



Economic Affairs Scrutiny Panel

Quarterly Meeting

Financial Services Digital Competition and Innovation

WEDNESDAY, 23rd NOVEMBER 2016

Panel:

Deputy S.M. Brée of St. Clement (Chairman)

Deputy D. Johnson of St. Mary (Vice-Chairman)

Connétable J.E. Le Maistre of Grouville

Connétable M.J. Paddock of St. Ouen

Witnesses:

Assistant Chief Minister (Senator P. F. C. Ozouf)

Economic Adviser

Interim Director of Financial Services

Director of Digital and Telecoms Policy

Policy Adviser Financial Services Unit

Topics Discussed:

- | | |
|---|---------|
| 1. Innovation | Page 2 |
| 2. Brexit | Page 6 |
| 3. Jersey Innovation Fund | Page 18 |
| 4. Channel Islands Competition and Regulatory Authorities (CICRA) | Page 38 |
| 5. Register of Beneficial Ownership of Companies | Page 46 |
| 6. e-Gov and Digital | Page 48 |

[10:14]

Deputy S.M. Brée of St. Clement (Chairman):

All right. Well, if we can begin. Welcome, Assistant Chief Minister and your colleagues. This is a quarterly public hearing to discuss the areas of the Financial Services, Digital, Competition and Innovation. My apologies to members of the public that we have started slightly late. It was unavoidable.

Assistant Chief Minister:

My apologies. We got the time wrong. It is my office. Apologies.

Deputy S.M. Brée:

Now, before we start, if I may, for the benefit, certainly of this Assistant Chief Minister, there is a notice there to your right, which is the normal notice referring to public hearings of this nature. To members of the public and the press, please can I ask you to remain quiet at all times and if you can ensure that any mobile devices are set to silent so they do not disturb us which, in all likelihood, my phone will now go off but anyhow. For the benefit of the tape, if we may go round and just introduce ourselves. My name is Deputy Simon Brée. I am the Chairman of the Economic Affairs Scrutiny Panel.

Deputy S.M. Brée:

Okay. Now, one of the things that we want to do is to cover a number of areas during this quarterly public hearing. So I would request, Assistant Chief Minister, that you try your best to keep answers short, succinct and to the point where possible. The first thing we would like to just receive from you, if we may, is an update on the competition and innovation priorities for 2017 that fall under your area of responsibility. We have already had a briefing, a private briefing, from officers on financial services and digital. We would like more to look at the competition and innovation priorities that you are setting for 2017. So if you could elaborate slightly.

Assistant Chief Minister:

Indeed. We are going on to talk about obviously the Innovation Fund and there is going to be naturally a blur between the two. The Innovation Fund forms only part of the overall innovation, as you know. The priorities for 2017 are effectively to continue ... and we are going to provide you with a written note. I will be brief as I can, but provide you with any supplementary information; some nice graphs and things for you. So the Innovation is to continue the approach of the action plan, which was built on the very good and well received Tera Allas review. We all know that we have got to raise productivity, a problem across lots of countries, and effectively the review said we need to make sustained and significant improvements in productivity and this can only be

found by boosting the level of innovation in the private sector, and I would say also the public sector has its role to play in that too, and by enhancing the impact Innovation has on the economy. It is important that Innovation covers a number of key areas identified in that review and their review, as you may recall, had that table which was money, talent, knowledge, business environment, science, innovation and innovation outputs. What we have done is I did a blog, it was set out, effectively a blog of what our reaction was and it might have been drawn to your attention the fact that we have been doing some action plan updates on that. It is important that we just do not have reports that gather dust and that we keep people updated on it. Since the report was published in 2015 there has been, I think, I am pleased to say, significant progress. Collaboration and knowledge transfer were key ingredients in the whole of that report. We are working with a number of off-Island organisations who have got expertise in how to innovate, Innovate U.K. (United Kingdom), and the Digital Catalogue. So they can bring knowledge and experience of how you can kick-start and improve innovation from other places. It is not always where we can lift ideas from other places, particularly small places, and see what works. There are lots of examples of innovation, government, well-intentioned, it sounds nice, does it not, but what are things that work. So we are trying to target those organisations and learn from outside and also develop with a number of academics whose research is relevant to the local economy. Small economy is different. Businesses need to have access to the right skills to maximise the impact on innovation, on economy and we think it is now easier for local businesses certainly to bring in digital skills which were unavailable on-Island and you will have seen an arrangement with the H.A.W.A.G. (Housing and Work Advisory Group), Digital Jersey is part of this process, and bringing their expertise in a much more present way and we can talk about Digital Jersey. We have got local entrepreneurs in abundance in Jersey and we have got lots of would-be entrepreneurs and it is important that they have the right resources. The credit markets are certainly now working better, we can debate that, but it is about signals and it is about the signposts of where people can get their good business idea into a workable plan to get their mark and things. I just draw your attention to just 3 more things. A new skill zone has been developed as the Digital Hub. So Digital Jersey has now moved out of the hub and we have got the exciting launch of the Eagle Lab which is going to be at the library, which I am delighted about. I hope you have had an invitation, if not I will get you one. That is going to be opening I think next week which is almost the sort of the digital hub for Islanders and that is really going to be exciting. There are some really exciting things for kids and all members of society. The hub itself is now really focusing more on business and Digital Jersey is now upstairs in their own offices so we have got much better, I think, separation and clear intent. There has been some focus on how we can develop clusters. Clusters are one of those things that really sort of drives innovation. Digital Jersey has formed industry-led groups to look at specific areas of clusters and so they are launching. Had the Estonian ambassador here last Thursday - you know that I visited Estonia - going to be holding the E.U. (European Union) presidency. They are a country built from nothing

almost after the Soviet Empire collapsed and they have virtually built a whole economy on the basis of e-enabled society and it is extremely impressive what they have done. So I went on holiday to go and see what they did and so got some ideas for that and then brought them back. So the Estonian Ambassador saw a cluster of FinTech people that were there at the hub just by coincidence. Also we are working on the “Internet of Things” which is going to revolutionise the way technology ... as the World Wide Web becomes available it may be connected to more devices than we have ever imagined possible and MedTech too. Medical science and medical technology has the opportunity to really revolutionise medical health care and that has to be at the heart of the new hospital debate as well. We are doing a review of the funding for innovation and that is led now by a steering group with Digital Jersey, Jersey Business and with assistance from the Chamber of Commerce we want to help shape the future of our approach to overcoming where there are barriers to businesses with good ideas getting access to that finance for their innovative businesses and making it happen. We are considering a broad range of possibilities and possible approaches with both public and private elements. The output of this group will be considered and I am happy to share the conclusions of that with the panel as soon as possible. That is going to be the forward element of looking at the evaluation and we will be evaluating the fund as well but you might just want me to stop there in terms of that because we will talk about the fund, no doubt, in a bit.

Deputy S.M. Brée:

We will. We will go on to that in a bit. One of the areas that you mentioned there was MedTech and the use of the Island as a testing bed for either medical care related software packages or indeed medical services. Do you have a concern that certain medical companies may be looking to use Jersey as a test bed because it falls outside of the regulatory authority in the U.K. and the U.S. (United States)?

Assistant Chief Minister:

Well, I have got my digital policy officer lead here so she will be able to tell me whether or not that is something that has come across her desk. The principle of the Island as a whole is that we do not want to be a place ... it is the same issue with tax. We cannot legislate for the U.K. We have seen, obviously, all the tax stuff that happened, the sort of Jimmy Carr story. That was basically a well-intentioned scheme by a chancellor of film which was basically misused by clever lawyers. Jersey happened to be caught up in it but the U.K. has to change that. So where there are gaps we do not encourage, as a matter of general policy and the Regulations of Undertakings as it was, and now the Work and Housing Law has the reputation of the Island still in the law and so we can use that when setting up businesses. I am not aware of anything that is being used. There was an issue, I know, about certain medical ... in the old L.V.C.R. (Low Value Consignment Relief) days when there was, I think, some products that were not available in Germany, for example, but

were used because our laws for pharmacy was not covered. This would be something that we would ... we are a small jurisdiction and we will not necessarily have every single bit of law that every other place has. We do have the consumer laws of the E.U. that we pretty well replicate and that is why there is a replication of that but ... Stephanie, do you want to add something?

Director of Digital and Telecoms Policy:

I mean I think that is obviously right. There is nothing that has come across my desk that raises that concern and I recognise it and it is not about trying to get round consumer facing regulation. It is more about bringing in new innovative technology that can benefit consumers; which we can do more quickly here as a test bed but the consumer - the benefits to and the rights and the needs of the consumer - would need to be paramount in much the same way as we are looking at data protection. It is about where are there opportunities which we can work with which still make sure that everyone is getting the best possible protection? So, no, I do not think that is a major concern. We would be looking at something that enhances the reputation of the Island, not something that would be damaging to it.

Deputy S.M. Brée:

Okay. Any other questions, gentlemen, on this particular area?

The Connétable of Grouville:

The G.P.s (general practitioners), have they signed up to this sort of e-led concept and is it compatible with the health services systems?

Director of Digital and Telecoms Policy:

Digital Jersey is working very closely with the Health Department now and looking at the department's digital strategy and in doing so is engaging with the health service itself and with all the range of health supplies and practitioners. I think, as in all sectors, there will be some who will be at the forefront of adopting new approaches and others who will be less keen. You see that in all sectors and I think that it is very much a partnership approach between Digital Jersey and the Health Service. It is not something that the private sector or public sector can do alone.

The Connétable of Grouville:

Because am I right in thinking at some point some of the G.P. systems were not compatible with the health system?

Director of Digital and Telecoms Policy:

Yes. They will go with ... I mean I do not know the details of the health system but I think there were some areas that were incompatible, which is what tech brings into it to help make these things more smooth.

Assistant Chief Minister:

We are going to come on to some questions because really you sort of put your point right on the issue of our responsibility in e-Gov and are we responsible for e-Gov and where the demarcation lies. That is a really good question but maybe we will come back on to the specific questions. I know the Chairman tabled that on your item 6 but we certainly want to explain and share with you and get your questions and your feedback on where we see the delineation between where the responsibilities for e-Gov are for us and where the e-Gov responsibilities for implementation are. It is a really quite an interesting debate.

The Connétable of Grouville:

That is a specific example; that is why I brought it up.

Assistant Chief Minister:

No ... and it is a very good example.

The Connétable of Grouville:

There are lots of them in other areas.

Assistant Chief Minister:

There are lots of examples, that is right, and, yes, and one of the Innovation Fund receivers is operating in exactly this area.

Deputy S.M. Brée:

Okay. If we can go on to the next area then. The question that is obviously fairly forefront in people's minds about the impact of Brexit; where are we, where are we going and what are our plans? Obviously in your area, Assistant Chief Minister, particularly with Financial Services, Digital, Competition and Innovation, the whole issue of Brexit does raise quite a large number of questions. Can you please just give us a very brief update on what work your department is doing, both with industry locally and with other countries to ensure that Jersey's position is at the forefront of people's minds, if it can be that?

Assistant Chief Minister:

There is a Brexit triumvirate, as we call it, which ... while Sir Philip has fronted the reports that you have received we are running Brexit as a ministerial sub-group. The Chief Minister in the chair, Sir Philip and other Philip, as I am called, is effectively the sort of triumvirate dealing with that. I am looking at very much the sort of trade and the sort of business threats and opportunities. Sir Philip's department is looking at every other aspect of that and including things that are not within my portfolio, such as fishing, which the panel will obviously be covering in another way. What I would say, to cut short really, and just to invite questions I suppose, is I do not know whether the panel was at the briefing that was given by the Brexit ... where we did a sort of triple header between the 3 of us at the States Members' briefing the other day. That really covered what is going on. A great deal is going on. A great deal of preparation went on and it is fair to say that there are ... let me just leave it there because if I can add anything that ... questions arising from that briefing. I know that was not a public briefing but if you want me to provide a note perhaps of the matters or the slides or something for your records for a public hearing, we can, but obviously we are seized upon the issue of Brexit. It is commanding an awful lot of our time. I have just been in London in the last 2 days. Today, of course, we are going to look forward to briefing you and the Council of Ministers together, first time, pleased about that, with the Value to Britain and Value to E.U. reports which were commissioned, and those are important questions and important matters to deal with the explanation of Jersey's importance because obviously with Britain and the clear hard Brexit that we do not influence but we are ... and I certainly feel that being a sort of resident of the London office a couple of days a week I see, feel and hear a lot of the work that goes on.

[10:30]

I would say that we are ... thank goodness we have got the London office. We are feeling very much part of the discussion and where appropriate we are brought in to discussions. We had Sir Eric Pickles for example here at the weekend in Holocaust. He is also the Anti-Corruption Tsar and we briefed him on beneficial ownership, another thing we are going to come on to. So we feel very much part, in a way that we were not before and I look back in 17 years of experience of sort of dealing with the U.K. and being encouraged ... the noises that we are getting are much more respectful and much more interactive. There is genuine interest in what Jersey is doing. We have been outside of the E.U. of course in a number of areas.

Deputy S.M. Brée:

I mean the general policy statement coming out from the Brexit Working Group, the triumvirate as you call it, I did believe at one time the Minister for Economic Development was going to be on there as well. Is that not the case?

Assistant Chief Minister:

You are right, Chairman. There is a core triumvirate and then all ... I mean every single Minister is affected by various different areas and Ministers are then invited. We are slightly reformulating the group. The triumvirate is going to stay but then we are going to have a wider group of Ministers and as we also respond to Scrutiny and Back-Benchers' involvement in this, this is going to be dominating our lives.

Deputy S.M. Brée:

Okay. Well, the general policy statement that seems to be coming out is that where possible we wish to maintain the status quo. To be frank, I do not believe that is a particularly robust or meaningful policy statement because, as we all know, the status quo cannot be maintained. I think possibly, from certainly the Scrutiny point of view and Back-Benchers and obviously the public, a clearer policy statement as to where we wish Jersey or the Council of Ministers wishes Jersey to be post-Brexit would be very beneficial and possibly go some way to negate any concerns that people may have. Are you preparing to make a much more meaningful policy statement at any time in the near future?

Assistant Chief Minister:

Chairman, I think the status quo, and if we are not communicating then I apologise. Of course, the Minister for External Relations is the sort of lead spokesman so I would not want to sort of tread on his toes. But the status quo relates to the situation that we have with the United Kingdom not with Europe because the European arrangements that we have are largely, as a third country, in my area. The status quo is that with the United Kingdom. So if we have not communicated that properly then we obviously need to do better at communicating that but the status quo ...

Deputy S.M. Brée:

So what is then the policy statement with regards to our relationship with European countries excluding the U.K.?

Assistant Chief Minister:

I mean there are 2 areas, of course, that affect this panel's remit: financial services and fisheries and agriculture. Now, to date I am not briefed, of course ...

Deputy S.M. Brée:

I think fisheries falls under the Environment Panel.

Assistant Chief Minister:

Okay, right.

Deputy S.M. Brée:

Agriculture is certainly ours.

Assistant Chief Minister:

Well, Jersey Royals go mainly to the U.K. so there is no issue with that. We will continue to be able to trade. There is no trade barrier between the United Kingdom and Jersey. None passed; not since 1066 or 1204 I think. The financial services does not change because in theory we are a third country prior to Brexit and we are a third country after Brexit. Of course, what is going on is some uncertainty but opportunity as well in terms of the U.K.'s own positioning and what their negotiations will yield. The Prime Minister has used the word "running commentary" about those negotiations and I suppose it is quite difficult for us to give a running commentary on a running commentary that they have not articulated themselves yet.

Deputy S.M. Brée:

I do not think anybody is expecting a running commentary. I think what people are looking for is a more clearly defined policy message as to where does our Council of Ministers see Jersey's position in relationship to Europe, excluding the U.K., because obviously the U.K. will no longer be part of Europe in the official sense even though we all remain, possibly, Europeans. I think that there is concern that this statement of policy that we wish to maintain the status quo has been misunderstood to include our relationship with other European countries. Obviously you have now clarified that that solely relates to our relationship with the U.K., is that correct?

Assistant Chief Minister:

Yes. I cover financial services, digital and competition issues in relation to this so there are issues and you are right. There are consequences of the U.K.'s relationship with the E.U. which have a read across that but that is not within my brief although as part of the triumvirate I am part of that but if you would like to have further briefings on the sort of common travel area issues. The issues of immigration are obviously at the top of our minds. There are both threats and opportunities for that. If you want a brief concise position Jersey was a third country before Brexit for financial services. The work that we have done in investing and researching the future of finance with the McKinsey Report and the new financial framework, which is going to be updated, and we are looking now at, again, future of banking. We are looking forward to 2025. We are going to be increasingly, and have become increasingly, diverse in terms of being an intermediary of cash, of credit and of risk. There are issues such as the U.K. decision which of course has been replicated in the U4, for example ring-fencing of banking, which is providing opportunities for Jersey. Now that means ... and Mr. Corrigan ...

Deputy S.M. Brée:

Do you not see that there would be any risk to our third country status once the U.K. has left Europe; Brexit, as it has become known, effectively takes place? Do you believe there is any risk?

Assistant Chief Minister:

Of course there is risk and that is why we have got the Channel Island Brussels office and we ... I saw Steve Williams in London on Monday and both ... if I may, I know you like Ministers to answer the questions and I will answer the questions and I am trying to be brief for you but if I may just invite, perhaps, either Richard or Kristin, who are dealing with 2 specific issues in relation to third countries.

Deputy S.M. Brée:

I would just like to clarify ...

The Connétable of Grouville:

Can you just say who Stephen Williams is?

Assistant Chief Minister:

Steve Williams is the head of the Channel Island office in Brussels.

Deputy S.M. Brée:

I would just like to clarify something that you said; that there is a risk to our maintaining our third country status. Did I hear you correctly or not?

Assistant Chief Minister:

Look, there is a risk of me walking out of this building and getting knocked over or a pigeon doing something ...

Deputy S.M. Brée:

I think you are being a little bit ...

Assistant Chief Minister:

No, but there is a risk but it is: what is the risk? Where is the risk? Who are the decision makers and who is the influence?

Deputy S.M. Brée:

So just to clarify ...

Assistant Chief Minister:

So let us take an example. Just to give you 2 very good concrete examples to deal with that.

Deputy S.M. Brée:

Please, if you can. I just want to clarify that. Post-Brexit, you are saying that there is a possible risk, however small, that Jersey will not maintain its third country status.

Assistant Chief Minister:

No, I am not saying that.

Deputy S.M. Brée:

No, you are not.

Assistant Chief Minister:

I am saying that there are third ... there is a constantly evolving regulatory framework in the E.U. where the E.U. is changing its regulations and we currently have done very well in getting ... and being very well respected in the E.U. So what I am saying is that we must take nothing for granted so we must continue to work hard to ensure that we take the opportunities in the future but I think on balance there are more opportunities for Jersey than there is risk. If I may just ask Richard to perhaps give a couple of concrete examples.

Interim Director of Financial Services:

Certainly the principle of third country access is not just for the Crown Dependencies, the overseas territories, so we are not uniquely impacted by that. Brexit adds an extra dimension clearly. For example, our funds industry currently has third country access to Europe for helping to raise capital from European investors. We expect that will continue but we are still on guard to the prevailing threat that with the U.K.'s moderating influence being lost around the table in Brussels and in Strasbourg that we may be impacted, but we would look to be treated as other third countries are treated. So an example of funds, Singapore, Canada, North America ... sorry, the U.S., Hong Kong are also third countries for that same purpose in principle and were assessed in a similar way to Jersey and indeed other Crown Dependencies and overseas territories. So if there is a prevailing threat in some of these product areas or remits of financial services they extend way beyond Jersey into a variety of third countries. Fundamentally, Europe is still a ... European economies are still deficit economies. They need foreign direct investment and therefore we continue to cite the positive benefit that Jersey brings in introducing international capital to European markets.

Deputy S.M. Brée:

I think you raise a very interesting point. The question of the protection provided to Jersey over the years by its relationship to the U.K. probably is one that can never be quite quantified.

Interim Director of Financial Services:

Indeed.

Deputy S.M. Brée:

However, it is known that certain European countries have always looked upon Jersey and Guernsey, particularly, as tax avoidance centres. Do you believe that with the removal of the U.K. from the European Union that Jersey's position as a third country may come under threat because of moves within the remaining member countries of the European Union to effectively blacklist Jersey and Guernsey as offshore tax havens?

Interim Director of Financial Services:

I do not believe we will suffer a unilateral measure that singles out Jersey and/or Guernsey, Isle of Man. I believe that there is a wider E.U. agenda to look at low tax jurisdictions. There is a policy move within Europe to deal with tax transparency and a desire within Europe to move to a common consolidated corporate tax base for example. It has been well petitioned by a variety of E.U. commentators. That said, we do not believe any action would necessarily fall just on Jersey or centres of our kind because many other jurisdictions around the world effectively have zero tax or low tax regimes so we would expect to be treated as part of a much wider network of centres rather than singled out for any specific treatment.

Deputy S.M. Brée:

You will agree though that certainly in the past the U.K., as a member of the European Union, has come under pressure from the European Finance Minister, for example, at one time to do something about the Crown Dependencies.

Assistant Chief Minister:

So can I directly address that because it is a sanction question, Chairman? If we ... and your scrutiny officer was kind enough to accompany me and witness an interesting committee of the E.U. (TAX2) Committee and your officer, no doubt, provided you with a flavoursome briefing of the proceedings where the E.U. met the O.E.C.D. (Organisation for Economic Co-operation and Development). We also recall that France blacklisted Jersey and the consequences of blacklisting would have been serious for us. We thought that France was being ... it was wrong to blacklist us but we needed to listen. We needed to understand their concerns and respond in a way that was appropriate. If we look at that as a track record, it was the Finance Minister, Moscovici, who was

the then Finance Minister and I think it is of note that the work that went in to get us off the blacklist was a unified approach and ended up in getting almost a better position, and so Mr. Moscovici knows us well because of that experience. He was gracious enough at the end of that process when they de-blacklisted us to make some complimentary remarks about Jersey. If you can look backwards at a track record of what we did, we did a Herculean amount of work both with our relationship with the Ambassador of France, which we continue to have good relations with the new ambassador, but it was Monsieur Émié that was the ambassador.

[10:45]

We certainly, and you are correct, Chairman, in saying that we also had assistance from the United Kingdom and that was helpful. We understand the Chancellor himself was involved in those discussions. So that is the level of involvement. So without the U.K. being at the table there are some ... politics is noisy but sometimes noise does not necessarily translate into action and I think we need to separate the noise sometimes from the reality. We look to the O.E.C.D. very much to being the real body of expertise internationally on tax. I am sure that you will have noted the extremely complimentary remarks from Ángel Gurría, the Secretary General of the O.E.C.D., and the real experts, and I compliment BBC Radio Jersey for having the confidence to interview Mr. Pascal Saint-Amans about Jersey and what he thought. If you did not hear the transcript of that briefing then it is worthwhile listening to it. They are very clear about our position and so, yes, there are going to be those European countries, you are right, that have an agenda on corporate tax and they look sideways at countries with zero tax. There is pressure on the low tax jurisdictions; those of which that have been effectively managing tax rates, but we are not involved in that business. Our zero rate has been a challenge to explain but we are explaining it better and the challenge that the editorial of the *J.E.P. (Jersey Evening Post)*, and no doubt you are putting to me, Chairman, is: are we explaining our position that we are not harmful sufficiently enough. Well, once you have seen and heard and asked the questions that I know you will from the Value to Jersey to the E.U. report I think that that is going to be extremely helpful. That first Value to Britain report was a game changer and it is updated and it is even more positive than before. The Value of Jersey to Britain, of course we are less of value to Europe because we are less European in terms of the thing but there are opportunities for us to provide capital. As Richard said, these are deficit countries. They need capital. You cannot just create pixels on a screen. Countries need to balance their books and to fund their fiscal deficits and their infrastructure projects.

Deputy S.M. Brée:

So while you perceive there is potentially a risk you are of the opinion that we are ... or you, your department and your officers, are doing everything to mitigate that risk?

Assistant Chief Minister:

We are doing everything we can.

Deputy S.M. Brée:

Is that the best way of convincing them, is what you are trying to say.

Assistant Chief Minister:

I think that obviously diplomatic ... there is obviously diplomatic ... a certain amount of sort of jurisdictional confidentiality in relation to country-to-country discussions on some matters until certain matters are agreed. What I can tell you is that we are engaging with a number of European countries in order to make sure that our voice and our ... in a sense we almost know what it is like not to be at the table. So the United Kingdom is not going to be at the table and we have not been at the table with the U.K. and we have had sometimes a more supportive U.K. than others but we have had other friends in Europe and we wish to build friendships with other European countries and of course it is extremely important, for example, to have good relations, which we do. I signed the Multilateral Convention for Mutual Assistance in Berlin and met the German Finance Minister when I was in that position and we continue ... we have got officials in Berlin shortly. We are going to be translating those reports. We are going to present to you later in French and in German and we are going to go and present them both to France and Germany. I was speaking just before ...

Deputy S.M. Brée:

I accept we have got quite a lot to get through but we accept what you are saying. On the question though of the finance industry in Jersey post-Brexit, it does raise the question of the position, or the maintaining of the position, of European banks in Jersey. Have you had the opportunity to discuss with those European banks, who currently have a presence in Jersey, whether or not they are looking to maintain, grow or effectively relocate post Brexit?

Assistant Chief Minister:

My practice has been since discharging the ministerial responsibilities for financial services is to visit every possible of the senior chief executives of our banks and that is one of the reasons why I go to the Washington I.M.F. (International Monetary Fund), World Bank meetings because every single Financial Services Minister and every single chief executive of a major global bank, you can shake a stick at, is there. Everybody is there. We take the opportunity of meetings banks and so we do that. So the answer is yes. We are obviously seeing a much more competitive market. The banking industry is changing. We are going to be doing a review of the banking industry which is underway. I am happy to brief you. Obviously there is confidentiality about that. We would not want our own national plans to be sort of known to other jurisdictions because we are

first and we want to maintain our leading position. I am happy to brief the panel on that. I saw some excellent work from Jersey Finance last week on that and am happy to share that with you but it is confidential. It is country sensitive information. We are getting, I think, extremely positive messages from most of the institutions. We will lose some. There have been some national banks ... there is a Dutch bank that obviously made its own decisions to retrench. We have seen the U.K. bank retrench some of their position although favour Jersey very much but on balance ... and we are also seeing jobs in financial services at now a higher level than they were in 2007. I know we use the word "finance" and I am determined almost to sort of ... I have got a ... you know when you hear on the 10.00 news the words "in the city today" you imagine ... you think about bankers sitting in the Square Mile. Well, the city is a diversified knowledge-based, hugely diverse knowledge-based, service economy which is not just in London. It is in Canary Wharf. It is in Edinburgh. It is in Bournemouth and that is what we are doing.

Deputy S.M. Brée:

Can I just stop you there please, Assistant Chief Minister? If you can answer the questions that are posed to you it would really help this panel.

Assistant Chief Minister:

Well, that is what I am saying to you. That that is what it is.

Deputy S.M. Brée:

You are quite satisfied that the current number of European banks, whether they have subsidiaries or full branches here, will continue post-Brexit, i.e. that you do not perceive there to be any threat to that business moving off-Island once Brexit has taken effect?

Interim Director of Financial Services:

If I may say, Mr. Chairman, there is always a threat to the prevailing financial services industry, whether it is economic or it is regulatory, whether it is driven politically from other jurisdictions. The European banks that are here currently have come here based on Jersey's third country status. They have come here purposely because we are not a part of the European Union and they use Jersey principally to gather liquidity from a range of global markets, not necessarily European markets, or to provide services in a non-E.U. jurisdiction but one that is recognised and proximate to and has market access to those European locations. That has enabled those businesses to build a profitable pool here; to grow headcount here over many years. Some have been threatened in the past by a retrenchment of banking globally. We are not immune to that and that may still be a lingering threat to parts of our banking sector but in the sole context of Brexit being an impact I would say that does not add any additional threat to our existing banking

footprint simply because the reason they are here in the first instance is because we are a non-E.U. centre but we have E.U. market access.

Deputy S.M. Brée:

Okay, fine. Thank you for clarifying that.

Assistant Chief Minister:

In fact if we could provide some information that may be of assistance to you on the percentage of importance of European banks. I think the other thing I would say is, the European banks that are here are offshoots often of London directly so they are not directly ... some of them are. Some of them are directly headquartered from a European capital but others are simply the relationship between London. So it is very much sort of a London-centric thing. If I may say one other thing which I think is important. We take nothing for granted, nothing for complacency but you may be aware that there was the third China-Jersey business forum held here on Friday. I was extremely impressed with the scale of the size of institutions that were attending that seminar and so we are globalising and so Middle East, Africa and China. So we are not just putting our eggs in one basket. We are globalising and globalising fast. The opportunities for Jersey are immense in a world which we are talking about global trade and we are seeing the numbers. It is growing more.

Deputy S.M. Brée:

I know this is not possibly on our question list, Assistant Chief Minister, but you have mentioned the countries that we are actively marketing to. Do you not have any concerns about the appalling human rights records that those countries that we are marketing to have, or are you merely chasing the dollar?

Assistant Chief Minister:

We follow British foreign policy. We are not an independent state so we follow British foreign policy very carefully and we adopt sanctions and immediately ... I think we are very highly regarded for the approach that we take and so we do not want to reinvent a foreign policy and the British foreign policy ... I saw Boris Johnson a week ago on Sunday. I had the opportunity of telling him some of the work that we are doing with overseas territories as well which he did not know. So we follow, effectively, British foreign policy and where British foreign policy is, is on a black ... if a country is on the blacklist then we will follow that. We are not an independent state. But then the business itself is a matter obviously for the regulator to decide. So Middle East business we have historically been a very big centre for middle-eastern business. It was also very interesting to hear the remarks of the Israeli ambassador who was here on Sunday too when ... and speaking about the Israeli position in that whole Arab region as well. So the human rights thing is ... diplomacy is about talking to people you do not necessarily agree with and it is about

raising the standard of living. That is the U.K. line. It is a Commonwealth line but obviously we are very much embedded into the Commonwealth being on the Commonwealth Trade Council.

Deputy S.M. Brée:

So as far as, and correct me if I get this wrong, you are saying that the Council of Ministers in pursuing business from overseas territories follow purely the line of the U.K. Foreign Office and do not have any further regard for ...

Assistant Chief Minister:

No. At a very high level that is correct, Chairman. So at a very high level if a country is on a blacklist so you can ... I do not want to name countries ...

Deputy S.M. Brée:

No, I am merely talking about the countries that you, Assistant Chief Minister, mentioned and I was just trying to clarify what the policy was, when doing business with those countries, which are not blacklisted, we know that, but however it is well known that those countries have appalling human rights records.

Assistant Chief Minister:

Well, there are also lots of other problems. There is corruption. There are countries that have all sorts of other issues ...

Deputy S.M. Brée:

That is down to the regulator and to ensure that the necessary K.Y.C. (Know Your Client) and due diligence is done.

Assistant Chief Minister:

And there will be a risk ...

Deputy S.M. Brée:

That is a very separate question to what account is taken from a moral standpoint and you are saying that basically you are following the lead of the U.K. Is that correct?

Assistant Chief Minister:

It has to be correct because we are ...

Deputy S.M. Brée:

Fine. No, it was purely for clarity sake. Thank you.

Assistant Chief Minister:

But of course there are ... but you are looking at ... if you take Nigeria there are particular challenges with Nigeria but there are good people in difficult countries wanting to do good business and those are the people that we seek but our regulator is obviously risk profiling different countries with different risk as appropriate. If you would like a briefing, a more sensitive briefing, on the approach that is taken then that would be absolutely appropriate because your questions are absolutely spot on about the ... there is a level of risk but there is no prohibition and countries with bad human rights records, by raising the standard of living by trade, you improve human rights and you lift people out of poverty.

Deputy S.M. Brée:

That might be an interesting discussion to have with the Chinese Government at some point but anyhow. Can we move on to the next area?

Assistant Chief Minister:

Of course.

Deputy S.M. Brée:

Very topically, we would like to talk to you about the Jersey Innovation Fund.

Assistant Chief Minister:

I thought you might.

Deputy S.M. Brée:

Following the statement, and I have a copy of it here, made by yourself on Wednesday, 16th November 2016, it has obviously raised quite a number of concerns in our minds as a Scrutiny Panel and I believe in the public's minds at large.

[11:00]

The statement that you made was driven by the situation, probably, of the amount of the loan that has to be written off, or has been set aside as needing to be written off, from the loan to a company called Logfiller. In order to clarify the situation, can you please confirm the total amount of money that has been set aside as effectively going to be written off with regard to any loans made to Logfiller?

Assistant Chief Minister:

Well, I sent an email to all States Members with that amount ... with the extract from the States accounts and I am just pulling up on my notes here. It has been fully provided for, written off. The States reserves its position, upon advice, and the work that has been done by Grant Thornton, who are the ... my instructions to officials were that ... and accounting officer's responsibility has now moved to the Chief Minister's Department to align that.

Deputy S.M. Brée:

Those are questions we have to follow up on later. We are just trying to clarify exactly what the exact amount is.

Assistant Chief Minister:

I am almost a little surprised that there was a surprise because there was a media leak, whatever, by whatever that was, I do not know, but the figure of £400,000 was put about and I was very clear to people right from the start. We drew attention to the fact that the Logfiller amount had been provided for and it was in the States accounts. It does not name Logfiller but that is the loan that had been written off. It needs to be said that the loan was £500,000 but of course then because there is interest ...

Deputy S.M. Brée:

So the initial amount lent was £500,000?

Assistant Chief Minister:

Yes.

Deputy S.M. Brée:

Okay.

Assistant Chief Minister:

Then the other one ... the amount ...

Deputy S.M. Brée:

But the actual amount that is now being set aside as bad debt ...

Assistant Chief Minister:

Well, it is money never received. You can ...

Deputy S.M. Brée:

Yes. You need to provisionally write something off in the accounts. What is the total amount, relating to that loan of £500,000 to Logfiller, that is having to be set aside and provisioned for?

Assistant Chief Minister:

I have not got ... I am just looking up the detail of that now. I will provide that to you. I did send it round to all States Members and it is in the States accounts. It is public. It is some £600,000 and something but that is the money of the ... to be clear, that is the money that was loaned and then, in theory, if Logfiller would have paid its interest rates, the interest on that. That was interest not received. So that has been booked but not ...

Deputy S.M. Brée:

So at this present moment in time you cannot tell us what the total amount is?

Assistant Chief Minister:

In a sense it is ... I can tell you. I have told you. It is in the public domain. It is the amount ... I am sorry, I was not briefed that you were going to ask me on that specific question. If I have got it I can find it for you and I have sent it around to States Members. It is in the public domain.

Deputy S.M. Brée:

I believe you were briefed on the fact we were going to ask about the situation with regards to Logfiller.

Assistant Chief Minister:

Well, I am looking for it but it is already in the public domain, Chairman. I am just looking for it now. It is in the public domain.

Interim Director of Financial Services:

I think the figure that was previously quoted was £627,000 which is the £500,000 capital value of the loan and accrued interest at the point that the Assistant Chief Minister made his statement in the Assembly I think last week. The interest figure will rise on a daily basis because interest remains outstanding and would be subject of the claim that the States of Jersey is making to the liquidators.

Assistant Chief Minister:

The States, upon advice, is reserving its position on that and that is why I cannot ... it is not really appropriate for me to comment on what is effectively a liquidation that is now underway. I mean I think it would be ... I think it is important ...

Deputy S.M. Brée:

Well, I am sorry, Chief Minister, you made a statement to the States Assembly on Wednesday, 16th November where you clearly identified the Logfiller loan. You are saying it is in the public domain. I was merely seeking clarification. So it is quite appropriate for us to ask these questions of you.

Assistant Chief Minister:

No, it is absolutely appropriate for you but I thought you already knew it because I sent it, but if I need to send it you again I am happy to do so because it was in the public ... I do not understand why the media has continued to comment on £400,000. There was a cartoon, I do not mind cartoons about me, that is fine, but there was a cartoon with me about £400,000. It is just wrong.

Deputy S.M. Brée:

You can confirm that it is an incorrect figure. The actual amount lent to Logfiller out of the Innovation Fund was £500,000.

Assistant Chief Minister:

Was £500,000, yes, and then the interest ...

Deputy S.M. Brée:

The amount outstanding represents the capital lent plus any interest to date that had accrued and Logfiller have never paid any amount of money against that loan. Is that correct?

Assistant Chief Minister:

That is my understanding.

The Connétable of Grouville:

But you are expecting to get something back when the company is liquidated.

Assistant Chief Minister:

I think that we reserve our positions and it would be inappropriate to make any comment on that.

The Connétable of Grouville:

But have you any idea of what that is likely to be?

Interim Director of Financial Services:

No. We are waiting for the liquidator's report. So Grant Thornton have been appointed as liquidators on behalf of all of the creditors, the States of Jersey being one of those creditors with

the loan that the Jersey Innovation Fund has made. Grant Thornton, acting as liquidator for all creditors, cannot prefer the States of Jersey in terms of any information flow so we await the first liquidator's report on what has happened with Logfiller. What they have been able to identify in terms of the processing or sourcing of funds and what may be available for distribution to creditors as part of the liquidation.

The Deputy of St. Mary:

So you are saying from the time the loan was first made was the interest of £127,000 seems a fair amount over a ... unless it is a very long period.

Deputy S.M. Brée:

Do you happen to know the date on which the loan was made to Logfiller, the initial loan of £500,000?

Assistant Chief Minister:

It was made, from my recollection ... there is a clear ... and this is why ... I am not dodging the questions because I want to be proper and appropriate in the way that I answer questions. You will be aware that there are a number of enquiries ongoing but Scrutiny is welcome to pose questions on those matters but these things are being investigated at the moment by the C. & A.G. (Comptroller and Auditor General) at a very detailed and forensic level we have ... it maintained and I insisted that Grant Thornton that are the real experts in the Channel Islands on this and the figure is ... I am looking at the States accounts, the figure that I sent back from the States ... extract from the States account I sent round to States Member at 14.25 on 16th November, the extract from the States accounts, and it showed the total figure of ... just put it up. The remaining £0.69 million relates to the decision taken to make a provision against the doubtful loan and interest repayments. That is an expected level of risk anticipated and of course that was in line with the ... I also sent round to Members the Hansard. I do not know how many members of the panel were in the States at the time, and it was your predecessor panel that, if I may say, did an excellent Scrutiny job on Economic Development's proposals and indeed the fund itself was amended. The terms of reference were amended and certainly was changed as a result of Scrutiny's work.

Deputy S.M. Brée:

Sorry, just to clarify the point you make. The amount of money that has been set aside, or provisioned for, within the fund for ... working on the theory that we get nothing back, i.e. the worst case scenario.

Assistant Chief Minister:

If. We reserve our position.

Deputy S.M. Brée:

Yes, the worst case scenario is £690,000. Is that correct? You said £0.69 million.

Assistant Chief Minister:

Yes. I am looking at the States accounts. I will give you the absolute numbers broken down by interest, et cetera. There are also costs associated that are booked to them.

Deputy S.M. Brée:

The problem with the States accounts though is, if I am correct, they do not clearly identify that debt as belonging to any individual loan.

Assistant Chief Minister:

No, but I am confirming to you. I am confirming ...

Deputy S.M. Brée:

Yes. So we were unable, from the States accounts, to clearly identify that that related to the Logfiller situation which relates to the statement you made and quite clearly identified Logfiller as ...

Assistant Chief Minister:

I have made that point.

Deputy S.M. Brée:

Okay.

Interim Director of Financial Services:

May I just add to the Deputy's question? The loan to Logfiller was advanced on 12th December 2014.

The Deputy of St. Mary:

2014?

Interim Director of Financial Services:

2014.

The Deputy of St. Mary:

December?

Interim Director of Financial Services:

I think it was 12th December 2014, yes.

The Connétable of Grouville:

Do we know what the interest rate is on the loan?

Interim Director of Financial Services:

I do not know that off the top of my ... I am just getting up to speed with it moving into Chief Minister's Department. It was an accounting officer responsibility.

The Connétable of Grouville:

Can I carry on because I was on the previous panel?

Deputy S.M. Brée:

Carry on, yes.

The Connétable of Grouville:

When we met the board chairman he ... at that time the board seemed to be very risk averse and they were not ... I do not think they had, when we met them, lent any money at all. Now, did their attitude change and ... this seems to have been quite a poor investment. Did their attitude change because at the time it seemed to me that they were being incredibly thorough in making sure that they were not going to lose anything? Were they given a political steer to change that attitude or ...

Assistant Chief Minister:

I was not ... no. I mean I was not the Minister at the time. I will have to review notes to see ... and I am reviewing. We are doing an absolute belt and braces job on this, okay? The only thing I would wish to correct, one aspect of the statement which I was ... and I have an obligation to, if there is any new information, correct immediately to Members and I will do so at the next sitting, is that there is ... there was one application that came in for a consideration by the board for a loan, that is going through process and being reviewed at the moment. That may come to a recommendation. It may not. So no further loans have been issued and I am happy, confidentially, because there are ...

Deputy S.M. Brée:

Sorry, what date was that application received?

Assistant Chief Minister:

I have not got it with me but I will give it to you. It was just before the ... it was before my original statement in June and it would be unfair and wrong to effectively give a legitimate expectation.

Deputy S.M. Brée:

So just to clarify once again, the ... if I may. When did you, Assistant Chief Minister, take over responsibility of the Jersey Innovation Fund?

Assistant Chief Minister:

Well, this has been one of the problems is that the Chief Minister asked me to take over responsibility for Innovation as a whole and I was appointed ... all Ministers received a letter of instruction, so I got my letter of instruction saying: "I appoint you as this" and the Minister for Economic Development said: "I appoint you to this but you will appoint Senator Ozouf as Assistant Minister for Economic Development until such time as the States then passed the transfer of functions." I mean I will make no secret of the fact that it was being ... it was a very ... I am not apportioning blame on anybody but I understand that there were, not this panel, concerns or delays on the transfer of functions. The transfer of functions went through in December of the year after. So I was given the job in November as Assistant Minister in Economic Development and I was not part of Economic Development and then the accounting officer did not change.

Deputy S.M. Brée:

Sorry, can we just clarify? You assumed responsibility ...

Assistant Chief Minister:

Political ...

Deputy S.M. Brée:

Political oversight but with political responsibility for the Jersey Innovation Fund as the Assistant Minister for Economic Development in November 2014.

Assistant Chief Minister:

Yes. In the name of the Chief Minister so in fact I am not a Minister in my own right obviously.

Deputy S.M. Brée:

No, but the responsibility was delegated to you by the Minister for Economic Development at the time.

Assistant Chief Minister:

Yes.

Deputy S.M. Brée:

You then assumed political oversight and responsibility for this fund in November 2014.

Assistant Chief Minister:

Yes. Now, but there has been some ...

Deputy S.M. Brée:

You then ... sorry, I am just trying to get the timeline right so we all understand it. It was then transferred to you as Assistant Chief Minister in December 2015, is that right?

Assistant Chief Minister:

The States passed it on 13th December and the transfer functions came in on 1st January.

Deputy S.M. Brée:

You maintained political oversight and responsibility for the Jersey Innovation Fund throughout that period.

Assistant Chief Minister:

Yes, but ...

Deputy S.M. Brée:

A simple yes or no will do.

Assistant Chief Minister:

Yes, it is a yes but I just need to be clear to you that the accounting officer responsibilities, and there is a relationship between a Minister and accounting officer, did not move and they have remained in the Economic Development Chief Executive accounting officer responsibility, who under the Public Finances Law is personally accountable for implementing policy, oversight, et cetera within Economic Development.

Deputy S.M. Brée:

The accounting officer for the Jersey Innovation Fund has remained the same person.

Assistant Chief Minister:

Until last Tuesday.

Deputy S.M. Brée:

Until last Tuesday when you moved accounting officer responsibility.

Assistant Chief Minister:

I asked for it to be moved, yes.

Deputy S.M. Brée:

Why did you ask for it to be moved?

Assistant Chief Minister:

Because I thought it needed to be aligned with Mr. Corrigan arriving and us generally thinking and taking stock of all our departmental responsibilities.

[11:15]

Panel Chairman, you were kind enough to write in your M.T.F.P. (Medium Term Financial Plan) report that you thought we were a tiny department doing lots of things and we were extremely humbled and grateful. My staff were extremely grateful that the panel recognised the challenges we have been under because we have been under significant ... we are dealing with massive issues with resources that have been constrained and this unknown ... were the States going to pass the transfer of functions? I was never going to be a long-term Assistant Minister for Economic Development. That was never the intention so I have been in an uncertain world which puts staff in a very difficult position. Who do they report to? Which department are they in? That is never good and I think Richard Corrigan has been struck by the ... Joe Moynihan was brought in and did a fantastic job. Joe was brought in as Financial Services Director and then brought in also to do Competition, Innovation and Digital, which has been the right thing to do but Dougie Peedle, our Chief Economist, has taken over the responsibility for Competition and it has been very, very difficult and you recognised that.

Deputy S.M. Brée:

I am not saying that. I was merely trying to clarify the situation. Obviously you, Minister, have now made a statement that the accounting officer has now moved to the Chief Minister's Department

and you have already appointed Grant Thornton to assume operational management of the loan book. Is that correct? You have now appointed them or are in the process of?

Assistant Chief Minister:

I say that Grant Thornton, such was the urgency of the need to deal with Logfiller, is that I discussed that with the accounting officer at the time and discussed with him Grant Thornton is known as being the only company in the Channel Islands with liquidation experience and experience of this. So, they were appointed to do that and they have been tasked with the additional responsibilities. Richard has come with a fairly fresh pair of eyes on this, it is helpful.

Deputy S.M. Brée:

If we can just talk about Grant Thornton.

Assistant Chief Minister:

It is political accountability and accounting officer accountability.

Deputy S.M. Brée:

Grant Thornton's area of expertise is liquidation and receivership. They are known for that.

Assistant Chief Minister:

Forensic accounting.

Deputy S.M. Brée:

And forensic accounting. Does that mean you have identified additional loans that are classified as potential default loans therefore you have to make provision for them?

Interim Director of Financial Services:

That is something we are working through with Grant Thornton at the moment. We have specific business reports.

Deputy S.M. Brée:

So, you cannot say there are not additional loans that will have to be classified as in default and therefore provision made.

Assistant Chief Minister:

I want to be very clear, Chairman. The States set this fund up and the expectation was, even the likes of Deputy Higgins said: "We are going to celebrate success and failure. We will not celebrate success, we will celebrate failure" and a 50 per cent figure was given. There is no surprise that

some companies will fail and that does not mean to say the whole thing has been a failure. The Constable's remarks, if I may say, I did not answer his question. He was right when he said the Jersey Innovation Panel which I have spoken regularly to Advocate Tim Herbert, the chairman of the panel, I await the Comptroller and Auditor General's conclusions of her observations on the segregation of duties between Minister ... obviously there has been ministerial change ... accounting officer and fund. We await her report and I think it is wrong to speculate when she is doing her investigation. But you are right, Connétable, to say the fund has been criticised more for not loaning money than loaning money and it is also no surprise that businesses will fail. The question we have to ask ...

Deputy S.M. Brée:

By the very nature of the fund I think everybody accepts that you are obviously lending money to higher risk start-up groups.

Assistant Chief Minister:

That is right.

Deputy S.M. Brée:

It is more a question of from our Scrutiny Panel point of view to understand the situation now and to ask questions about moving forward.

Assistant Chief Minister:

I cannot comment and I will ... this is a public hearing and I said in the States that an ill-judged comment which could be misinterpreted about a firm that has been a start-up ...

Deputy S.M. Brée:

Can undermine confidence in that operation. I fully accept that.

Assistant Chief Minister:

Exactly, so, Chairman, I am more than happy to brief you. In no way ... all these things will subsequently be made public but it is inappropriate for me to comment on the ...

Deputy S.M. Brée:

Individual cases and name names.

Assistant Chief Minister:

But I am more than happy to do so and I also think it is very important that we, when we receive the Comptroller and Auditor General's report, I have spoken with her and I know she is doing a lot

of work on this. I think it is very important and I think it is going to be a very important report that does shine the light into something I believed should be shone into for many years about where responsibility lies so there is clarity for Ministers. You as Scrutiny Panel scrutinise a Minister for policy. We as politicians do not implement. We act upon advice. I can write Richard a letter of instruction overriding advice. I think I have done so twice in 17 years and only in exceptional circumstances. Ministers act upon advice and then Ministers expect officials to implement policy decisions according to their obligations of the Public Finances Law. I think it is very important that we understand who does what. P.A.C. (Public Accounts Committee) ...

Deputy S.M. Brée:

However, Assistant Chief Minister, I hope you will agree with me that responsibility lies with the Minister or Assistant Minister who has been given that responsibility.

Assistant Chief Minister:

Not for implementation.

The Connétable of Grouville:

Could I ask some questions about the fund itself, Chairman? How many loans have been lent out, including the ...

Assistant Chief Minister:

Six.

The Connétable of Grouville:

There are 6 loans out. What was the size of the fund when it started and how much money was lent out?

Assistant Chief Minister:

£5 million and £2.4 million lent out.

The Connétable of Grouville:

Nearly half was lent out to 6 companies and a £5 million deficit.

Assistant Chief Minister:

Of which there is one. The Deputy of Grouville named one hugely successful company that she named it in the States but when we are ready to talk about that one we will. There will be some successes and there will be some failures so if you keep in your mind £5 million, on the basis of what the States was told a write-off of £2.5 million would be about what would be expected. That

makes for good headlines. It does not mean the Innovation Fund has been a failure and I have to say to you I think the accompanying work that has been taken on with huge enthusiasm. Dougie Peedle, our Chief Economist, has not had any additional resources to run what I think has been to ... and we are going to come on to competition I hope ... to fund the innovation action plan, the Tera Allas review and the competition review that we have undertaken. No additional resources and, if I may compliment Mr. Peedle on the work he has done for me because I am a demanding Minister and I will take political responsibility. But my responsibility is to do the things that are policy upon advice. Where I see a problem in implementation I will take action through the appropriate channels.

Deputy S.M. Brée:

You quite rightly say that a review is being undertaken by the Comptroller and Auditor General of what has happened in the past to do with the fund. I think this does raise the question, though, of what is the future of the Innovation Fund?

Assistant Chief Minister:

Good question, thank you, Chairman.

Deputy S.M. Brée:

Governments can stimulate economies and productivity by investment in either local industry or local infrastructure and it does raise the question of is this structure at the moment the right one? What is the future of the Government's funding of innovation?

Assistant Chief Minister:

One of the recommendations of the excellent Tera Allas review was to evaluate the effectiveness of the Innovation Fund. That work is underway. We have appointed Regeneris to undertake this and they have experience of evaluating funds elsewhere. They have looked at a number of local to larger E.U. funds, billions of pounds worth of funds. The evaluation will review and address the economic and wider impacts of how J.I.F. (Jersey Innovation Fund) has performed. It will benchmark J.I.F. and determine whether J.I.F. has represented value for money. They will assess whether J.I.F. is appropriate to maximise the impact on the local economy and innovation and identify whether any lessons can be learned, which is very important, from the experiences and they will make recommendations as appropriate and I will be briefing you as soon as I possibly can on the conclusions of that. So, that work is underway. You are absolutely right. It must be done. The world has changed. I think it was in 2010 that the first idea of an innovation fund came forward. It came to the States in 2012. There then was a Scrutiny review. The world was very different in 2010. It was different in 2012, 2013 and in 2016 it is looking even more different. I

think the conclusion is, and Richard Corrigan can say better than me and certainly Kristin can, I do not think it is an absence of capital; it is how you access it.

Deputy S.M. Brée:

You, as the Assistant Chief Minister responsible for this area, still see a role for government in providing loans, start-up loans, to innovation-type companies even though there is a high risk of default?

Assistant Chief Minister:

Economic Adviser, would you like to comment from an officer point of view?

Economic Adviser:

I think there is a role for government. It does not necessarily have to be loans. It does not necessarily have to be grants. I would advise you to look at the newsletter that Nesta sent round about U.K. innovation policy at the moment. It is really good, explaining the role of government, what it should be doing and what it should be considering. I think what the Assistant Chief Minister is saying is we are reviewing our approach to supporting innovation. From an economic perspective, as you rightly pointed out, it is critical to boosting productivity. That is a high priority for us. How we support innovation going forward we need to evaluate the activity under the Jersey Innovation Fund. That is what we have experts looking at at this point in time so obvious questions are the businesses that have been lent money, without going into details, obviously there are businesses out there operating, employing people in Jersey and taking forward innovative ideas so we need to understand what impact the Innovation Fund has had, what we might expect it to have under sensible circumstances going forward, what is the balance between loans and grants? It is interesting the U.K. policy is to get Innovate U.K. off grants and on to loans. We have to look at a situation, were we right to lend loans? Is it the scale of lending? Is it the type of lending? Should we look at different vehicles, for example, small grants at an early stage for businesses with an idea to get that idea through to fruition and into business? Should we still be considering loans for some of the businesses that have received loans and that may be successful in the future for further innovation within the economy? I think it is a very good question. We do not have the answer as of today but we are doing the work to establish what the future direction is and we can only do that with really objectively evaluating where we have got to so far.

Deputy S.M. Brée:

When do you think that work will be finished?

Economic Adviser:

Early in the New Year is the timetable, I think February.

The Connétable of St. Ouen:

At what cost and who is paying for it? You just said you have experts looking at this so at what cost is that and who is paying for it?

Economic Adviser:

It is coming out of the budget for the Innovation Fund. Obviously it is evaluating the fund and it is legitimate to charge it to the fund.

The Connétable of St. Ouen:

Do you know the costings?

Economic Adviser:

I can confirm it. I think it was about £40,000¹ but I need to check.

The Deputy of St. Mary:

One further question not touched on yet is the Innovation Fund has a board. I am not quite sure of the role they have taken in the past. We have this curious situation there was an accounting officer in one department not directly responsible to the Minister having oversight so what role did the Board play in all this, and further, if the Innovation Fund has now ceased to give out money is it still in existence and what are their terms?

Assistant Chief Minister:

I draw your attention, if I may, Deputy Chairman, to the terms of reference that were scrutinised by your predecessor panel that pored over the detail of the terms of reference of the Fund, of the make-up of the Fund and made some very good changes to that, so that is all set out. Advocate Tim Herbert made it very clear. I am sorry the media have missed, and I want to get a correction from them, about the fact that anything to do with Tim Herbert stepping down has anything to do with Logfiller. Tim Herbert told me in February that he was going to stand down as chairman because of other commitments. He has gone. He has worked many, many, many, many, many, many hours on this and I compliment him and the other members of the board for the work they have done. They are tough as old boots, as the Constable seemed to say. The Fund Board must continue.

[11:30]

I have been talking to the Appointments Commission for effectively an interim chair for the period of time until we get the way forward in January. One of the existing board members is being ... I

¹ This figure was subsequently corrected to £25,000

am discussing upon advice to appoint one of the existing board members as the chair while Tim Herbert stands down at the end of the year and then they will continue to operate on that basis because they do have a monitoring role, which is also set out in the terms of reference that was agreed by the States.

The Deputy of St. Mary:

My question on the board is simply is that the Innovation Fund is not going to be active at the moment.

Assistant Chief Minister:

It is going to be very active in terms of it has an active role in assisting in the monitoring of loans. That is very clear.

The Deputy of St. Mary:

Is that responsibility not being taken over by Grant Thornton?

Assistant Chief Minister:

No, but they report. It is a really good question to clarify that. What they are doing is the board itself has taken an active interest in what is happening to the companies they loan to. If you are a bank manager, I take the view that the States is not going to be ever a very good bank. We only do it when there is serious market failure. We do not have the skills and I do not want to start building a bank in the States of Jersey. We have expert bankers that know how to do banking and you do not just lend people money. You then evaluate them, you monitor their activities, you give them advice. You know, Chairman, you have been a banker so you know all this stuff. You just do not grow a banker from taking a civil servant that has no experience in it and turn him into a banker overnight. That is why ...

The Deputy of St. Mary:

The basic point I am making, though, is that ...

Assistant Chief Minister:

Slim down the board for a while until we know the conclusions, fast forward, and then I will bring forward amendments to the States as necessary based upon advice for the future of the fund. The fund may well change obviously. Credit markets have changed, that is obvious. I do not think, but I must act upon advice. E.D. (Economic Development) did this review of whether or not there was a problem of funding. We would have said at the time we do not think there is a problem of funding because the credit markets have opened up. There is lots of money available in Jersey for

good ideas and there are people who will have risk appetites for various different options. We need to look at what the options may include for that ...

The Deputy of St. Mary:

I will just repeat I am just concerned what the role of the board is at this moment in time.

Assistant Chief Minister:

Oversight, yes.

Interim Director of Financial Services:

If I may answer that there is a requirement in the terms of reference for the Jersey Innovation Fund that the Advisory Board has 4 members, 4 independent private sector members, one of whom will chair. With the run-off of terms of office of some of those directors we are looking at the current constitution of that board. We would have to do that in any event to appoint new non-executive directors assuming there had been no problems on J.I.F. thus far. However we are taking the opportunity on the basis there are no extant loans to be considered and therefore we are receiving reports from Grant Thornton around the performance of the existing loan book. We have put a senior officer group together comprising John Richardson and myself and 2 other officers to look and to receive those reports from Grant Thornton, and we will consider whether it is appropriate to stand down either wholly or partly the J.I.F. Advisory Board for the time being and take control of that into the officer group I mentioned to you.

The Connétable of Grouville:

Currently the fund is closed to new applicants.

Interim Director of Financial Services:

It is. We will accept no new applications and at any point if J.I.F. was to open up it would be on a different terms of reference, possibly a different board, given we would need to appoint new board members, and a different process for assessing, approving and disbursing loans based on the recommendations we expect will be received in the C. and A.G.'s report in December. Without pre-empting her report we expect there will be recommendations of things that could be done better and we would look to adopt that before receiving any new loan applications or grant applications for consideration.

Assistant Chief Minister:

We are making sure there is the advice that has got ... I do not want to send the message out that just because the Innovation Fund is shut that we are not absolutely, across Government, in all the areas we are looking at, looking for start-ups and giving businesses with people with great ideas

the opportunity to basically do it. That is why we work with Jersey Finance. Jersey Finance now have on their strapline, "Innovation". Great, fantastic, and Digital Jersey too.

The Connétable of Grouville:

I just wondered when you think it likely that the fund will be accessible to people again because this is obviously it is just ... the concept is great.

Assistant Chief Minister:

Connétable, end of January we will have a report. Now I may have to ...

The Connétable of Grouville:

You may have a report but it depends what the report says as to when ...

Interim Director of Financial Services:

I think we should await the findings of the report and then look to draw breath, to pull the right processes together based on the C. and A.G.'s recommendation before re-launching J.I.F. for new applications so, as officer, I would not be drawn into a time commitment at this stage.

The Connétable of Grouville:

It is not short-term. It is going to take a little while.

Interim Director of Financial Services:

I would hope it is some time in 2017 but I would like to take time to digest in full the C. and A.G.'s findings. I think it is only appropriate for us to do so.

Deputy S.M. Brée:

All these questions do raise one interesting and quite fundamental question, and I think the Deputy Chairman touched on it, was everybody's role within the decision-making process. Assistant Chief Minister, you have accepted political oversight responsibility but not operational responsibility to a sense. You then have the board, who are purely advisory. Who has been up until now making the decision as to whether or not a loan will be advanced to an applicant?

Assistant Chief Minister:

A Minister upon advice of the accounting officer.

Deputy S.M. Brée:

So, you can confirm that the accounting officer is acting under an instruction from the Minister, depending on the advice that Minister has received, the accounting officer and from the board itself as an advisory board. It is just trying to understand how things work.

Interim Director of Financial Services:

Mr. Chairman, the typical decision-making process is that applications will be made to the advisory board. They would screen, filter, consider those in the usual way to the point of making a recommendation to the chief officer, the accounting officer for the fund. The accounting officer would then consider, and if appropriate, make onward recommendation to the Minister for approval of a loan and it is then the Minister's decision whether to go with the accounting officer's advice or not.

Deputy S.M. Brée:

Okay, so at no time would any accounting officer be in a position where he could authorise the advancement of the loan without ministerial approval in the first instance. Is that correct?

Assistant Chief Minister:

Yes, but it is a final check which was a requirement. But the functions of the accounting officer are set out in the Public Finances Law, Article 38: "Accounting officers are personally accountable for the proper financial management of the resources of the body." They must ensure that the resources are used efficiently and effectively and although a function of the accounting officer of the States fund may be carried out by another person they remain personally accountable and the law is very clear. I think that is where we have to be very, very clear about that. I think it is helpful to members, politicians, media and everybody about what it ...

Deputy S.M. Brée:

To clarify that situation. That is why I asked the question.

Assistant Chief Minister:

Yes, and it is a really good question. It is a really good question that we get the boundaries right because I have seen I think almost some interesting blurring of the lines with P.A.C. and corporate services. I think it was set up ... I took the original Public Finances Law to the States so I have an interest in that and rang up Senator Ferguson and suggested she was the first chairman of P.A.C. so I know all about these things. I think I know where the lines are but I am not sure. I think we need to refresh our own knowledge and we need to be trained and to be very clear about what our jobs are and what we should expect of others. Where mistakes have been made we should put our hand up. I will say, Chairman, where a Minister is responsible for a department that they are

not satisfied with or they are not confident in the management of the affairs of that department or they think it could be done differently or more efficiently or better then that should be a matter for the Minister to discuss as appropriate with the Chief Minister and the Chief Executive of the States. It has to be right. It must be uncomfortable for the accounting officer to report to one Minister and have another Assistant Minister responsible for something else. It must be right that it is all aligned and it is now and that is better, cleaner and the accounting officer obviously takes over from the moment that they take over. That does not absolve the previous accounting officer from their responsibilities at that time.

Interim Director of Financial Services:

I think that is particularly important in terms of (a) the process of granting the loan but (b) the subsequent operational management of those loans that have been granted to ensure that officials and the Minister as appropriate are properly sighted on the ongoing performance of the borrower.

Assistant Chief Minister:

I have asked many questions about this right the way through.

Deputy S.M. Brée:

Thank you for clarifying. If we may move on, I think we have spent a lot of time on the Innovation Fund but that is natural. There are a lot of questions. Very quickly, another area we wanted to talk to you about was the Channel Islands Competition and Regulatory Authorities, CICRA, as it is now known. A little while ago there was a big review done of the operation of the Competition Regulatory Authorities in the Island and we really were looking for an update from you, Assistant Chief Minister, on what has come of that review. In particular in the area are there any changes to the legislation you are looking to introduce and also what political steer, if I may use that word, are you giving to CICRA to look at what areas? That really came out of the review that the Government needs to be much clearer on its policies relating to competition and the regulation of competition so that any authority working in that area understood better what its role may be. Perhaps you would like to very briefly, if you may, update us.

Assistant Chief Minister:

I can probably talk about competition and regulation all day.

Deputy S.M. Bree:

That is why I said briefly.

Assistant Chief Minister:

I know. But I originally conceived the idea of that law to be brought to the States and I am very proud that it was done, so I am delighted the Chief Minister asked me to discharge that function again because I think it is massively important. I think the Oxera report, again overseen by Dougie Peedle, was excellent and Sir John Vickers' oversight ... I think his preface to the report was absolutely right. It is hard but it is worthwhile but it needs to be done and you are very right about the role that Government needs to play. The Chief Minister's Department were going to publish an updated version of the action plan. I think we would publish some action plan within the next fortnight so in 2 weeks' time I will let you have an early sight of it. My practice now is to give you early sight of stuff so you are not surprised about things. The Chief Minister's Department and JCRA (Jersey Competition Regulatory Authority) formed a law drafting group recently to discuss the scope of the changes envisaged in the law and we have already made changes, and I have signed the Ministerial Decision to start the legal framework changes to changing some of the entries of block exemptions. We are going to also plan ... Stephanie Peat has started the digital side but she is an expert in telecoms regulation so Dougie is the overall boss of the competition and regulation side but is assisted in the expertise that Stephanie brings on telecoms. There is going to be a number of telecoms law proposes changing. The regular meetings are being held within JCRA and we are going to produce a timetable of the progression of those effective legislation within 2 weeks and, of course, what we are going to do is set out exactly what we are going to do in our practices, action plans with dates and timelines and when we are going to deliver them and we have a track record of delivering. I hope you would agree. We are also drafting a memorandum of understanding with the JCRA. We now have the 3 regulators within the same house; the Financial Services Commission, now Data Protection is with us as well and CICRA, so we are going to draft a new M.O.U. (Memorandum of Understanding) which will clarify effectively, I think more clearly, the role of Government as said by Oxera, which involves the respective goals of the JCRA and the Government and securing further independence for the JCRA because they are independent and I think it is really important that we do not attempt to undermine in any way the independence of the regulator. At the same time there should be obviously policy given by Government about what it is expecting, and we like doing policies and that is why we think a telecoms policy is absolutely vital. I commend Stephanie Peat for getting some money back from Ofcom, which has been given back, so that she has the resources to do the telecoms policy. We hope that policy is going to be helpful to the Minister for Treasury and Resources as well in his giving instructions ...

Deputy S.M. Brée:

You raise an interesting point, and if I may ask you it seems to me that most of the publicity surrounding CICRA's or the JCRA's activities relate to the telecoms industry in Jersey, effectively suggesting that Jersey Telecom are acting in an unfair way to consumers.

[11.45]

Considering the States of Jersey is the shareholder in Jersey Telecom and yet we have the Jersey Competition Regulatory Authority condemning the actions of Jersey Telecom, do you not feel that to be a particularly awkward situation to be in?

Assistant Chief Minister:

It is what it should be and it is what we designed. When I came into the States in 1999 we were going to incorporate Jersey Telecom with exclusive privilege and there was going to be no independent regulation. They were going to take the regulation and the ownership of J.T. (Jersey Telecom) so we would have no competition, so effectively you would basically put into a corporate entity owned by the public of Jersey a monopoly. Monopolies do not work. They are not best for consumers. We would not have had Airtel; we would not have Sure. I think we all know about what competition does but it is hard and it has to be right. There is going to be and there is a clear segregation of duties. The Minister for Treasury and Resources and I have been poacher and gamekeeper so I am both sides of this and I have swapped roles twice, so I am the worst person you could have because I have seen both sides of the table so that is a good thing in some ways. I will back absolutely the regulator on the work they are doing in relation to J.T. and the telecoms market. In fibre in particular, when I was Minister for Treasury and Resources in the fibre rollout, and if anyone wants to ask me a question on that I am happy to do so, we said particularly that the fibre should be open to third party access. We are going to be working with Stephanie Peat to get that telecoms policy. What is the right structure for Jersey in the future? What should be demanding? Our digital policy framework is also going to be alluding to some of these things. The Chancellor of the Exchequer today I think is announcing some rather startling things about fibre for the home. They have 2 per cent in the U.K. We are up to 70 per cent in Jersey. We are going to be the world leader in fibre but it has to work and it has to work properly in the interests of consumers. We are also going to be ...

Deputy S.M. Brée:

The reason I asked the question about telecoms was this whole issue of the tension between the competition regulator in any area and where you have a monopolistic situation. Are you intending to issue policy statements that the competition regulator can use relating to other utilities? I class Jersey Telecom almost as a utility but I am thinking particularly of water, electricity and gas provision in the Island.

Assistant Chief Minister:

You ask some really good ... these are really big and important questions. I think regulation always comes at a cost and one has to be very careful about the decision to regulate because

ultimately somebody has to pay for it and regulation is expensive. It does not matter what you say. You end up and you are seeing effectively a row between J.T. and CICRA and obviously lawyers are going to be involved and this is all frustrating. I think the former Bailiff, Sir Michael Birt, in his judgment in J.T., which J.T. won against the JCRA on some technical aspects of that was clear. He said 2 public authorities spending money. I would prefer that they were not in court. I am trying to deal with one thing and I am prepared to say this is and at the heart of this, as I think is one of the arguments, I would go so far as to say this because I cannot interfere and should not. I must not interfere into the regulatory decisions and I will not. It is prohibited in the law and that is right. I do know one of the issues is the senior citizens' free T.V. (television) zone. I am getting confused now.

Deputy S.M. Brée:

BBC television licence.

Assistant Chief Minister:

Exactly. One has to say universal free benefits that are triggered by age are, as much as we love giving things away to our people as politicians, they come at a cost. We have an ageing society and is it right in the long term? Is it sustainable with the amount of people? We talked about MedTech before. All this MedTech means we are going to be living even longer and do you get enhanced ... do you get free telephone or whatever they get just because ... we are not doing any more of them but we have millionaires that are receiving cheap telephones. Is that a good use ultimately of taxpayers' funds who own J.T.? I do not think so. I have to have this and I think I have to knock some heads together in relation to that because I am not going into the argument. I just say what I understand to be one of the arguments. J.T. say: "Look, we have this massive cost of basically providing all these free telephones or massively reduced telephones to all these elderly people, lots of them." So, that means the argument is I think they are saying: "Look, you have to take this cost into consideration so we are not making excessive profits." This is really sensitive political stuff because, of course, saying to senior citizens they are going to take their telephone ...

Deputy S.M. Brée:

I am not quite sure how this relates to our question about the regulatory authority.

Assistant Chief Minister:

No, but it is at the heart of the issue is that who sets the policy of whether or not there should be free telephones to or subsidised telephones for the existing ...

Deputy S.M. Brée:

The Government does and the Government has to ...

Assistant Chief Minister:

Do they?

Deputy S.M. Brée:

Why would it not be?

Assistant Chief Minister:

I think it is blurred. We have had a proposition. A backbencher, the Deputy of Grouville, put a proposition asking the former Minister for Treasury and Resources to basically instruct J.T. to provide senior citizens telephone lines. That was acceptable at the time but the regulator does not see, because there is nothing on record to say they must do that. So, there is an argument about calculations but this is going to be ... I am treading into territory I have gone far enough because there is likely to be a court case. I am sorry there is going to be a court case if there is one. I hope they settle and we know as a Government we need to deal with this issue. We have the richest generation of pensioners ever, let us be clear, and we have to be wise with our resources. This Island is strong because we have made sensible decisions about long-term pension provisions and that is why the Minister for Social Security is in a much better position than other places. But we still have some triggered age-related benefits that are questionable.

Deputy S.M. Brée:

If I can just stop you there, we are starting to get ...

Assistant Chief Minister:

We have to get back to CICRA really.

Deputy S.M. Brée:

Yes.

Assistant Chief Minister:

This is at the heart of it.

The Connétable of Grouville:

Is it your job to send CICRA in the right direction? Is that something you can do if you suspect one area of the marketplace is not working? Would you expect to be able to tell them where to go look, or would you expect them as an independent body to be doing that themselves?

Assistant Chief Minister:

I would hope and what I look forward to is a good working relationship and that is why there has been a new chairman appointed and frankly the former chairman made it very clear that he was coming to the end of his term of office. We appointed a new chairman. I think you have met Mr. O'Higgins. I have met Mr. O'Higgins on a number of occasions. I speak to him regularly. The practice that I have with regulators is I speak to the chairman and the senior officials deal with the director general or the boss of the organisation and yes, I am on active and very regular dialogue with the new chairman about effectively priorities and I would hope that we identify and listen to what Islanders are worried about. Ideally we would be agreeing that together. They would be sharing their concerns about where they think ... because these market reviews come at a cost. Gas is a particular issue. There is this relic of an old law that sits in both the gas and the electricity law where States can pass by regulation the prices. I do not think the States Assembly is the best person to price-regulate and I know that CICRA's report was not understood and we have done some work and what can I say about that report, Mr Peedle?

Economic Adviser:

Just that we received the final draft. We commissioned Oxera to build on the work that CICRA had done to provide greater clarification and detail because CICRA's work was part of a much larger study of fuel markets and this was particularly to provide more information on the gas market. We have received a draft of that report which we are just sharing with Jersey Gas to check the factual accuracy. We will share it with CICRA obviously as well so they have an opportunity to comment but we intend to make that public as soon as possible. Ideally before Christmas all those things could fall into line.

The Connétable of Grouville:

The reason for my question was when you were Minister for Treasury and Resources you were often critical about the price of cigarettes, alcohol and fuel, particularly when you were putting duty on it because you said the marketplace was taking ...

Assistant Chief Minister:

You are right, Connétable. I declare an interest. I have a beneficial ownership of a garage forecourt. I have no interest in the business for the avoidance of doubt.

The Connétable of Grouville:

Why has that not been investigated and sorted if there is a problem?

Assistant Chief Minister:

Well, Connétable, I think you know, do you not, that there were certain conversations about the fuel farm?

The Connétable of Grouville:

The fuel farm, yes. That is one area ...

Assistant Chief Minister:

It is the area. It is the access point at which fuel is accessed to the Island and I am not going to comment on another anti-trust matter in relation to that issue. I must remain silent on that because there is a challenge currently in relation to one aspect of the fuel market. But my concerns remain about the issues of ... since we brought in that Competition Law versus inflation rate the drop is so striking. Since we brought in the Competition Law Jersey's inflation rate has tagged pretty well that of the U.K. Before that it was higher. I would say that is a hidden tax. Inflation rising above that of sterling equivalent U.K. prices is a hidden tax which erodes the pound in the man and Jersey woman's pocket and it is a stealth tax and that is why it has been my life's political drive to drive and to debate and to find solutions to how as a small island economy you deal with dominant operators. It drives a lot of what I do.

The Connétable of Grouville:

The point I was making, the law has been ...

Assistant Chief Minister:

From fertiliser, Connétable, to straw feeds to gas, everything.

The Connétable of Grouville:

The law has been around since 2002.

Assistant Chief Minister:

2005.

The Connétable of Grouville:

2005. It has been going a long time and those problems do not seem to have been ironed out yet if there is a problem. That is something you have suggested. I have an open mind.

Assistant Chief Minister:

I think it is a matter of success that we have reversed the rise of inflation or we have kept in place inflation in Jersey versus the comparable market of the United Kingdom and Guernsey followed us

with a competition law. Effectively, one talks about the high cost of doing business in Jersey and the high cost of living in Jersey. Much of that was because of the rising rate of inflation and there is a lot of nonsense talked about this as well. Jersey is pretty cheap in many regards and these comparisons, these egregious comparisons of effectively tax rates ... there was a media report recently about people being worse off. People are massively better off here but costs are still high in some areas. We have seen huge competition in grocery markets. I think that is something we were very concerned about. I did a lot of work when I was Minister of Economic Development previously in 2005 to 2008 ...

Deputy S.M. Brée:

I am afraid I have to stop you there, Assistant Chief Minister.

Assistant Chief Minister:

I will give you the priorities: gas market, energy market, building market, housing market, trade market.

Economic Adviser:

Can I just say one thing? We have the ability to ... CICRA share with us their work plan for the year ahead. They have done that at this point in time. We have an ongoing discussion with them throughout the year about their priorities so they can identify themselves where they would do a market study. Clearly we have limited resources so we have to make sure where they do target those resources it is at the highest priority and where they can get maximum effect for that money. In terms of the tobacco market, for example, they have looked at that in the past. Whether another study at this point in time would bring anything further remains to be seen. They have looked at all aspects of the fuel market as well and we have the ability if necessary through the course of the year to use what we call a 6(4) request where the Minister can ask and direct them to look at a particular issue, so we do have an ongoing discussion and dialogue to identify their priorities and it is done as part of a work plan in line with their service level agreement.

Assistant Chief Minister:

What we are also doing is I am having now discussions. I spoke to my opposite number in Guernsey, Deputy Ferbrache, in order to align a Channel Island approach and there are issues of Channel Island companies that we can share knowledge across jurisdictions and also small countries. There is a lot of interest in what we are doing in small countries and small Commonwealth countries too.

Deputy S.M. Brée:

Thank you. I think we could just if we can move on to another area very quickly as I am aware of the time.

Assistant Chief Minister:

I was late so you can keep me longer, Chairman.

Deputy S.M. Brée:

Thank you. There are 2 other areas we wanted to talk about very quickly.

[12:00]

Questions have been raised about Jersey's Register of Beneficial Ownership of Companies in relation to the stance that has been publicly announced by the U.K. Government that their Register of Beneficial Ownership of Companies will be truly open, i.e. will be open to any inquiry, not just that from an equivalent tax authority or regulatory authority or legal authority. Do you feel, Assistant Chief Minister, that will place us in a difficult situation when doing business with the U.K.?

Assistant Chief Minister:

There will be issues where we will have a different approach to the United Kingdom aspect of that. I think it is worth mentioning the fact that we have had a Beneficial Ownership Register in Jersey since 1989. I often quip to Colin Powell that he should have trademarked it because the world is following effectively his Beneficial Ownership Register. Everybody is catching up to Jersey. There is the issue of public access but it is important to say we are very different in Jersey in the way we set up companies to be vetted and verified. As you know, and a number of you will know this, people who are not Jersey residents are only allowed to set up companies if they have been vetted and verified by an accredited individual and this is regulated by the financial services sector. We have made changes to our registry constantly over the years. We have issued a document earlier this month. I sent it to you. I hope you saw it before this did, not by very much but I did try to get you to show you but we did it quickly and obviously we are going to be looking at the Beneficial Ownership Register and regulated firms will be required to update the registry within 21 days of knowledge of the change of that Beneficial Ownership Register. Using technology has a huge opportunity. I was speaking to the chairman just before I came in to see you about some of the issues we are doing. We have upgraded our policy to ensure Jersey meets the U.K.'s authorities as set out in the exchange of notes earlier this year that was signed by the Chief Minister. We are also ensuring I think we have a really good story to tell about what we are doing in Beneficial Ownership Register. The chairman of the J.F.S.C. (Jersey Financial Services

Commission), I will not mention who but he was with the Director General at a very significant European central bank and they were struck by what we are doing, surprised. Sir Eric Pickles, the ...

Deputy S.M. Brée:

We are not casting any aspersions on Jersey's register.

Assistant Chief Minister:

We must explain what we are doing.

Deputy S.M. Brée:

But the point is do you foresee there will be a problem?

Assistant Chief Minister:

No. I think if we do not communicate what we are doing ...

Deputy S.M. Brée:

You think, as you said earlier on, that the Council of Ministers' approach to Brexit is to maintain the status quo in respect of our relationship with the U.K. The fact that they are going to have an open register and the fact that ours is restricted access, if one may use that word, you do not see as creating any problems looking forward in the business relationship between Jersey and the U.K.

Assistant Chief Minister:

No, because we have been very clear with the U.K. Let us be clear about what the U.K.'s public register is. It is a voluntary ...

Interim Director of Financial Services:

It is voluntary and unverified essentially. We believe when they are assessed against Financial Action Task Force standards on their next round of assessment that will in particular prove problematic, the lack of verification of the U.K. register. So, while it is public and some people believe that will ensure data accuracy we do not believe it will meet the standard for accurate verified available data for law enforcement and for other purposes. I think that position is well understood with the U.K. that we are a cross-border centre. We bring capital from many countries around the world and the fact that we have a private register but a verified register that is accessible to law enforcement authorities by arrangement coupled with a strong track record of co-operation in sharing that information as and when inquiries are due has been recognised. Secondly, in the exchange of notes with the United Kingdom the Assistant Chief Minister referred to we intimated we would wish to play a part in a global standard for sharing of beneficial

ownership information on a multi-lateral basis. We should not consider this to be a bilateral issue with the U.K. in the same way we were an early adopter on the O.E.C.D. common reporting standard for tax information exchange we would look to adopt a similar multi-lateral instrument on beneficial ownership exchange as well as an early adopter and that position has been well understood and respected by the U.K. so far.

Assistant Chief Minister:

I do not think I would be incorrect in saying that Sir Eric, who I briefed, who was kind enough to take an hour out of his time when he came to Jersey in his capacity for the Holocaust representative honouring the Jersey lady who we all discussed at the weekend. I think he asked some pretty tough questions and I spent the rest of the day with him and I have met him. He was the guy that put the Jersey flag up, of course, outside his office on 9th May so we know Sir Eric and he is a tough guy and he asks tough questions. I think he was fairly struck by what I ... we had briefed him perhaps not in the detail we should have done. We have a really good story to tell on what we do with Beneficial Ownership Register. That Beneficial Ownership Register access is not only in the U.K. voluntary disclosure but it also has quite a high test. At the moment it only covers U.K. companies. I understand that is now being extended. We collect beneficial ownership information on everything in Jersey, everything, whether they are a Jersey company or not. If they have line management and control here everything is collected and it is known about and it also has ... and we have done ... obviously this is sensitive information but obviously the security and cyber-attack risk of that is a huge concern which is why we ... and I compliment the J.F.S.C. on their cyber. They must never drop the vigilance of that but the information on there is everything. Not many other countries do that. I do not think there is another country in the world that has what we have.

Deputy S.M. Brée:

It was more whether there would be a clash between open and restricted if you want to call it that.

Assistant Chief Minister:

I think there could be a clash, Chairman, if we did not explain what we do in a humble, proper and clear way and our track record. If we did not explain I think there would be a problem but the world is following us in this area, let us be clear.

Deputy S.M. Brée:

Your mention about cyber security does move us on quite nicely, if I may because I am aware of the time, to our next area of questioning, e-Gov and the whole digital situation. Can I start with e-Gov if I may? E-Gov is a term that has been around, bounced around, used by a lot of people. A certain amount of investment has already been made by the Government into e-Gov and yet for

the public there is very little tangible evidence of what e-Gov is other than I think you can now return your rates to your parish online. Where are we on the whole e-Gov programme in the sense of who is delivering, who is responsible for it, what investment is being made and when are we going to see real, tangible differences that make not only cost savings in respect of the cost of government but also makes the public's interaction with government much easier and much more effective?

Assistant Chief Minister:

Let us be clear. Good questions. Thank you for having the opportunity for clarifying. The Minister responsible for e-Gov policy is the Chief Minister supported by the Assistant Minister for e-Gov, Deputy Wickenden. I sit on the public sector reform political oversight group along with the Chief Minister to provide some oversight to the programme and to enhance it so that is almost a consultative ministerial body and where possible we obviously try to get cross-government alignment between digital policy and public sector reform which are linked and in case there is overlapping. The group has already met and meets regularly. As Assistant Chief Minister with responsibility for digital I have a number of desired outcomes. I want to see the e-Gov project successful.

Deputy S.M. Brée:

So, the e-Gov itself is not under your political responsibility.

Assistant Chief Minister:

No.

Deputy S.M. Brée:

But obviously there must be a very close connection between your responsibility, which is digital and ...

Assistant Chief Minister:

Chairman, that is absolutely right because, of course, a successful e-Gov programme, as I have seen from Estonia, is a key enabler in the growing digital sector, being able to use that fibre network we have, which is fantastic and the envy of others increasingly to basically grow the digital sector through innovation and access to open data. I am not responsible for e-Gov programme but the digital team worked with my digital team, my tiny digital team, overworked digital team is obviously interacting well with the e-Gov team where possible to ensure we are the cheerleaders and I suppose we are the encouragers. I want to see and am beginning to see an exciting digital sector emerging in Jersey. It is the perfect accompaniment for the diversification of the finance

industry. It is service-based economy and if you want to come again to the hub and come and look at some of the start-ups that are being set up there you will see some of those.

Deputy S.M. Brée:

Let us just clarify, then. Digital works closely with e-Gov but e-Gov itself is not under your responsibility.

Assistant Chief Minister:

That is right.

Deputy S.M. Brée:

Let us look at Digital Jersey, then. Originally the concept, correct me if I am getting wrong, was to grow the economy, increase productivity, hopefully attract inward investment and therefore the creation of jobs essentially. However, what tangible real results have resulted from the Digital Jersey initiative?

Assistant Chief Minister:

I think that they have had, since I have taken over responsibility of it I am pleased to say they are now working very closely with Jersey Finance and they have launched 3 FinTech development groups covering wealth management, regulation, technology and block chain, and we passed that block chain legislation. I was pleased to get the panel's support on that big stuff coming on the back of that, which is really good that Digital Jersey ...

Deputy S.M. Brée:

A lot has been promised by Digital Jersey but what are the tangible results?

Assistant Chief Minister:

I have just told you. Tangible is crypto-currency regulations, 3 work streams playing a leading role which I am meeting ... I have a launch of the Digital Health Strategy with my colleague the Minister for Health and Social Services; tangible, that is coming in 2 weeks. We have brought together with Digital Jersey the telecoms provider, Department of Infrastructure towards the programme that is called Smart Island or Smarter St. Helier, as the Constable of St. Helier likes to call it. We developed the digital hub. They are developing events, skills courses. It is a hub of activity in there. At the weekend there were young people there. There has been hackathons and people learning digital skills and, of course, it is skills that are at the very heart of effectively a digitally-enabled society. We have encouraged one of our leading finance houses to then launch the Barclays Eagle Labs and if you have not had an invite to that come and see the library. That is tangible ...

Deputy S.M. Brée:

Yes, I am not saying there has not been a lack of activity. I am asking what as a direct result of Digital Jersey's activities tangible real inward investment has there been into the Island?

Assistant Chief Minister:

There are lots. There are lots of it because look at those start-up companies that are working above the hub. There are lots of start-up companies working in all areas of FinTech ...

Deputy S.M. Brée:

Are they local companies or are they new to the Island?

Assistant Chief Minister:

Both. They are both and there are also companies, there are local financial institutions which are at the cutting edge of, effectively, financial services and technology driving. The difficult thing with technology ... and you can go back in history: was the steam engine going to help? The Turks banned the book because it was going to set people out of work. The Germans banned, I do not know, the steam engine, or something. You cannot hold the move of technology back, you have got to embrace it, and it is hard because technology is eroding jobs. The work of the office ... it is estimated that 30 per cent of jobs in service businesses, like banks, are going to disappear. Now, our job is to accept that and then create jobs faster than they are being shed from technology. That is about productivity; the Economic Adviser loves productivity and loves to tell us that we need to improve productivity. Well, that is one way of doing it; what we are failing in is if we accept the oncoming rush of technology which is going to erode those jobs and have not got new job opportunities to do that. So you are right, and that is at the heart of where we started this conversation, it is about innovation. We have to take some risks. We need new companies providing new markets, providing new services.

[12:15]

Some will work, some will fail, but we have got to create an enterprising activity.

Deputy S.M. Brée:

With regard to jobs, there is one area about Digital Jersey that I would like your clarification on, and that relates to its ability to issue licences for jobs. That is, can you clarify, has Digital Jersey been issued with a set number of licences that it can issue to anyone without referral back to ...

Assistant Chief Minister:

No. It must be signed off by Senator Routier, but the clear steer is given ...

Deputy S.M. Brée:

So how many licences? Is there a number, or ...

Assistant Chief Minister:

Yes. I will come back to you on the detail of that, because I have not got that with me; I apologise for not having that with me, though I can do that. That is obviously within, but I obviously was consulted on that and I was pleased to be consulted on that.

Deputy S.M. Brée:

Can you explain why that exception was given to Digital Jersey?

Assistant Chief Minister:

Well, it is an exception and it is not because, effectively, it still needs to be signed off by the Minister, so there is no delegation given, but we need to send the message out that we want high-value businesses and we want the right skills. It is interesting that a lot of the digital skills sometimes are not highly-paid jobs. Some of these young tech geniuses, and some of these programmers that we need to bring certainly to Jersey as coders, are not very highly-paid, sometimes. Sometimes they are. In the work that Senator Routier does, and we have obviously been taking a very tough stance on the low-skilled and making sure that local Islanders have the opportunity of getting jobs, with record high unemployment, there is nobody on the unemployment register who has got the digital skills we need. So we have had to send a very strong message out that you need to basically bring in the expertise. We are doing as much as we can. I opened the Tech Fair with the Minister for Education. I do not want Digital Jersey writing the education policy for tech, but the Minister has embraced it and I commend the Education Department for what they have done in teaching people tech. There is a lot coming down the track on that, but obviously it is not young people. Unfortunately, when we went to school, and I am a bit younger than you, I think, we thought that 'A' Levels might be sufficient for the rest of our lives. It is not anymore; we have got to carry on learning and everybody has got to learn tech ...

Deputy S.M. Brée:

Going back to the question I asked you, if I may, Assistant Chief Minister: the policy ...

Assistant Chief Minister:

It is both: it is incoming and home-grown talent, basically; you have got to have both. Do you want to say anything, Richard?

Interim Director of Financial Services:

Well, obviously, there have been successes: so Specsavers, which we traditionally associate with being a very strong Guernsey brand in terms of the principals and head office, and so on, establishing a presence in Jersey because they could not get the skills that they wanted or needed for their business in Guernsey any longer and they established here. Part of that is around the digital proposition, some of the digital skills that existed here, so that has allowed job creation in our local economy. Calligo, which is another home-grown success here in Jersey recently receiving 20 million dollars of investment from a U.S. based investment bank; again, another good home-grown success story. It is important that we emphasise those successes at a time when we may also get hung up on some of the challenges of things like the Innovation Fund, which is trying to support the next Calligo, or the next Specsavers. But also the work that Digital Jersey does to promote skills through the education sector, for retraining of people who may be displaced from other industry sectors to be able to come in and provide what is needed for us to build a more digital economy. Partly on a defensive basis, to keep existing numbers in work, but also to add to the attractiveness of the Island for inward investment or firms that wish to relocate and take advantage of the skilled talent pool here.

Assistant Chief Minister:

Can I just say, I have got the answer to the question; and I am grateful to the Economic Adviser for pointing me to the note that he had already given me in relation to the numbers. Right. In fact, the H.A.W.A.G. (Housing and Work Advisory Group) decision was a specific implementation action tick on recommendation 13, that: "The Government should make licences to employment migrant labour freely available to key posts in certain sectors for specific skills on a pilot basis, to be reviewed after 12 months. The Housing and Work Advisory Group would explore and develop pilot schemes." In short, it is a pilot scheme and H.A.W.A.G. considered it in 2015 and rolled it out. The actions are that: "In August 2016 Digital Jersey and the Population Office have established a 6-month pilot scheme to allocate 13 staffing promotions." It has to be signed by the Assistant Chief Minister still, to recruit non-local tech jobs for customers looking to fill their technology and digital commercial roles. We will work with the H.A.W.A.G. group to evaluate how successful that has been. That is a direct action that Tera Allas said, and we convinced the Population Office to do it. I am really pleased about that. If you look at my blog, you can see the actions that we have completed already on the Innovation Plan. I hope that is helpful.

Deputy S.M. Brée:

It is. It just clarifies something for me, thank you. I think we need to, unfortunately, bring this hearing to a close fairly quickly. Are there, gentlemen, any important questions you want to raise at this point in time?

The Deputy of St. Mary:

Can I go back to the competition regulation? I let it go at the time; I just thought we had to get through other things. The Oxera report made various recommendations on interaction with government. Without the detail, have all those been implemented, as far as you are concerned?

Assistant Chief Minister:

We are currently, I think it is fair to say, reviewing and having active discussions about the resources that need to be put into the competition side of the regulation within Government. That is work under progress, but we have got to work with the existing M.T.F.P. budget allocations. I am working hard with the Economic Adviser and his team, and I am now taking the fresh pair of eyes advice from Richard Corrigan, who is giving some helpful observations about exactly how we should resource this. It is absolutely clear it has got to be more resourced in government.

The Deputy of St. Mary:

I was not talking about the resourcing, I just need the interaction with CICRA itself, the different roles. Are you waiting for the M.O.U. (memorandum of understanding)? That in train, is it?

Assistant Chief Minister:

Yes. So an M.O.U. for the regulatory side, and also an S.L.A. (Service Level Agreement), because we give them money to do stuff. So we are going to be very clear about that, and we are working on that now.

Economic Adviser:

Can I just say, on the Oxera review, there are 23 recommendations. We have published an action plan updating where each one of the recommendations is, and we will continue to update that, and we are planning to do it again in the next couple of weeks. All 23 recommendations are being monitored and followed through and there is varying progress, as you would imagine, on it.

The Deputy of St. Mary:

That is all I am after. Thank you.

Deputy S.M. Brée:

Michael?

The Connétable of St. Ouen:

Could you tell me: is the Financial Ombudsman under your remit?

Assistant Chief Minister:

No.

The Connétable of St. Ouen:

It is nothing to do with you at all?

Assistant Chief Minister:

We are discussing at the moment whether or not it should be.

Economic Adviser:

It is in Economic Development.

Assistant Chief Minister:

I have had no interaction with that at all. There is a question there. I think I am not speaking out of turn in saying that the Chief Minister is reviewing at the moment and we are taking stock as to what the right structure is, faced with the world we are looking at post-Brexit, post-Trump, post all the rest of it, are we properly putting the right resources ... we are doing what you asked us to do, Chairman, must have read your report, but we are looking exactly to see whether or not we have got the right structures with the right people in the right place to maximise the opportunity. My job is to grow the income line. I am extremely proud that we have got the numbers back up in business and professional services. This is not just finance, it is business and professional services, and we are growing, and SANNE taking an office block on the waterfront is fantastic news. They have had to fight hard against the other major developer on that, and I am going to look forward to going to the opening of the Royal Bank of Canada in their new Gaspé House on the Esplanade as well. These are good times for our growth. We just do not seem to have got it through to Islanders that we are not the contracting Island that we are seeing in other places; we are growing and all the irons that we have put in the fire are working. Thank you for your support in the comments that you make. I cannot tell you how helpful your comments were. You are basically saying: "This is the high-value stuff"; not that low-value is not important, I want to work with tourism and agriculture as well, that matters too, but technology can provide solutions there and we are going to help with that too.

Deputy S.M. Brée:

All right. Is there anything else from you? I am going to draw the hearing to an end now. I will just say thank you very much to you, Assistant Chief Minister, and to your colleagues, and for allowing us to continue beyond our allotted time.

Assistant Chief Minister:

It is a pleasure. I apologise for being late, Chairman. We will make sure that we are on time for you and make sure there is no confusion in time. Also, can I thank the panel for their ongoing interest in what has been an area that perhaps has not received an interest. We know you are interested now. I know that we are going to look at, with colleagues on P.P.C. (Privileges and Procedures Committee) some revised proposals to do with legislation and how we can improve that and scrutiny of it. I really am grateful for the work that your officials have done in scrutinising legislation, so perhaps we are not so boring in the States when we take through legislation because it has already been looked at, Article by Article, and we are going to be bringing forward some legislation. So we are really grateful for that. You can give me as hard a time as you want, but thank you for the interest; it is much appreciated. We like rising to the challenge.

Deputy S.M. Brée:

Good. Okay, thank you very much. Good bye.

Assistant Chief Minister:

Thank you very much indeed.

[12:25]