

STATES OF JERSEY



STATES STRATEGIC PLAN 2009 – 2014 (P.52/2009): TENTH AMENDMENT (P.52/2009 Amd.(10)) – COMMENTS

**Presented to the States on 29th May 2009
by the Council of Ministers**

STATES GREFFE

COMMENTS

(1) The Council opposes this Amendment.

Diversification of the economy is already included under Priority 2 in the 6th bullet point under: ‘What we will do’. This amendment would just duplicate what is already there.

The Council does not support the formation of an Economic Commission – this would have a significant cost implication that would drain resources from diversification activity already successfully underway. An Economic Commission would be an expensive and unnecessary institution. Jersey is well-served through the Economics Unit, the Fiscal Policy Panel and others. The advice provided by these bodies shapes economic and fiscal policy that supports economic diversification.

The financial services sector is both diverse and highly productive; indeed it is the most productive sector from a global perspective. It is this high productivity, translated into profitability and tax revenues, that underpins the provision of public services in Jersey. Far from thwarting diversification, the cluster of businesses that support the sector provide the foundation for high value diversification in sectors such as intellectual property and e-commerce. Jersey’s approach to the development of these new sectors is innovative; a fact recognised by major global businesses in the sectors.

Jersey’s economy would not be best served by diversification from high productivity to low productivity sectors. If this were to occur, it would be difficult, if not impossible, to retain the current level of public services.

There appears to be a mistaken belief that there is sector that represents a “magic bullet” that will deliver diversification. This is not the case. Jersey’s economy will diversify through a large number of existing companies delivering product and market development activity to broaden their trading base. This will be supplemented by a large number of small-scale business start-ups (the major companies of the future), and businesses that establish operations in the Island through inward investment.

As with every developed economy, sectors such as agriculture and tourism rely on low-cost labour to deliver sustainable operations. If Jersey is to compete in an increasingly competitive market-place this must continue. This is not to say that training and development of local people to occupy the higher value jobs on these sectors is not a priority – it is. The Skills Executive is working on this very issue.

(2) The Council accepts this Amendment.

The Council agrees that we must keep all of our options open. However, borrowing to fund replacement infrastructure simply means that the current generation which inherited assets with no debt lives beyond its means by passing on to the next generation assets matched by debt. In other words, the current generation lives beyond its means by consuming the value of its asset inheritance. It is effectively passing the bill for this to the next generation by way of debt.

The move to GAAP accounting will reflect the true cost of consuming existing, as well as new, assets. It will help to demonstrate that borrowing to fund replacement infrastructure is effectively using borrowing to meet the shortfall between tax revenues and the full cost, including asset usage, of providing services, i.e. operating at a deficit.