and how you will go about achieving it. I mentioned at the beginning when we first started this hearing about the target of 1,000 jobs over a 3-year period and indeed the strategy itself, as you will have hopefully seen having looked at it, has got broadly four key areas that it is seeking to influence. Those are aligned, as again you would expect, with the main overarching economic growth and diversification strategy. It is important to do it. It is not going to be something that is going to be debated. It is just further defining a direction of travel and a focus as far as helping to develop and expand the industry and the economy as a whole. So productivity for businesses, which you will have seen; supporting high-growth firms; the inward investment agenda that we have already talked about; and, importantly - and this is an area that I think is critically important - ensuring that barriers to business investment and growth are identified and overcome. That can be in many different areas in the way in which business operates in the Island and that could be, for example, red tape, bureaucracy. Stuff that I bang on about on a fairly regular basis but that we absolutely need to find solutions to and I can give you an example. I had a recent meeting with the Chamber of Commerce and they raised this point as well. It was around the Employment Law and unfair dismissal, which is currently sitting in Jersey at 26 weeks and you will be aware in Guernsey it is one year and they are consulting about ...

**The Deputy of St. Martin:**

It is 2 years.

**The Minister for Economic Development:**

... and they are talking about extending it in Guernsey or about to consult, I believe, and in the U.K. it is 2 years. Now, if we want to have a successful growth economy in the future, we have to, in every respect, be competitive. If we are trying to bring inward investment - this is just one small area but it is an example - if we are completely out of synch with our nearest neighbours it seems quite extraordinary to me that has been reviewed and no change has been recommended.



**The Deputy of St. Martin:**

Why was more political pressure not brought to bear on that, Minister, or was enough pressure brought to bear?

**The Minister for Economic Development:**

We made our views very clear but clearly, and quite rightly, the Minister for Social Security, wanted to go through a review. I think if you have got a policy in place you want to have it properly assessed. You just do not want, at the drop of a hat, change it because the Minister for Economic Development happens to think it is a good idea. He did that. He got the Employment Forum to look at it. They reviewed it. I am just surprised with the outcome they reached and I think we need to come back to the table internally and have discussions about that and many other areas. I pick on that one. It is probably unfair because it is not the only one by any shadow of imagination. There are a number of areas that we need to address, in my opinion. Some of the health and safety laws we could give some consideration to. We have to be aware of what other jurisdictions are doing. You would not imagine a Coalition Government, for example, would exempt anybody from health and safety laws, but they have for one-man enterprises. The smaller the business, the higher the impact of costs of complying with regulations and laws. The U.K. has removed that requirement on one-man businesses. These are the types of things that we should be looking at and moving, in my opinion, quickly to get these barristers down, to make it as easy as possible for people to safely go about their business.

**The Deputy of St. Martin:**

I will move on. The next heading I have ...

**The Connétable of St. Brelade:**

Just getting back to Steve's original point, I think we all know this ties a lot of different areas together, but it is repetitious to some degree and some of it is in the growth strategy. In terms of the time it has taken the department to prepare, would it not have been better to have that time spent on the real issues that you try and deal with on a day-to-day basis rather than putting together something that just seems to be ticking the box?

**The Minister for Economic Development:**

I would turn it around and say one of the reasons that it has taken the period of time it has is that it is not on the same level from a priority point of view as what you would call business as usual. There is a lot to do and we are getting on with doing that and the timeframe that was set in order to deliver on it was fairly long in order to allow business as usual to carry on.

**The Connétable of St. Brelade:**

But if it is not going to be debated, at the end of the day is it necessary?

**The Minister for Economic Development:**

I think it is important to have that framework in place and it makes it clear to businesses and it is also important from an inward investment point of view that it clearly lays out what the ethos for operating in Jersey is. That is a document that will be useful. It will get read and it will certainly, in my view, assist those who are considering it understanding the Island and relocating here.

**Deputy Chief Executive Officer:**

I think one of the other things it does though all the activity in the enterprise strategy will not be delivered by the department. What it sets out is the responsibilities of Digital, Jersey Business, Skills Jersey Board, Locate Jersey, in terms of what they are expected to deliver with the resources ...

**The Deputy of St. Martin:**

But surely we know all those things already.

**Deputy Chief Executive Officer:**

You can but it is written down and then it provides an evaluation framework when we are looking at targets and looking at measuring the way resources are used when they are doing the job.

**The Connétable of St. Brelade:**

It may be a lot of local businesses may have already seen this but what I think you are also saying there is this is so that people outside looking can measure aims of the department and see what structure they would be working under if they invested here, for example.

**The Minister for Economic Development:**

Yes, that is important. It is also important locally. When this gets published it obviously gives focus, as has been described with the other initiatives, but it sets out a clear target and I think, from a confidence point of view for the local economy, it is important. All we have done, the economic growth and diversification strategy and everything that is flowing from it, is saying, "Broadly, 1,000 jobs over the next 3 years and we are investing £10 million in supporting these activities defined all together on this strategy." That shows the direction in which we are moving and the investment that is being put into supporting the economy. The £10 million, by the way, does not include the Innovation Fund or other money like the Tourism Development Fund either.

**The Deputy of St. Martin:**

We are very nearly there, but the last subject we will discuss this morning, which follows very neatly after the enterprise, is retail framework. I think that we as a scrutiny panel feel that one of the reasons we were disappointed with the enterprise strategy is that we felt that maybe resources could be much better diverted towards the retail economy in Jersey, which is so important. I mean it makes up the vast majority of our G.V.A. and all that type of stuff. It is small enterprising business in Jersey and obviously I do not mean to go on about the state of the high street and the pressures that they are under. Can we see a move on the horizon where E.D.D. is going to engage more with retail? In the past we have been very much of the opinion that we have to let the marketplace decide and competition is great, but do you think we are getting to a point where we need to start talking more and intervening?

**The Minister for Economic Development:**

I think those 2 points are different. I think you have got sectors and competitiveness - really important - and the market should find its own levels, but that does not mean within a sector like retail, which is very broad, there are lots of small businesses and so on, that there is not a requirement for Government to step in and become part of a solution to assisting those small businesses and it is not just Government directly. Also agencies like Jersey Business, for example, have got a really key role to play in supporting S.M.E.s and, again, the main part of this particular sector are small and medium-sized enterprises. What Government is doing is stepping in and has put together a group. There was a call, you might recall, from the Chamber of Commerce for a new retail strategy ...

**The Deputy of St. Martin:**

The town team.

**The Minister for Economic Development:**

Sorry?

**The Deputy of St. Martin:**

The town team or something was it called?

**The Minister for Economic Development:**

Well, that is another story.

**The Deputy of St. Martin:**

Yes, okay.

**The Minister for Economic Development:**

That was a group that was put together that was far too large and basically went nowhere, but let us put that aside for a moment. There was a call from Chamber for a new retail strategy. Well, we have a retail strategy which is fine and it is all about capacity and competition and so on.

**The Connétable of St. Brelade:**

When you say you have a retail strategy, do you mean the retail framework that you put together in 2010 or are you talking about the retail strategy that goes back to 2006-07?

**The Minister for Economic Development:**

2006-07, which was updated in 2010.

**The Connétable of St. Brelade:**

Which is the retail framework?

**The Minister for Economic Development:**

Yes. That is an entirely different thing to what is required if we are going to support the high street, which is what you are talking about, Chairman. So what we have put together now is a group which is looking at a retail development strategy, if you like, rather than a new retail strategy.

**The Connétable of St. Brelade:**

Can you give us some details? What do you mean by “group”?

**The Minister for Economic Development:**

This is led by E.D. It is a group that includes the Chamber of Commerce, it includes the Institute of Directors and it includes some leading business people within the retail environment. So it is Government and industry working together in partnership.

**The Connétable of St. Brelade:**

Sorry to interrupt. When you say “industry”, are we talking small, medium and large business or are we talking ...

**The Minister for Economic Development:**

Across the piece.

**The Connétable of St. Brelade:**

It is?

**The Minister for Economic Development:**

Yes.

**The Connétable of St. Brelade:**

I think the issue I get back with small business - and I have got 2 local trading groups within St. Brelade - is that they do not feel that they are being included and they feel that they are out on a limb to some degree, that they do not have enough connection with E.D., in some of the discussions I have had with them, which came from the meeting we had with Jersey Business. I think Jersey Business could be little bit more proactive in speaking to small business and showing some of the things that they offer, in terms of even just advice, because a lot of small businesses do not really know where to return when things are not going maybe as well as they should.

[11:30]

**The Minister for Economic Development:**

I think you are absolutely right and I think there has been, to a degree, a bit of a void from the time that Jersey Business and Jersey Enterprise effectively ceased operations. They did not cease. What happened was Jersey Business was created but it was operating on a sort of skeleton staff and in fact there was an interim chairman, you will probably recall, before the current C.E.O. and it was just one individual who was providing the service. That period of time went on for too long, in our view. It was unfortunate. It happened. We are now in a position where Jersey Business has recruited their team of 6. They have got some very good individuals working there and they are now working through their product range and ways in which they can assist. They are specifically the agency that is there to look after and support the business you are referring to. I am sure ...

**The Connétable of St. Brelade:**

But I think there is an issue about them making all business aware of what they offer across the board.

**The Minister for Economic Development:**

Absolutely.

**The Connétable of St. Brelade:**

I am not just talking about new business. I am talking about existing business and what they can offer them in terms of if they running up against almost insolvency. We were given some figures of the number of companies that are coming to Jersey Business struggling and the sort of advice that they can offer and I think it was very interesting. I was quite shocked when I was being told the amount of business that is walking through the door and saying: "I am in trouble here. What do I

do?" I think we need to get that across to businesses generally that that support is there, because that is all they really need I think.

**Deputy Chief Executive Officer:**

I think you will probably see a lot higher profile from Jersey Business from September onwards. They have taken the time. They have got the team in place and are bedding the team down over the summer and I think from September there will be a lot higher profile in terms of who they are, what they are and what they can deliver.

**The Connétable of St. Brelade:**

In terms of this retail framework, obviously even this now is 3 years old. Is this something that this group will look to updating? I mean there are a lot of comments talking about supermarkets, for example, and what a third player may add or take away, whichever way you are looking at it from. Is this something that you would be looking to update again, because I think there are some businesses, smaller businesses especially, looking for a lead from E.D.D. and from Government as to where we are going to be going and what support they are going to be giving?

**The Minister for Economic Development:**

As I said, they are really 2 different things. The group that is in place now is specifically aimed at looking at the challenges within the high street now - and that is primarily made up of small business and medium-sized businesses - and how those can be addressed. There are all sorts of areas that are being looked at; things like car parking, which is always raised as being the big issue. Again, this is cross-departmental and this is where there have been challenges in the past because it is not within the gift of E.D.D. to find the solution without other departments coming to the party. There would be, for example, a suggestion to perhaps take away car-parking charges on a Saturday. Now, to do that there is an impairment to the T.T.S. (Transport and Technical Services) budget and we would need to find a solution, none of which is insurmountable in my view and indeed we need to trial something like that. That could form part of a package of measures to try and support businesses in the high street. Problems they are facing are problems that are being faced across towns and cities all over the U.K. There is nothing new here. It has been accelerated and amplified by the current economic climate. Only last weekend when I went through town and I popped into my favourite chocolate stall in the market that does Belgian chocolates - I recommend you go there if you like chocolate - my disappointment was that my favourite chocolate was missing. I said to the girl: "Are you not going to get these? I have now been here 2 weeks in a row and you have not had my favourite chocolate. I am very disappointed." She said: "Well, you need to go online." I said: "Oh, I did not know you are online." She said: "Yes, yes. We have got a web presence we have been running for nearly a year now. We are the only Leonidas agency that sells globally. It is fantastic. You get a 15 per cent discount

and we are building our business and we are really happy about it.” I thought: “This is fantastic.” This is the type of entrepreneurial position that businesses need to take. They need to start looking outwards rather than inwards.

**The Connétable of St. Brelade:**

But that is the sort of advice they need from Jersey Business because exactly one of the points that came up from the small business group I had is that they need to get out and compete and compete on the Internet. It sounds simple, but sometimes it is not for people who do not understand how that works.

**The Minister for Economic Development:**

You are completely right and that is why Jersey Business are looking ... but it was only in May that they got completed their complement of staff. They have now got their 6 staff in place. They are working, as I touched on, their range of products and services. In the services they are looking at including business support individuals, specialists that can go into businesses to advise on turnarounds, which is what you are referring to, and I know they are going to be coming back to us for an additional budget for next year to be able to provide specific advice for turnarounds.

**The Deputy of St. Martin:**

We see that their budget is expected to be a little bit short for the next 3 years, so I was going to ask about that but I will not go there. Minister, we are over time and I think we have had a good meeting. I would end up by just hoping that you advised your person in the market that, even though you would shop online, she still needs to get your favourite Belgian chocolates in store so she can charge you a little bit more and make more money. If she had them on display I am sure you would have bought them.

**The Connétable of St. Brelade:**

Can I just ask one last question? I am sure the answer to this is: “Yes.” In terms of the Financial Services Ombudsman, are we still on track with that for a January 2014 start?

**The Minister for Economic Development:**

Early 2014. It may not necessarily be January. I did say some considerable time ...

**The Connétable of St. Brelade:**

Early still sounds good.

**The Minister for Economic Development:**

Well, the target I have set is the first quarter. January we have mentioned in the past but, yes, it is still on target. It is still moving forward and I am determined that we have one.

**The Deputy of St. Martin:**

Minister, thank you and your team for turning up this morning.

**The Minister for Economic Development:**

Not at all. Thank you.

[11:36]