

STATES OF JERSEY

Economic Affairs Scrutiny Panel Tourism Public Private Partnership

MONDAY, 22nd FEBRUARY 2010

Panel:

Deputy M.R. Higgins of St. Helier (Chairman)

Deputy J.M. Maçon of St. Saviour

Deputy D.J.A. Wimberley of St. Mary

Deputy S. Pitman of St. Helier

Witnesses:

Senator A.J.H. Maclean (The Minister for Economic Development)

Mr. D. de Carteret (Director, Jersey Tourism)

Mr. M. King (Chief Executive Officer, Economic Development)

Mr. K. Lemasney (Officer, Economic Development)

[10:34]

Deputy M.R. Higgins of St. Helier (Chairman):

We will launch straight in; you are all aware of the protocols for these meetings. You have done enough of them, I am sure you are well aware of them by now. If you have any doubt, please have a read. As I say, we will launch straight in, so welcome to the hearing and just for the benefit of the tape we will identify ourselves. Deputy Mike Higgins, Chairman.

Deputy J.M. Maçon of St. Saviour:

Deputy Jeremy Maçon from the parish of St. Saviour.

Deputy D.J.A. Wimberley of St. Mary:

Deputy Wimberley of St. Mary.

Deputy S. Pitman of St. Helier:

Deputy Pitman of St. Helier.

Director, Jersey Tourism:

David de Carteret, Director of Tourism.

The Minister for Economic Development:

Senator Alan Maclean, the Minister for Economic Development.

Chief Executive Officer, Economic Development:

Mike King, Chief Executive, Economic Development.

Officer, Economic Development:

Kevin Lemasney, Economic Development.

Deputy M.R. Higgins:

Thank you. We will get straight on to it. Can I just confirm what time you have to leave today? Do you have a specific time you have to get away?

Chief Executive Officer, Economic Development:

Yes, 12.30 p.m. at the least, sorry.

Deputy M.R. Higgins:

Okay. Let us follow the schedule until then. First of all, now some of these questions we may have asked before, but we want to go over some of the ground again. So far as the public private partnership in Tourism is concerned, can you just tell us what the problem is you are trying to solve by moving to this model?

The Minister for Economic Development:

As you know, over a period of time Tourism has had to deal with a challenging and changing and very competitive market and as such it was decided some while ago that we should look at the structure in the way in which we deliver support to Tourism and in particular how we market the Island. A number of options were considered and it was felt that a public private partnership was going to be the best way in which we could harness, if you like, the talent of the industry itself and make sure that they are fully involved in the process with their input and expertise; effectively marketing Jersey as a holiday destination.

Deputy M.R. Higgins:

But have you not also involved the industry in the past in what you are going to be doing, so why are you moving to a whole new model as opposed to either developing the system you have had? In fact, at the moment you also have a new, I would not call it a shadow P.P.P. (Public Private Partnership), but you have advisers who are helping you on the marketing side. So, why the wholesale move in that particular direction?

The Minister for Economic Development:

You are right in one respect, there has been a period of evolution. You are mentioning the Tourism and Marketing Panel which we have recently advertised for. We have had a fantastic response in terms of numbers and quality of individuals from the private sector. That is one step; it is an evolution towards what we hope - and what we understand that the industry hope - is going to be a public private partnership which is going to be a more effective way of delivering the marketing of the Island. So it is just one step putting in place this particular marketing group which is private sector, private sector expertise, and not expertise, I might add, from just within the Island. There are marketing experts from the U.K. (United Kingdom) who have experience of Jersey who are part of

that group which we believe will add significant value.

Deputy M.R. Higgins:

As I say, you already have those people at the present time joining your panel, why do you not just stay with that? Why go whole hog in moving to a full P.P.P.? What are the advantages? You have not really indicated the problems you were trying to deal with because at the moment - you have just said about this marketing body - if that is not good enough, why go the whole way? There must be something else behind your move to a P.P.P.

The Minister for Economic Development:

Well, I suppose to crystallise it quite simply, it is getting greater involvement. If you look at the industry themselves within this particular area, you can look at the success of an organisation which is a good example, which is Jersey Finance which, again, has been very successful in promoting the finance industry externally. It is a very similar model to the one proposed here. There are other models that exist elsewhere in the world. We believe that a partnership arrangement where the private sector is involved and accountable and can put and bring their expertise is going to add significant value. We believe also in the longer term you will be able to draw in additional funding from the private sector that can be more effectively targeted for better results.

Deputy S. Pitman:

You mentioned in your first answer about options that this P.P.P. was the best option considered, what were the other options that you had considered?

The Minister for Economic Development:

Well there are different versions of public private partnerships, wider versions if you look at what has occurred in Manchester, for example, that is a much wider version of the public private partnership. David, do you want to give some comment on the different versions?

Director, Jersey Tourism:

Yes, I think in the report we refer to 3 options: one which was the sort of "stay the same and do nothing" option but the second one was a sort of a halfway house, and the P.P.P. proposal which is a full transfer of responsibilities, if you like. So it was a staged process with the first stage being "do nothing; stay as you are", second phase, if you recall in earlier papers we had a phased approach over a period of years, that was the second option. With time having now passed the proposal is to go to a full P.P.P. within a 12-month period.

Deputy M.R. Higgins:

We are going to review the other possible alternatives in a moment; still to go

back to what is the problem? What is the problem with tourism that you are not able to address at the present time?

Chief Executive Officer, Economic Development:
Can I answer that?

The Minister for Economic Development:
Mike, yes, do.

Chief Executive Officer, Economic Development:
I think you are wrong in generally implying that there is a problem. I think what we believe is that there is a collective responsibility for promoting the Island as a visitor destination which is shared by government in the sense there is E.D.D. (Economic Development Department) and the industry. What a P.P.P. structure does, I think, is it formalises that arrangement and our belief is that when it is put in place as the Minister has said there is an example of the J.F.L. (Jersey Finance Limited), I think we will get much closer collaboration both in terms of activity and funding between the private sector and the public sector. This should not be seen in any way as a criticism of Jersey Tourism but the situation that exists at the moment is that government and industry that have a collective responsibility are effectively sitting on 2 sides of a fence and the P.P.P. is really about bringing those 2 sides together to a much greater extent. Now, in the interim we have decided, again on the basis that government certainly does not have a monopoly on being right in terms of marketing and promotional activity, although we have made tremendous strides I think over the last 5 years or so in the way we market and promote the Island. The Marketing Panel has been put in place, I think, to bring some private sector expertise and some private sector challenge both from inside the Island and outside to improve the quality of what we do and improve the quality of the spend and the results that we generate from it. But I just want to reiterate this has not been done because we believe there is a fundamental weakness in Jersey Tourism but there is always room for improvement and we believe this is a vehicle which could allow that. Just finally if I could say one other thing, when Locum - and I think you have received this; they undertook the Destination Audit - one of the things they looked at within that context was the organisation, then they drew up on examples from the U.K., Europe and elsewhere. It is common practice, and some would say best practice, to move towards a public private partnership simply because you draw together what, in some areas, has been seen as a quite fragmented way of approaching marketing and promoting a destination. I think that is probably rather more long-winded than you wanted, a view from me of the problem we are trying to solve.

Deputy M.R. Higgins:

I am saying, first of all, I am not implying there is criticism of Jersey Tourism, I am just saying we have a problem with tourism and you have elaborated what exactly the problem is with this. Jersey is a destination; why are we not getting tourists here and why this particular model you think is going to be any more successful than the previous model in overcoming both problems?

Chief Executive Officer, Economic Development:

There are 2 quite distinct questions there (1) why are we not getting tourists here? Well I think the fact is that the market and our primary market in the U.K. (that is where it is) has changed. The emergence of, for instance, low-cost air travel which gives people in the U.K. far more options in terms of travelling from the whole network of regional airports in the U.K. is something that has had an impact upon us. The way the market presents itself to Jersey and the way Jersey presents itself to the marketplace is very different to that which it was 10 years ago. We cannot force the market to come to Jersey. We have to market the Island and we have to deliver a product in the Island which is something that the market wants to buy. Now, our view is that if we can get a closer collaboration between the private and the public sector, there is a possibility, I would say a probability, that we could increase the quality of the way we promote the Island and we can increase through that the product offering that we have. Because I think one of the things at the moment that is quite difficult for businesses in Jersey to realise is that to a great extent it is not just the marketing promotional activity but it is the quality of the product that people experience when they arrive here - activities, events, anything like that - that acts as something which can take every visitor and make them an advocate for other people to come to the Island.

Deputy M.R. Higgins:

I acknowledge what you are saying but equally why is it you have to go to a P.P.P. to try and deliver that when you cannot ... see, I do not see that they are going to be any more successful than you are in one sense ...

The Deputy of St. Mary:

Can you give way? What I heard you, Mike, say was it seems to me that the only issue I have heard as defining the problem is that we need greater collaboration between government and industry with respect to activity and with respect to funding.

[10:45]

That seems to be what you have said is the problem. Because I would not define the problem as that we are not getting tourists because we are getting tourists. We are getting a very slow decline, a small decline, at the moment. But it

appears to me that that is what you have said in terms of defining the problem; that we need greater collaboration. Is that the problem?

Chief Executive Officer, Economic Development:

Again, it is not a problem; it is an opportunity to improve what it is that we do. As you said - compared to other destinations; take business visitors out of it for a minute - we performed pretty well last year; 3.8 per cent down, I think, at the end of the year on staying leisure visitors. The P.P.P., and this is, I think, E.D.D.'s view and it is certainly a view that is shared by the industry and I am sure they have spoken to you about it already, delivers the possibility of being able to improve that. But it is about improving something that is not in the doldrums because we are performing reasonably well. But if there are opportunities to improve it and there are opportunities to bring the private and the public sector - government and the industry - in the Island together and the travel operators as well, then I think it is something that we feel is the right thing to do.

Deputy S. Pitman:

May I say, you have identified one of the problems as marketing and in a question I asked the Minister in the last hearing, the Minister said that the industry problem that they had and the conclusion that you came to P.P.P. was based on the industry had issues that the department were not spending enough in marketing and advertising, and so have your staff identified that as a problem? A few years in a row there has been a decline. Would you take that on as a responsibility that you have had in the decline of tourism?

The Minister for Economic Development:

Not necessarily, no. It is pretty obvious, I would suggest, that any group, whichever sector you are in, that is getting support from government is going to say they do not have enough support and they do not have enough funding; that goes without saying and one would expect that. Clearly, there are challenges from a budgetary point of view anyway but I think there has been tremendous strides in recent years in the way in which we deal with our budget as a whole at Economic Development but also the way in which we get, if you like, better value, a better targeted spend for marketing. You can see that by the way we have managed to turn around a decline. There was an ongoing decline for about 10 years or so until 2006 when we suddenly started to see a change and we began to look at the way in which, from a strategic point of view, we deal with marketing. It is more effective than it was and I think it has begun to deliver some results. I would just emphasise again what Mike has said: this is not a problem. Now I have heard the word "problem" mentioned about 5 times this morning. What we are looking at is to improve matters; we are looking to evolve the way in which we deal with the marketing and promotion of Jersey as a visitor destination. We believe that the P.P.P. is moving what we have at the moment

on to a new level which will be more effective.

Deputy S. Pitman:

But your staff and members of the industry - we have spoken to some - say that part of the contribution to the decline in tourism are the cuts year in, year out from E.D. (Economic Development) to the tourism budget. The industry have been saying that E.D. have not been listening in terms of targeting their money.

The Minister for Economic Development:

We have been listening and I think if you look at the E.D.D. budget as a whole, 41 per cent of our budget goes to Tourism. That is by far the largest sum of money that we attribute to any sector that we look after: 41 per cent. The finance industry is a fraction of that. It is about 15 per cent now, Mike?

Chief Executive Officer, Economic Development:

It is 15, 16 per cent.

The Minister for Economic Development:

It is 15 or 16 per cent and that is something that is missed by a lot of people. However, we do have a pot which is constrained and it is going to become more constrained as we move forward with the difficulties that the Island has from a budgetary point of view. Departments have less money and we have to make sure that what we have is spent as effectively as possible.

Deputy S. Pitman:

Yes, those cuts that were before the economic downturn and they have continued. I understand that you have a budget and that so much is going in and it takes up a lot of your budget but we are still talking about cuts every year for the last so many years.

The Minister for Economic Development:

Well it has not just been "cuts" as you describe it. Some of the budget has been put into other areas like Jersey Enterprise which, again, is available to the tourism industry. It is one area that I have mentioned on several occasions that I am most disappointed about: the smallest take-up of businesses. There are, you will appreciate, a huge number of small businesses in the tourism sector in Jersey. That is the one sector that is not utilising the services of Jersey Enterprise to help improve their businesses and we would like to encourage them. We are encouraging them to do more so. So some of the budget that has previously been attributed to marketing for tourism is now going into Jersey Enterprise to help those businesses to become more profitable and more successful.

Deputy M.R. Higgins:

One of the comments we have also heard from the industry is that Economic Development is like a mother ship in the sense that it is all-engrossing, it covers so much and that ...

Chief Executive Officer, Economic Development:

Hence the P.P.P.

Deputy M.R. Higgins:

You are like a mother ship and that the department has not, for example, focussed particularly on tourism. For example, you have an Assistant Minister for Harbours; you have an Assistant Minister that is dealing with agriculture and so on but as a Minister you are covering the lot but there is no one specifically focussed on tourism. How do you feel about that? That they feel you are not focussed enough on their particular sector?

The Minister for Economic Development:

Well, I can answer that very clearly, Mr. Chairman, that tourism is important and it is because it is important that I have a focus myself on tourism. I think it is appropriate and right that the Minister should attend to matters relating to tourism and that is exactly what happens.

The Deputy of St. Mary:

Can I ask, going back to the decline in staying leisure visitors over more than just the last 4 years really, the secular decline, is there a floor in your mind to that decline?

The Minister for Economic Development:

A flaw?

The Deputy of St. Mary:

A floor; F-L-O-O-R.

The Minister for Economic Development:

As to where it will end up eventually?

The Deputy of St. Mary:

Yes, because we have been told many times ... well I will just ask the question, is there a floor in your mind?

The Minister for Economic Development:

The dynamics of the market have changed dramatically over the years: low-cost airlines Mike has already mentioned and the competitiveness in the marketplace

as a whole. I think one of the drives and one of the factors that we consider is ... and we like, if we can, to get away from numbers, purely numbers, because assessing on numbers only does not necessarily represent the facts of what is happening in the industry. By that I mean that you could have less people spending more in the economy and not particularly benefiting the economy to a greater extent and I think Jersey has moved very much from a sort of 2-week family destination holiday resort, if you like, to a far greater percentage. That still exists, of course, but there are a far greater percentage of short breaks, high value visits to the Island which is important. So, in terms of floor, I would certainly hope that numbers, bed nights, if that is what you were referring to ...

The Deputy of St. Mary:
I am referring to beds.

The Minister for Economic Development:
Beds. Well the bed stock, we have seen an incredible investment in the quality of bed stock. We are not reaching capacity now, interestingly, even though we are down to 12,000 or 13,000, we are not managing to fill the ones we have, but the quality of the stock we have has improved dramatically.

Deputy J.M. Maçon:
There is still a decline?

The Deputy of St. Mary:
In the numbers.

The Minister for Economic Development:
There has been a decline, yes.

The Deputy of St. Mary:
Can I just ask the question again, if I may? Do you have a concern that if you go below a certain level, things start to really unravel? In terms of flights; availabilities?

The Minister for Economic Development:
Yes, I think it is particularly important that there is good quality stock in each category and that is something we are mindful of. We are also very aware, for example, self-catering is an area where there is an under-supply in certain parts. We could do with more of that. We have seen a good investment: Les Ormes is an example, we could do with some more. That is an area that has been particularly successful. In fact, Guernsey have been benefited in the last season from self-catering and camping. So what I would like to see is investment and quality in each category we have. We have seen a lot of private sector

investment and that does show some confidence in the tourism sector which is encouraging. Mike do you want to ...?

Chief Executive Officer, Economic Development:

If I could answer your question in simple terms; in terms of numbers I believe that there is a floor and I believe that we are probably pretty close to it, if not at it. You have to remember that where we get 85 per cent of our people from, that is the U.K., has suffered the worst economic decline in living memory. Jersey outperformed the vast majority of destinations for visitors coming from the U.K.

Deputy M.R. Higgins:

Although the Isle of Man has seen an increase rather than a decrease.

Chief Executive Officer, Economic Development:

Yes, the Isle of Man has outperformed a lot of our competing destinations. Not all of them but it has outperformed a lot of them. The Isle of Man is even easier to get to than here in terms of time. So I think we are there but I think that we can, if we are not careful, jump through that floor and go even lower because one of the things that we need to make sure we can carry on doing is effectively marketing and promoting the Island, is also making sure that the network of, particularly, air links but also sea links is maintained. You must never lose sight of the fact that the airport puts a very, very significant amount of investment into that with these subsidies and aeronautical charges that they give. Also I think the third thing is improving the product. The Minister has referred to the percentage of self-catering; the quality of self-catering accommodation that is in the mix. That has to increase and maintain its quality. The reason that Les Ormes and the development there has been so successful is that is exactly the type of product, priced in exactly the same way, sold in exactly the right way that appeals to the market in the U.K. and it is booked; it has a 90-odd per cent occupancy rate. So there is a lot of work that needs to be done; not just in pure marketing promotion but right across the piece.

The Deputy of St. Mary:

If I can just follow up, is there a firm policy on - and you say you do not like numbers - but there must be some analysis done on flight patterns on routes coming into the Island and their continued availability and what happens if you go below certain numbers as you go down? Now, if you do not have that analysis, God help us, and if you have, can you give us where you are going to draw the line? Because if you had a firm policy then you will spend to make damn sure you did not go below that floor because you know that then all the bricks start falling out of the tower.

Chief Executive Officer, Economic Development:

Well, the most telling graph, and I think you will probably see it in one of the other pieces of information we are going to give you which comes from the airport, is the capacity of the air and sea network in terms of the number of people that it can bring here and the number of beds and the extent to which they are occupied and to the extent to which those airline seats are occupied. Throughout the year, and there is only one exception to this normally, and that is the air display, there is space in terms of bed stock, and a quite significant space in terms of bed stock, and there is space on both the airlines and the ferry services. So there is a huge upside based on the existing capacity. Now we believe that the existing capacity is about right and we believe that the effort should be almost totally addressed in making sure the product, the network and the way the Island is marketed is undertaken in such a way to bridge that gap between the capacity that is available now and what is arriving at the Island. It is not a problem; it is a challenge because it is a very competitive market but - and I am speaking from my personal perception - we have a good product here. We should not shoot ourselves in the foot about it and make sure we promote it and work with the businesses in the Island so that it is priced appropriately as well. People are buying on price now. There is no longer a "build it and they will come" mentality. We cannot have that. People are buying on price which is why one of the other reasons I think it is important to work more closely with the industry here - and this is a conversation David and I have always had, the last place that people want to go; I can understand that - is to recognise that pricing of the product. This is an expensive place to operate; it is an expensive place to visit in relative terms but that has to be looked at and which is why, for instance, working with Jersey Enterprise - and the Minister has talked about this - if we can work with those businesses to lower their cost base or maintain their margins with a lower cost base, then that is equally important.

The Deputy of St. Mary:

You are saying some things about how you would attract people, improve products and so on, but I am trying to gauge the level of the commitment to the industry as a whole and to ensuring, as I say, that the bricks do not start coming out of the thing and the group network cannot be sustained. So it has to be sustained at a certain level, you have to have a certain number, what is the political commitment to making sure that the domino effect does not begin?

The Minister for Economic Development:

Well there is a political commitment; we are spending 41 per cent of our budget on supporting tourism; we are putting money into Jersey Enterprise to help support businesses within the tourism sector. I do not think there is any doubt about ...

The Deputy of St. Mary:

With respect, Minister, you are spending 41 per cent of the budget and we are seeing a gentle decline. So maybe that is not enough and I will just put it you.

[11:00]

The Minister for Economic Development:

I think the industry would perhaps argue that it is not enough and that is understandable. I think what we need to concentrate on is using the funds that we have in the most effective way that we can to ensure that we get the right people to the Island. We have talked about capacity; the airlines and the ferry companies have the capacity at the moment. We need to try and build on ensuring that we fill the capacity that is currently available. There is capacity in the Island as far as bed stock is concerned in all categories. There are some shortages with self-catering as I have mentioned earlier. We have to make absolutely certain that we work to fill the capacity that already exists.

Deputy M.R. Higgins:

Let us have a look at Jersey Enterprise; what is Jersey Enterprise offering the industry? You have allocated money to them, what can they offer the industry? We know, for example, the industry does not appear to be taking it up. The question is, why are they not taking it up and what are you offering?

The Minister for Economic Development:

Well, Jersey Enterprise, as I am sure you are aware - and I am delighted to know that you and the panel are coming to visit Jersey Enterprise fairly soon which might help to answer that question in more detail - but just in short term, Jersey Enterprise provides specific support to small and medium-size businesses. If you look at the profile of the businesses within the tourism sector, a high percentage falls into that particular category. They are available with a whole raft of different business services to ensure that businesses can become more productive, provide better services, better marketing and generally improve the profitability of their businesses.

Deputy M.R. Higgins:

But what specifically are you offering that sector and why are they not taking it up; your offering?

The Minister for Economic Development:

Well we are speaking continuously through Jersey Enterprise to businesses within all sectors of the economy, tourism is included, and to date, sadly, we have had a very small response. We will continue to push that. We are looking at the possibility of specific courses that will assist with the ways in which front of house, for example, hotels, telephone answering, receptionists and so on; deal

with customers and so on. Mike ...?

Chief Executive Officer, Economic Development:

I think the other thing that is worth saying just in terms of your general point, one of the things that Jersey Enterprise does offer and will offer and can offer is one-to-one business advice for businesses in the tourism industry. Now, there has not been an uptake of that to the extent that there should be. The response to that was that we looked at that as an issue and put together a pilot programme which I think is, if it is not running at the moment, just about to run which is specifically tailored at businesses in the tourism sector. So it is tailoring that advice and tailoring the products in there to businesses in the tourism sector because we have mentioned so many times - and we were helped in this by the J.H.A. (Jersey Hospitality Association) by the way - that the tourism industry was not taking up the level of support that was there. Maybe it was too generalist. So we did something; we have developed a product and a service which is much more specific. That can be used to leverage some of the other grant products, for instance, the innovation grant. A lot of the smaller accommodation operators do not, for instance, have a website; they do not have the ability to do online bookings. Well, things like innovation grants which can be offered from Jersey Enterprise can give them that capability. Therefore, they can be linked through from the Jersey dotcom site, therefore, they can probably harness more direct bookings as well as the ones that come into them at the moment. So, in some ways I think whereas the newer and more entrepreneurial sectors probably are very familiar with - and quite welcoming - the level of support and the type of support of Jersey Enterprise, the more traditional industries we needed to spend more time to make sure that they knew what could be offered and I think that is starting to happen.

Deputy M.R. Higgins:

One of the criticisms we have heard levelled at the department effectively is that in the past you have had the Tourism Development Fund which has been restricted to public sector and to non-profit making organisations and it has not had the facility to assist the industry. Now you have mentioned about improving the product, if they could tap resources from something like T.D.F. (Tourism Development Fund) - which, again, I will just make the point, £10 million was supposed to be allocated but we believe about £2 million was - if they could get assistance with developing their products, would we not see that rapid improvement in the product that we will see?

The Minister for Economic Development:

Well, absolutely, and I am delighted you have raised that particular point because I feel strongly about it. The Tourism Development Fund has done a fabulous job to date. It has been limited in terms of the budget it has had available. You quite

rightly point out that the States voted £10 million and it has only received something like £2 million. What I want to see happening and what I am going to be doing is taking to the States a decision to open up the Tourism Development Fund to make it available to private sector because I think that it is a very, very useful vehicle that so far has been somewhat limited in terms of what it can deliver.

Deputy M.R. Higgins:

The argument you are going to use to the States to fund maybe the other £8 million or more that is required? Because if it only has £400,000 left, opening it up is just going to dilute the pot even further.

Chief Executive Officer, Economic Development:

I think there are 2 things: one is, as the Minister says, the intention is to take that forward. In fact, all of the work has been done because one of the things that we must do is that when we open the T.D.F. to the private sector, we must make sure that we have a very robust investment appraisal tool to allow us to evaluate because there is no doubt there will be far more demand than we have ability to supply. That tool has been built, in fact, we have bench-tested it with a couple of private sector schemes already, so there is no reluctance to do that. But to say that the T.D.F. has not benefited the private sector I think is perhaps not as accurate as it could be. For instance, T.D.F. I think put £300,000 into the services on the Five Mile Road?

Officer, Economic Development:

Yes, £335,000 road development as well is one of the big ones. It will serve the whole industry; well, the whole Island.

Chief Executive Officer, Economic Development:

Which has allowed the developers down there now but is that the same thing as a quality private sector scheme being able to leverage funding from T.D.F.? No. Should that be what should happen? Well, absolutely, and that is why we are taking it forward. Again, this is public money and we have to make sure in the same way that has been done with the stimulus funding, for instance, that each of these things is evaluated as an investment on which we wish to see a return on outcome and output.

Deputy M.R. Higgins:

We are agreed on that but equally we are being told by hoteliers that the banks are not being terribly co-operative at the present time in funding the tourism industry. Certainly, certain sectors are finding it extremely difficult to obtain funds. So, if the banks are not lending the money to enable them to invest in the product, again, we need to try and find some sort of mechanism. But, again,

going back, how are you going to convince the States that there is time and we are looking for budgetary constraint to give that extra money to help the industry?

The Minister for Economic Development:

Well, I would just simply say that you are right; clearly, £450,000 is not going to work. We do need to have a funding mechanism. We are looking at some options at the moment and clearly to bring a proposition forward to open the T.D.F. up it has to have an effective funding mechanism attached to it as a proposition otherwise it would be largely meaningless. That will form part of the proposition when it comes forward but, again, those proposed points are just being worked on at the moment.

Deputy M.R. Higgins:

What sort of timescale are you talking about?

The Minister for Economic Development:

Well I would like to bring the proposition to the States this year. I think it is important to do that and you have rightly raised the issue about funding and access to funding. I would not, however, say that it is specific to the tourism industry or to hoteliers; I am afraid it is across all sectors of the economy in Jersey and access to funding is a problem.

Deputy J.M. Maçon:

Can I just quickly ask, your ratio between website visits translating to actual trips to Jersey, do you have that on you at the moment?

Director, Jersey Tourism:

No, I have not brought that information along this morning but would you like to just enlarge on the question you are ...?

Deputy J.M. Maçon:

Well because if your argument is about better marketing, obviously one of the main tools which is used is the website to get people to Jersey. You have identified problems being as low-cost airlines, overall competitive market and you do have declining visitor numbers. We have kind of touched on cost as being a problem, the point I am trying to make is if you have people going to your website but are not making that point to come to Jersey, is perhaps the problem more cost ... and I would add in, a problem in Jersey is weather which I appreciate you do not have any control over but it is something that people consider.

Chief Executive Officer, Economic Development:

Sorry, David, I will just say one other thing. I think you have hit on a very good point there and this is something that we majored on our tourism conference in

November that is conversion; that is the other thing. The job of the industry is to convert as many inquiries about Jersey, whether they come in on the website, whether they come in from a tour operator or whether they come in from any other source, into visits and that is something where there is a huge room for improvement. Now, do not forget, 50-odd per cent of the people that come here still come via tour operators; the tour operators are good at this. Where we are not as good, I think, is both in the direct booking and probably indeed some of the things that we do ourselves and that is a big area of focus. Because if somebody is taking the time and trouble to look on the website, they have to at least have a reasonable expectation that they might wish to come here and it is that area where a lot of work I think does need to be done. You are absolutely right about that.

Deputy J.M. Maçon:

How do you feel the P.P.P. would address that?

The Minister for Economic Development:

Sorry, just before you answer that, Mike. The points you have raised are very interesting because what we were noticing in the early part of 2009, obviously amid the global financial crisis, hits on the website increased quite dramatically but the conversion rate, which is the point you are talking about, was not being delivered. What we have seen through the course of 2009 is some vicious discounting. It is not an issue just for Jersey; it is an issue in most marketplaces. Of course, the consumer is still wanting to go on holiday but finding that price is one of the most determining factors. Consequently, we had a high hit rate that we were not converting and that feeds into an earlier point, Mr. Chairman, that you raised about Jersey Enterprise; one of the areas I very briefly touched on: training and training with hoteliers. Part of the mix in terms of conversion are direct responses to hotels and having the right level of staff, making sure the phones are answered, answered in an efficient way and so on. So, there is a big part to the mix that needs to be considered with the conversion rates of effective marketing of a website which is obviously working quite well.

Deputy M.R. Higgins:

Well when you start talking about cost base, we know that the Island is expensive because we all live here and we know what the prices are. Now, for example, one thing we all notice when we go abroad is that hotels offer a room rate as opposed to a per person rate, and so it is obviously that much more expensive to come here. If we look at when you get here, the cost of going for meals or buying alcohol; we know that all the duties have gone up and everything else, we are effectively pricing ourselves out of the market to an extent. Would you agree with that?

The Minister for Economic Development:

Partly. I think it is important to bear in mind, weigh your positions up; you need to recognise that we are a quality product. There is no question of doubt right across the board there are quality services offered, quality products, attractions, hotels and so on. I think it is important that you recognise that and consequently then market appropriately to take that into consideration. For example, an increase in short breaks as capitalised on that particular point where you have people coming just for a short break who want to have a weekend and do some specific activities and are happy to spend money, they are happy to spend money on good quality food which they realise they are going to have pay for. It is important that you target appropriately in the marketing.

Deputy M.R. Higgins:

It is a question of balance, though, because in a sense, yes, we do have good hotels, I acknowledge that, but those same hotels, the 4-star hotels, are all heavily discounting and are fighting for market share among themselves. We know that again in terms of visitors, yes, you might be able to attract those people but they can go anywhere else in the world, the ones who can afford the higher prices, and yet we are not getting the other people here.

The Minister for Economic Development:

Yes, but do not forget that what you are talking about, vicious discounting, is occurring not just in Jersey, it is occurring elsewhere. It is occurring in the U.K. and in Europe. Hotels have to fight to get people in; the consumer is looking very closely at the bottom line; they are looking very closely at cost. So, yes, you have hotels here, the 4-star discounted down to 3-star rates; it is a problem. That is why my point earlier on which might have been misinterpreted by the Deputy of St. Mary about numbers do not matter. I did not mean numbers do not matter; there is far more to it than numbers because we might proudly sit here and say: "Well we have done very much better in 2009 than many other destinations; we are only 3.8 per cent down" or whatever it happens to be. But you talk to the hoteliers; they have to discount to get the numbers so there is far more to the equation.

Deputy M.R. Higgins:

There is far more to the equation, yes, and, in fact, going back to the P.P.P. which is what we are here about, how will the P.P.P. deal with the cost base and deal with the other problems you have already identified? In other words, P.P.P. as I see it is largely a marketing organisation and marketing is not necessarily the be-all and end-all. There are other things to the marketing mix, effectively.

Chief Executive Officer, Economic Development:

I do not think that that is the case. You have to have a product, a good product,

priced in the right way to sell to a market. Because as I said earlier I think the P.P.P. brings together the business side of this and the government side of this; increases the ability for us to work with the local industry here in areas like their pricing structure and the way that they package things up in terms of direct sales and to be able to close the deal. I think it will allow there to be a greater level of influence. It is not going to happen overnight but I think through time because the industry, I think they may have communicated this to you, within a P.P.P. structure they feel they have a greater sense of ownership of the overall marketing and promotion of the Island than they do at present. I think that will, through time, be a positive influence on our ability or the ability to change some of the behaviours to align them with what the market wants because that is what this is about.

[11:15]

If you are not selling what the market wants, 4 or 5 years ago if you were selling a Walkman and the market wants to buy an iPod, then you are in trouble.

Deputy J.M. Maçon:

But should the industry not be doing that continually anyway?

Director, Jersey Tourism:

I think, with respect, they are. I think we are looking at this from the wrong end of the telescope. It is not about the supply side; it is about the demand side. Tourism and weekend breaks, whatever you want to call it, are a commodity. They are sold, they exist in a commodity market where the price will fluctuate and the clever operators within the industry are very, very good at changing their prices and pitching their product at the market at any given moment in time in the correct way. We have some people out there that are absolutely outstanding at doing that, just like the airlines are very good at changing their pricing structures. The people who are less good at it are the people who you will see as being less successful and the least successful of all are the people who say: "Our price is £X per night and that is the end of it; take it or leave it." That does not happen any more and this is absolutely crucial. The larger hotels will be extremely good at that, the tour operators are outstanding at it and that is why they are successful.

Chief Executive Officer, Economic Development:

Well they close the deals, do they not?

Director, Jersey Tourism:

Yes. They all enjoyed good success last year because of that.

Deputy S. Pitman:

Can I ask then, Mr. King, you said before that this was a problem because Jersey is ...

Chief Executive Officer, Economic Development:

With respect, I said there was not a problem; it was an opportunity.

The Deputy of St. Mary:

There was opportunity.

Deputy S. Pitman:

The expense of coming and spending time in Jersey was a problem and this is something that we need to work with the industry but I do recall a meeting that we had about a year ago with this panel, we came to visit your department, and I brought the subject up and you said that the expense was not that much of a problem when you look at it outside of Jersey and other destinations. So I would like to know with that in mind what the department have done with the industry in trying to reduce the expense because it does not sound like really you have taken that issue on board.

Chief Executive Officer, Economic Development:

Well I think the comment that I made at the time was probably related to the euro exchange rate and the fact that we had become more competitive from the perspective of the eurozone. But I think we have to be guided by what the visitors to the Island say and 2008, which is when he had the biggest fall, 52 per cent of the U.K. visitors felt prices in Jersey were higher than they had expected with 43 per cent thought they were about the same and 5 per cent thought they were lower. Now that information has to be taken on board, not just by us as government, but by the industry as well. This is about expectation. Ultimately, the way the low-cost airlines work for instance is that they charge a relatively low entry price and they generate their profitability and their sustainability on all of the ancillary revenue. This is where, as David has reflected, the tour operators are very good at capturing and closing out the sale by being flexible on the pricing because they know that once the people come here and they come to the hotels, they will spend additional monies in the hotels when they are here. So the important thing is to get the people here and be flexible with the pricing and if you have a good product you could do that but it is taking a risk. It is the traditional approach where you get a booking months and months in advance, you get all your money upfront and then you sit back and let it happen. It is a much more dynamic market than that but to say that we are not talking to the industry about price as part of the mix, I think is wrong because we are and we do take it very seriously.

Deputy S. Pitman:

With respect, you mention the euro and I do not recall that being brought into the conversation. You have not explained what talks you have had with the industry. It is still not clear what discussions E.D. have had with the industry in trying to solve or work through this problem.

Chief Executive Officer, Economic Development:

I think that we have, every couple of months now, the Tourism Task Force which is a gathering of what, David, 25, 30 industry leaders?

Director, Jersey Tourism:

Thirty leaders.

Chief Executive Officer, Economic Development:

One of the things that come up I think at almost every one of those meetings is the issue of pricing. One of the things that featured very strongly in the last discussion was the issue of conversion and a lot of that is about the flexibility of the pricing to make sure you capture the sale. So, can we compel the industry to price itself lower? Well, no, we cannot. But can we work with the industry to try and help everybody understand that by structuring your pricing a little differently you can come out with the same or a better outcome; that is what we do on daily.

Deputy J.M. Maçon:

So how do you feel then, because if that is what you offer already, moving that to a P.P.P., how will that be different and how would that be more effective than those types of conversions?

Chief Executive Officer, Economic Development:

Because I think at the moment, it is the same as my initial point, you are talking about bringing together 2 groups, government and industry that have a collective responsibility, into an entity where there is a sense of common ownership; a sense of common outcomes; common objectives. Everything that I have ever done, or everything I have ever learnt, would suggest to me that that delivers the possibility of a better outcome. Can it be absolutely guaranteed? Well, no, it cannot. But is working closer together in a more formalised structure, does it deliver the option of improving that collaboration and that performance? I believe it does.

Deputy J.M. Maçon:

So the argument is then by having this joint buying you would argue that your arguments on certain things, what you are advising the industry would become more credible then?

Chief Executive Officer, Economic Development:

I would think they probably do; we have seen this in other areas. But the arguments, the understanding of what is at the core of the argument in terms of the way the market is presenting itself, becomes much more broadly and much more commonly appreciated and that is what we see. A very good example of this I think is the Airport Task Force where there were people in the tourism sector who I think had a quite negative view of the airport. They have been brought into that task force, they have been exposed to all of the information that the airport has to deal with in terms of its commercial future and its operating constraints. I think a number of them have gone from being critics to advocates because they understand the issues and we have been able to move forward in a far more consistent way.

Deputy M.R. Higgins:

Okay, if we can move on to other topics. You have obviously gone for the P.P.P. model. First of all, what work did you do looking at alternatives and why did you dismiss the other alternatives?

The Minister for Economic Development:

David, do you want to talk?

Director, Jersey Tourism:

I think in fairness I answered the question as best I could the first time around. There are 3 ways of doing this: option 1 is not doing it at all, option 2 is the halfway house, I think we might term it, and option 3 is the full situation. In terms of looking at other alternatives obviously the *Locum Report*, which I think you have had a copy of, produced a series of options which were there and predominantly the support from the industry was for the full option 3 situation. I do not think there was much appetite for the middle route, as it were.

The Deputy of St. Mary:

The Tourism Board route? So you are saying that not much work was done to look at that because it seems to be fairly near to where you are evolving towards in the natural course of events.

Director, Jersey Tourism:

Other than the *Locum Report* and the work that you see in the paper, that was the work that was done, I think, essentially.

Chief Executive Officer, Economic Development:

Locum did the Destination Audit. They then did a specific piece of work on the organisational implications of this - the P.P.P. - and within that they both evaluated and cited a number of examples of different types of P.P.P., structure

some of which are restricted to tourism marketing. Others - and I think Gothenburg, Coventry and Manchester were ones that they cited - have a much broader remit and take into account all the retailers, a lot of the big corporate businesses, all of which benefit from a larger number of tourists coming to any given destination.

Director, Jersey Tourism:

There is one point that is worth making when comparing us with other places and that is in Jersey, because we are, in tourism terms, a national state, it is very difficult to compare us with any other jurisdiction in the U.K. You have VisitBritain, who is responsible for the whole of the British Isles at the top level; you have an England organisation; you have literally 4 different layers of organisations all promoting tourism to a given region. Here we have one organisation that has to deal with all of those different layers at the same time and that does tend to make life different.

The Deputy of St. Mary:

One of your starting points was that you considered - you being a sort of general "you" - that the Conference Bureau was a successful model. That seems to be coming across, does it not, that works. Did you consider applying that model to other sectors within the tourism industry? So that you have ...

Director, Jersey Tourism:

The P.P.P. proposal is a Conference Bureau proposal. It is almost a mirror of the Conference Bureau, effectively.

The Deputy of St. Mary:

Yes, but what I am saying is that the P.P.P. as proposed covers the entire industry as one block and then the Conference Bureau comes in as one element of it. But did you consider not going for the whole thing because it does have attendant costs which we are going to come to in a minute; we are talking about £1 million over 2 years. Did you consider sector by sector developing the same sort of thing as the Conference Bureau, for instance, with the top end, the luxury end, the 4-star, 5-star would be one group where they were working together with government and so on, the green end with the walking and cycling and so on, and then you could just develop different sectors? Did you consider that at all?

Director, Jersey Tourism:

We are doing it now.

The Deputy of St. Mary:

You are considering it?

Director, Jersey Tourism:

We did not do it as part of that report but in fact there has arisen an issue to it that we are working on which has been live for about 2 years now where we are working very, very closely with the 4-star hotel market, effectively. They have described themselves as luxury hotels but essentially it is the 4-star group who are proposing some marketing activities which will be co-funded by themselves and by the tourism budget and that is an ongoing project which at the moment is in very, very early stages but which is developing. So it is the kind of idea you are talking about but just with a distinct group and to a very large extent that was led by us. We put that group together 2 years ago and they have now taken it on. They have bought into and I think it is going to ultimately be quite a positive thing and there are other areas in which you could do that. Not everywhere, but it would be possible to do the same for the family market, for example, where you have properties that are specifically interested in the family area. There are probably 3 or 4 but no more than that.

The Deputy of St. Mary:

Heritage, culture, that whole thing keeps coming ...

Chief Executive Officer, Economic Development:

But this is market segmentation. Whether you want to create 4 or 5 different organisations to do that, you get a very fragmented way of dealing with the market if that is what you do. One of the advantages of dealing with different market segments within one organisation, which is what Jersey Tourism does to a great extent at the moment, is there is a consistency of treatment and a consistency of marketing approach and branding and all that, yes. Absolutely.

Officer, Economic Development:

Can I just mention as a point of clarification on that, why we did not look at them as standalone 6 or 7 different areas, if you look at the *Locum Report*, for example, and that feeds into the version 7 paper, was that we looked at each of those parts as being an intrinsic element of the P.P.P.

Deputy M.R. Higgins:

For the present time you have the public sector that is taking an overall view of the market. What confidence do you have that this P.P.P. will not become, say, dominated by particular sectors whether it be the 4-star market or others, how are they going to, in a sense, deal with these conflicting or a different sort of emphasis?

Chief Executive Officer, Economic Development:

I think the important thing to recognise is that if you take the Jersey Finance model I think is a good one from my perspective. Jersey Finance gets its funding

from E.D.D. and we agree a business plan and a marketing plan which is done in great detail and that is used to justify the level of grant. The strategy and policy still stays with government and the grant is issued on the basis that the business plan and the marketing plan are consistent with that strategy and policy. One of those things is to make sure that we do not allow certain market segments to be totally dominant because we have a very good quality, a very broad audit document here.

The Minister for Economic Development:

Do not forget, if you look at Jersey Finance as an example, it quite simply would not have worked if that was the case and one of the sectors there had fallen out. The reason for that is that you have various checks and balances in place. You have an independent board; you have an independent chair which is appointed by the Minister for Economic Development in the instance of the P.P.P. I think those checks and balances and the fact that there is a membership fee that is going to be charged, clearly that is going to be an important part of the overall funding to increase the budget for the entity itself. So if you have one sector becoming dominant you are going to get members falling out. It just will not work; it would not be sustainable long term.

Deputy M.R. Higgins:

Following on from that and, again, I have to declare my interest in events, in terms of money that is spent on events, how can there be any sort of guarantees that the events or any other non-marketing activity will carry on? Again, are you saying it will be part of the service agreement that is drafted with the P.P.P. or what?

The Minister for Economic Development:

Absolutely, yes.

Deputy M.R. Higgins:

Because most of all it is a day to be spent marketing them.

[11:30]

The Minister for Economic Development:

I think, as I said, policy and strategy, your policy remains with government and the fact is that I cannot see any situation where events will not be an absolute requirement of either Jersey Tourism or a P.P.P. for that matter. They are an absolutely intrinsic part of the product and they do bring a lot of people to the Island. Not just the large events but the fact is there is a phenomenal number of events going on here, some which we support; some which we do not or some which our public supports; and which they do not. That is part of the attraction of

the place. Everybody I think that comes here is completely disabused by this statement because I have never really understood that nothing goes on in Jersey. I mean there is a phenomenal amount goes on in Jersey compared to almost anywhere else that I have been. So I do not think we could ever contemplate a situation where events would not play a major part; be they small events or large events, for that matter.

The Deputy of St. Mary:

Can I go back to the idea of the Conference Bureau being successful in itself and then the 4-star and above have now formed a group that seems to be working and if you apply that to different other sectors whether that could not evolve (under the leadership of the Tourism Department at least holding the ring, if you like) to a very similar situation as with a P.P.P.?

Director, Jersey Tourism:

I think the answer is it could.

The Deputy of St. Mary:

Yes. So that would be an alternative if people found that the £1 million is a bit of a stumbling block?

Director, Jersey Tourism:

Well the objective is to work even more closely. I think it is true to say we have improved our working relationship significantly in the last couple of years in terms of the groups that we have formed and the way in which we operate, the way in which we communicate. I think there was a need to improve but I think we have made those improvements and there are areas where we could make further strides; I do not think there is any doubt about that. It is time consuming, though, and there is a lot of effort that has to go into these relationship-forming exercises, so one always has to accept that if that work is being done that something else perhaps is not being done. But it is important.

The Deputy of St. Mary:

Because I think where we are coming from is everything comes with a price tag but there is a big price tag for the P.P.P. and so if you are involved in this, when do you find the time to build the relationships? Well, that is what the P.P.P. is designed to do: the same job. Question mark.

Director, Jersey Tourism:

Well it is the same job, different ownership, is it not, effectively, and the point that Mike King was making a moment ago which was about the belief that the industry have if they are part of it that they would have a greater sense of belonging and therefore would be more comfortable with the relationship. But in

terms of building relationships between the department or the P.P.P. and the industry, I do not think that is any different to whatever shape the organisation is. It is a very, very necessary thing to be done.

Deputy M.R. Higgins:

Thank you. We are going to move on now then to looking at a bit more of the detail and, Jeremy, I will ask you to start on the funding.

Deputy J.M. Maçon:

How can you be certain that the public sector will be able to provide the required funding particularly in the view of the revised hire costs in current market conditions? So we are looking at basically how are you certain that the private sector is going to be able to stump up the funds in order to finance this, given the current situation?

The Minister for Economic Development:

Is that based on the current economic climate or just under the proposal as a whole?

Deputy J.M. Maçon:

Both.

Deputy M.R. Higgins:

I would say both, yes. At this particular moment in time we are starting from not a very good economic climate but clearly both.

The Minister for Economic Development:

Yes, sure. There can be no guarantees and I think Mike has made the point and I would just emphasise it; there are no guarantees. But certainly, having gone through the process, having had the *Locum Audit Report*, having spoken at length to the Jersey Hospitality Association and other individuals within the tourism sector, the belief is (and this is fundamental as far as I am concerned) the industry themselves seem to have bought into the concept. They understand the need for additional funding and where the funding is going to come from, from the industry itself, and the mere fact that they are going to be involved and they are going to have the ability to influence what happens with the funding that is raised, we believe and they believe, is going to give it every chance of success.

Deputy J.M. Maçon:

Can I just ask on that point, we know the J.H.A. has a very keen interest in this and then we have a few other players such as shop owners and things like that? Obviously the E.D.D. will have a much wider remit in trying to get more people in

too because of the benefit to the tourism industry. How do you know perhaps the wider people involved will buy into this idea as well?

The Minister for Economic Development:

You cannot guarantee it, as I said a moment ago. But the belief is that if you have a targeted and focused group working together with private sector expertise it is going to improve the offering and opportunity and marketing of the Island. Consequently the sectors and businesses like retail, for example, that are not as actively involved now, will be in the future. They will see the benefit of sustaining the tourism industry and building upon it.

Chief Executive Officer, Economic Development:

I think it is worth saying we should not believe that the private sector does not contribute at the moment. It contributes a very significant amount of money to our joint monthly activity. One of the things that happened last year though was for the time (David has a longer recollection of it than I do but certainly in the time I have been here) we saw a contribution from the Hospitality Association, which was £50,000 to supplement the marketing budget, which was not allied to any form of joint marketing. It was a sum of money to supplement the budget. Now, it is that type of approach that one would hope would be adopted by the private sector as we move forward. You are talking about a body as the P.P.P. that has the remit of marketing and promoting the Island. Everybody has a vested interest in that happening and there is a possibility that we will get contributions from the broader private sector. It is certainly what happens elsewhere based on the precedents that have been cited by Locum and others where you do have this ability. Now, is it going to double the marketing budget? Well, no, it is not. But is it going to supplement it to the extent that it means that the public sector does not have to? Well then, yes, it potentially can.

Deputy M.R. Higgins:

But again you are speaking about a very large sector who would be contributing. Okay, let us look at a worst-case scenario. Let us assume that the money is not forthcoming. If you moved departmental staff across to this public private partnership and you dissolve, basically, your own tourism arm, you are going to be left with nothing if they have not delivered the goods. You are going to have to almost reinvent the Tourism Department again just to make up the gap. So, it is quite a commitment of faith that the industry is going to stump up the money. Have you got any firm commitments from them in terms that they will?

Chief Executive Officer, Economic Development:

In terms of firm commitments, no. I mean, the sense that we get from the people who sit within the J.H.A. certainly (and you are talking about probably some of the leading players in the industry here) is that those contributions will be

forthcoming, particularly when they see those contributions being given to an entity that sits in somewhere where they have some sense of ownership. So the phrase that has been used is that they felt it was a relatively easy thing to generate that level of additional receipts. Now, I cannot sit here today and say that is the truth because I really do not know. I think it will be challenging. I think it is challenging in the current environment. But that is all of the indications that we have had. I think you have to remember that the discussion paper that you are scrutinising is something that was not just drawn up by E.D.D. It was drawn up by E.D.D. and the Hospitality Association. Now, you know, you can ask people who currently sit outside the J.H.A., or in fact even some of the members, and there is probably a difference in view overall. But there has been pretty broad support for this from the industry.

Deputy J.M. Maçon:

I think what we are trying to get at is those people who are outside of the J.H.A., have they been spoken to; what is their opinion and what are their thoughts about this? I think that is what we are trying to get at.

Chief Executive Officer, Economic Development:

Well, I think we have spoken to a great number of people, the majority of which are in the J.H.A. but some of which are not. We have not received a huge amount of negative sentiment. Yes, there is a concern; I think it is fair to say. There is a concern about the fact that by taking the organisation out of Jersey Tourism you are not going to benefit from the economies of scale. But having Jersey Tourism as part of E.D.D., it is part of the States and, therefore, there is additional cost associated with that. There are a number of people have been quite vocal about that.

Officer, Economic Development:

The members of the industry will ask exactly the same question as you have asked with regards to the public sector funding.

Deputy M.R. Higgins:

We are coming on to that. Do not worry.

Officer, Economic Development:

What guarantees can government give that that funding will continue and I think, you know, the answer lies in the third P of the 3 Ps. It is partnership. If government and the private sector enter into this in the true spirit of partnership and throw their lot into it then there is no reason why it should not work and, if it works, everything will build on the success of that. If it does not work then we have a huge problem and we, of course, have to try and mitigate against the risks of that. There are risks but there are no guarantees. Who would have

known 2 years ago where we were going to be today with the industry?

The Deputy of St. Mary:

There is no reason why it should not work. You have just said - and Mr. King said - that it is what happens elsewhere. Do you have evidence from elsewhere about contribution levels and what percentage of enterprises do that and whether the other places use levies or whether it is purely voluntary and so on? You know, what is the evidence from other places?

Chief Executive Officer, Economic Development:

Off the top of my head, I do not have that but certainly in the *Locum Report*, either in the initial report or the subsequent one, there are examples of where funding is leveraged from the private sector through membership schemes; that is through contributions to joint marketing activity or overall marketing activity.

The Deputy of St. Mary:

There are examples but I do not remember seeing figures about percentages of organisations that contribute or whether it is voluntary or ... I do not remember that level of detail.

Director, Jersey Tourism:

There is no standard for that. I did a study 2 or 3 years ago where I went to visit some of these places to see what they were doing and there is a complete range of different formulae, if you like, that are being used to work these things out and each one has probably been designed to meet the needs of a particular area. So it is not standardised. I think, to a large extent, it depends upon where the funding is coming from as to what they do in the U.K. We did not look beyond the U.K. but in the U.K., for example, a lot of the funding is coming from regional development agencies which in turn are government funded. It depends on whether those agencies exist in an area where tourism is of importance (the south-west is a very good example, Cumbria is another good example), where there is very strong, if you like, government funding through the R.D.A.s (Regional Development Agencies) for those entities.

Deputy M.R. Higgins:

There is E.U. (Economic Union) funding as well, is there not?

Director, Jersey Tourism:

Absolutely right. In other areas (the east of England is a good example) where tourism is considered to be of lesser importance, then the funding is poorer and you have just have a range of different examples depending upon where you are and what is going on in that area. In Jersey you would hope that tourism would continue to be well-funded because obviously it is a very important industry as far

as the Island is concerned.

The Deputy of St. Mary:

It is a key area, knowing what the experience has been elsewhere of raising funds from the private sector so that this whole thing can go forward, bearing in mind the £1 million price tag and I am not seeing ...

Director, Jersey Tourism:

Industry, generally, are happy to fund something which they can get a direct benefit from, industry generally, and the same would be applied throughout a lot of these places in the U.K. If you can offer them a product or a marketing opportunity from which they can see there is a direct benefit that their business can enjoy from then I think you have a much better chance of getting funding. What private industry does not like doing is to put money into something which is generic and to a large extent that is what we have here. We have a situation where we have been quite successful in generating support for our joint marketing activities, where there is a direct benefit. What we are trying to do here is to move to a slightly different regime where we are also asking people to put money into a general pot as opposed to a specific pot.

Chief Executive Officer, Economic Development:

But I think it is fair to say that if you look at the destination marketing, even under the P.P.P, the vast majority of the funding that drives the destination marketing will be the public sector funding. What will be enhanced is there will be an element of enhancement of that but also, hopefully, a greater degree of joint marketing than we see today. But there will always be, as David quite rightly says, the private sector will want to see almost a direct output for the input of funds that they provide.

The Deputy of St. Mary:

That is why David said the private sector is willing to invest where they see a direct return. So you get joint marketing and they are quite happy to do joint marketing, always have been and it is growing and so on. But we are talking about generic.

Chief Executive Officer, Economic Development:

It depends on what you describe as the joint marketing. We have been very successful in a lot of our joint marketing, for instance, with Condor which has featured quite a lot of what I would call destination collateral; a lot of our collateral which has been supplemented by Condor's special offers. A lot of the price-led advertising that we have put out, the majority of it is based on our destination marketing pitch.

The Deputy of St. Mary:

They are a carrier, though. It is a slightly special case, is not?

[11:45]

Chief Executive Officer, Economic Development:

Yes. But also the hotels are coming on the back of that with some of their priced offers. If you see the newspapers in the U.K. where we feature things, some of the larger adverts are our adverts which have prices which are related to specific businesses in the Island that are doing that through joint marketing.

Deputy M.R. Higgins:

We have had some hoteliers who have told me they prefer to do their own marketing anyway. So you have this thing where you ...

Director, Jersey Tourism:

But they have to pay 100 per cent if they do that.

Deputy M.R. Higgins:

Well, at the present time they say they are gaining on their own as well as getting it collectively.

Chief Executive Officer, Economic Development:

But they are still paying all of the cost.

Deputy M.R. Higgins:

Yes.

Chief Executive Officer, Economic Development:

I mean we are all getting a very ...

Deputy M.R. Higgins:

It is focused on their hotel though, that is the difference.

Chief Executive Officer, Economic Development:

Absolutely, which is why, coming back to Deputy Maçon's point, the website is so important. The destination marketing has to ultimately drive people to a point of sale and the point of sale, in many cases at least, is the hotel. So it has all has to fit together. If they decide that for their own purposes they want to go out with specific advertising about their hotel, well, hopefully those 2 things will complement each other rather than being in conflict with each other.

Deputy M.R. Higgins:

But, again, you see, at the present time we have got this competition between them. They are all fighting for market share out of a declining market. So are they necessarily going to work together in this P.P.P.? They are not working together at the moment, it what I am saying.

Chief Executive Officer, Economic Development:

That is not true, with respect, because there has been a very good example recently where ... How many is it; 11, David, of the top hotels?

Director, Jersey Tourism:

There are 8 confirmed.

Chief Executive Officer, Economic Development:

Eight confirmed, have come together and realised that by marketing themselves as Jersey luxury hotels (and they are all in competition with one another), there is much more to be gained than just by going and ploughing their own furrow. The P.P.P. is effectively an extension of that type of approach, leveraging that private and public sector funding to do it.

Deputy M.R. Higgins:

I just want to pick up on a point you mentioned (I am not sure if it was the Minister or yourself) about the commitment of the marketing budgeting. We have here figures. It says: "The marketing budget for tourism has been reduced to £4.45 million from £5.3 million." So, where is the commitment there if you are reducing the budget?

Chief Executive Officer, Economic Development:

I think that you have to bear in mind the Minister has, I think, alluded to the fact that the E.D.D. budget as a whole been reduced and will continue to be reduced over the next 3 years, quite dramatically, by a minimum of £1.6 million. Within that we have to balance (it comes back to your mother ship) a number of priorities. We have done some rebalancing but, even after doing that, we still spend far more money on tourism than on any other sector and we work with tourism in a different way than the way we used to. You cannot just take, or I do not believe you can just take, the marketing and promotional spend. You have to look at the spend that is undertaken by the airport and, to some extent, by the harbour, in route development; in subsidies that are put in there. If you look at the arrivals figures for this year versus last year, we have seen there is no doubt that losing an air route, you can directly translate that into a reduction in visitor numbers. So, one could say that as effective a way of getting people to the Island is the airport putting money into route development subsidy or us putting money into route development subsidy.

Deputy M.R. Higgins:

Sorry, just 2 points. We will all get our points in, do not worry. The thing is we have been told there has been a 14 per cent decline, for example, on 5 E.E. routes across the board. When I say "across the board", it is 14 per cent of the sum but I know when the Minister was on the radio he was talking about the growth and British Airways having holidays. British Airways fly from Gatwick. Flybe are operating from a much wider range of destinations. Their numbers are down.

Chief Executive Officer, Economic Development:
Their numbers of routes, you mean?

Deputy M.R. Higgins:

No, not the number of routes. The number of people they are bringing to the Island, from what we are being told.

Director, Jersey Tourism:

This was a figure that Ian Taylor gave at the recent task force meeting when he said that we had a situation where the industry were reporting what business prospects were for this year ahead and everyone else, with the exception of Flybe, indicated that they had an increase in potential business. They were up against the corresponding period for the previous year. But you are quite right. Flybe said they were down on their Jersey routes which was a specific problem because their Jersey routes were performing less well than their corresponding routes to France and other places.

Deputy M.R. Higgins:

But Flybe is the biggest carrier to Jersey as well; more routes, more destinations.

Director, Jersey Tourism:

We did not get a satisfactory sort of conclusion to that discussion, if you know what I mean. We could only assume that that situation would improve because, generally speaking, we are nudging ahead of where we were this time last year and tour operators and many hoteliers are indicating that things are quite good for this year. So I cannot answer for Flybe.

The Minister for Economic Development:

What we are not doing though is losing actual airports with Flybe at the moment. They are still maintaining their network, despite the fact that their forward bookings at this stage or at that particular point were not as positive. The airport last year was about 8.5 per cent down in terms of passenger numbers. A lot of that was driven by the business sector which was down about 18 to 20 per cent as businesses obviously were cutting their costs and deciding not to travel as

much and using conferencing and other facilities to communicate.

Chief Executive Officer, Economic Development:

It is interesting in terms of Flybe because these are the figures that have come out for the whole of last year. Gatwick with their flight numbers up, Southampton up, Birmingham up, Exeter minus 1 per cent down, Bristol was down. But there was growth in some of the areas that they fly from.

The Minister for Economic Development:

Their financial returns were very successful. They had a profitable year. Although their profits were down they were profitable, which was no mean feat in the current climate if you look at other airlines.

Deputy M.R. Higgins:

I accept that. That was last year. We are looking going forward.

Deputy S. Pitman:

With regard to E.D.D.'s budget for tourism, all going well and the P.P.P. goes ahead, how much will the budget be reduced in terms of percentage? You said at the moment it takes up 41 per cent of your budget. How much will that be reduced and how much will it be reduced in monetary terms?

Chief Executive Officer, Economic Development:

Well, I think the answer to that question is at the moment we do not know because we are going through a 3-year exercise and with a comprehensive spending review. Built into that is a material reduction, year on year, in E.D.D.'s total budget. Now, we are looking at it the moment and we have to report back by 10th or 11th April, I believe, on what our view for 2011 will be. We are looking at it at the moment and we have, you know, a range of competing priorities. We have built into the paper, when we wrote the paper, that we would seek to preserve funding in 2011 at the same level as it is in 2010. But as I say, the E.D.D. budget will be reduced in 2011 through the comprehensive spending review.

Deputy S. Pitman:

You are hoping to build the P.P.P. up over 3 years and the reduction of public input will be less and less. By the end of that 3 years do you have any idea of how much your budget is going to be reduced towards tourism?

Chief Executive Officer, Economic Development:

No. The assumptions that are in the paper are that we will make every effort to retain it. But, as I said, the environment that we find ourselves in from a funding perspective is that I need to lose substantial amounts of our budget. We can sit

here and have the same discussion about the rural economy. We can have the same discussion about some of the other sectors we are developing to diversify. We can have the same discussion about the financial services sector. The bottom line is that we are having to do a very fundamental rebalancing of our budget based on the fact that we are going to see material reductions. So it would be misleading for me, as accounting officer, to tell you that I know what that figure is going to be in 2 or 3 years' time.

The Deputy of St. Mary:

But are you saying that the 41 per cent, you are going to try and maintain that or that you are trying to maintain the amount? I am not clear where we are going to be in 3 years' time. We are proposing to set up a new thing on a scenario where the budget is going to go through the floor.

Chief Executive Officer, Economic Development:

No, the budget is not going to go through the floor.

The Deputy of St. Mary:

Okay. So where is it going to go to? We do need to know in order to evaluate the P.P.P.

Chief Executive Officer, Economic Development:

Well, if I could tell you what position we are going to be in in 3 years' time now, I would have completed the exercise for the comprehensive spending review. That process has just started. What I can tell you is that in the paper we have reflected, and the assumptions in the paper, is that we will retain for 2011 the same level of expenditure, pound for pound, as we did in 2010. That, in itself, will be a challenge and as the accounting officer of E.D., that is the case.

Deputy S. Pitman:

I understand that the goal is going to be 2 per cent cut across all departments.

Chief Executive Officer, Economic Development:

Yes, on a pro rata basis.

Deputy S. Pitman:

Yes. So you cannot estimate a figure from that on the budget cuts for tourism?

Chief Executive Officer, Economic Development:

The 2 per cent cut is based on a pro rata cut across all States departments. If one were to assume that that is what happened then could apply, similarly, a 2 per cent cut to every element of our current budget. That is not a particularly sophisticated way of doing it. We have to balance it in terms of need and

opportunity. Within that we would hope to preserve this at this level but I cannot sit here today and guarantee that; neither could I do that for the rural economy or another element of E.D.D. because it is subject to a very rigorous business planning process. We are just about to kick that off and it will be signed off by the Minister, the initial submission of that, in the middle of April.

The Deputy of St. Mary:

So £4.5 million for 2010 marketing budget. Is that right?

Chief Executive Officer, Economic Development:

That is the marketing spend. Yes.

The Deputy of St. Mary:

So £4,450,000, that is the figure?

The Minister for Economic Development:

That is correct.

The Deputy of St. Mary:

The same for 2011 is what is being envisaged at present?

Chief Executive Officer, Economic Development:

Yes, exactly.

The Deputy of St. Mary:

Okay. Now, that poses another question about commitment because this is the context of the P.P.P. and whether the goal is going to be reached. We all agree on the goal, which is a sustainable, flourishing tourism industry. This is a question for the Minister. Will you fight any cuts in the Council of Ministers which affect Jersey as a destination; the offer, the quality of the offer?

The Minister for Economic Development:

Clearly within the Council of Ministers every Minister is fighting his or her corner with regard to their own individual budgets. However, we face, without doubt, a collective problem that we have to address. There is the requirement of at least £50 million worth of savings to be delivered and that is not going to be easy, whichever way you look at it. All I can emphasise, which I said right at the beginning of this hearing, is that, as far as E.D.D. are concerned, as part of our portfolio, tourism is extremely important. It has a significant priority and that is why, to date, it has had the level of our budget that it has had. We will seek to maintain as much of our funding in that direction as we possibly can.

The Deputy of St. Mary:

I was talking about cuts in other areas that would affect the quality of Jersey as a destination. I will give you some examples. There are cuts in the offering on the quality of our garden maintenance, public gardens, and there are cuts on toilets, whether they are clean or not. Will you fight such cuts in the Council of Ministers because they often affect what people take home with them and tell other people?

The Minister for Economic Development:

It is impossible to answer that question specifically for the simple reason that there may well be ... and it is not just cuts, there are also efficiencies that need to be delivered. In terms of maintaining those particular facilities in a condition that we would expect them to be to represent the Island as a tourism destination, it could well be delivered in a different, more cost-effective way. So it is not possible to give you a direct answer but that is what I would like to see; better efficiencies of delivering the outcome that I think we all want, which is that the Island is well represented with facilities being clean and modern.

Deputy J.M. Maçon:

So it is the same level of service then?

The Minister for Economic Development:

There may well be different ways to do it that would be more cost-effective.

The Deputy of St. Mary:

Yes. That is fine. That is a sort of “get out” clause but the problem is if cuts are proposed to the level of beach cleaning or toilets or gardens or whatever urban realm we should be investing in, would you be pressing for those things? Because what concerns me is we get straightaway the answer there is £50 million savings to be made. Sorry, that is a self-imposed problem. Your problem, in this context, in this hearing, is to promote tourism and to defend it. Will you do that?

The Minister for Economic Development:

I will always defend tourism but we also have to recognise that we cannot, as has been the case currently and in the past, operate a silo mentality between different departments and different ministries. I am afraid it has happened for a long time. That has to go. It has to change and we have to operate in a more collective way.

The Deputy of St. Mary:

That is exactly what I am asking. I am asking you the question on behalf of T.T.S. (Technical and Transport Services), for T.T.S. to do their job for tourism.

Deputy M.R. Higgins:

We have 2 Ministers, for example, who say: "It is almost over our dead bodies that we are going to have a reduction in certain areas of our budget." Now, are you prepared to fight for tourism? Because, again, it comes back to diversified economy and everything else. Are you prepared to stand up and try to maintain the tourism budget?

The Minister for Economic Development:

I will always fight for the business community. That is what the role of Economic Development Minister is all about and an important and intrinsic part of that is tourism. So, yes, I will fight for tourism.

Deputy M.R. Higgins:

But as part of the overall rather than specifically tourism?

Chief Executive Officer, Economic Development:

I think it is fair to say that any proposal that comes through in terms of service reduction that we are consulted on, that we believe could have a negative impact on the tourism industry, we make it very clear that that is the case. The decision, once we have given that, is clearly to some extent out of the Minister's hands because it is the individual Ministers. But I think it is important to appreciate the environment that we are working in at the moment. You may think that the £50 million is a self-imposed reduction. It is there to address a structural deficit that we believe will arise and the ...

The Deputy of St. Mary:

With respect, there is another way round addressing a deficit, as you know.

[12:00]

Chief Executive Officer, Economic Development:

Yes.

The Deputy of St. Mary:

So it is self-imposed.

Chief Executive Officer, Economic Development:

Absolutely. But I think that the way that we are working it is the fact that there is a deficit which has to be addressed.

The Deputy of St. Mary:

That is the way you are working it?

Chief Executive Officer, Economic Development:

Yes. I think it is fair to say that within that process one of the guiding principles is that there are no sacred cows, not in E.D.D. or anywhere else. Now, if something comes along that we believe will have a material impact on the way the product presents itself to the visitor, will we stand aside and not make any comment on that? Well, no, we will not. We will make a comment on it because it is important. The quality of parks and gardens is important. The quality of toilet facilities is important. It is the sort of thing that makes people go home and say: "That is good, we will come again", or: "Why do you not go to Jersey?" But ultimately there is a very significant cost reduction agenda running here, as you know.

The Deputy of St. Mary:

That is why I was asking my questions before about the floor and about commitment overall. If there is not the commitment then we are not going to see these things and there will be the cuts. What we should be doing is we should be improving our ...

Deputy J.M. Maçon:

We should be investing.

The Deputy of St. Mary:

"Investing" is the word that I was seeking, to urban realm and so on.

Officer, Economic Development:

But the department is absolutely committed to all of those things that you mention. For example, you have touched upon street cleaning. Street cleaning since 1st January inside the ring road is now looked after entirely by the parish instead of T.T.S. and that came about through the employment of the town centre manager and working closely between E.D.D. and the department and the parish. It is done in a more economical way and it is giving us cleaner streets, with more cleaners on the streets in the late evening to clean up after the daily mess.

The Minister for Economic Development:

That is a key ...

Officer, Economic Development:

It is not fighting against something. It is fighting for something.

The Minister for Economic Development:

That is an absolutely key point. It is done in a more economical and effective way.

Deputy M.R. Higgins:

Okay. Just coming back to this thing about the P.P.P. though. It is a leap of faith. That is what it is, a leap of faith. We are having faith that the private sector, especially at this time, is going to be able to come up with the money and it is also the faith that you will be able to deliver public sector funds for the partnership as well going forward. In both those things there is a deficit of certainty on both of them. Is this the time to be going forward with it when you have this degree of uncertainty? Again, if it does not work and you have then to go back and recreate a tourism department, is it the correct timing?

The Minister for Economic Development:

But you would not necessarily do that, would you? If it did not ...

Deputy M.R. Higgins:

Well, what would you do? If you fail on the P.P.P. what do you have as an alternative?

The Minister for Economic Development:

What you have is a delivery mechanism, effectively, with private sector expertise. I think that mechanism itself, regardless of how the level of funding works out, short term it is going to be more challenging. There is no doubt about that. It is a longer term solution where, as it grows and develops and evolves, you will see greater and greater benefit, from my perspective.

Deputy M.R. Higgins:

That is assuming it grows. That is assuming it gets the funding. So if you do not get the funding either side or both are reducing it, then you have less of an offer anyway.

The Minister for Economic Development:

That is precisely what partnership is all about and that is why the industry have bought into the concept, or the majority of the industry appear to have bought into the concept, and why we believe it is a good delivery mechanism. It is about the partnership and accountability and the harnessing of appropriate expertise and so on.

Deputy J.M. Maçon:

Partnership is about sharing the pain.

Chief Executive Officer, Economic Development:

Plus the gain.

The Minister for Economic Development:
Plus the gain, yes.

Deputy M.R. Higgins:

Let me put it another way. Is what you are proposing just part of a privatisation of public sector activity? That is the start, because we know that there are many Ministers who have an agenda that they want to put into the private sector things that are being done in the public sector at the present time. Is this your commitment to the idea of privatisation?

The Minister for Economic Development:

Not at any cost, no, and not necessarily. But I think it is fair to say that there are functions that are carried out by government that you should perhaps question and say whether we are the most appropriate to deliver a particular service or function. I think we need to, particularly at the moment, look at everything we do. Mike used the term: "There are no sacred cows", and there certainly should not be. We need to look at absolutely every form of service that is delivered by the public sector and say: "Can it be done in a more efficient way and, in fact, should the public sector be doing it at all or should somebody else be doing it or, as in this case, a private public partnership?" which is an effective way of delivering and has successfully been proven in areas like Jersey Finance, the Jersey Conference Bureau and so on. There are other opportunities in the future.

Deputy M.R. Higgins:

Okay. Are you also considering, for example, privatising the airport and harbours?

The Minister for Economic Development:

No. Privatising. I mean, that ...

Deputy M.R. Higgins:

Putting it into the public sector, getting B.A.A. (British Airports Authority) or their equivalent to come over and take over the airport or the equivalent for harbours?

The Minister for Economic Development:

No.

Deputy M.R. Higgins:

So there are sacred cows then if you are not going to go that route. You say you are considering them all but you are saying that one not.

The Minister for Economic Development:

No. I think it is important to say that it is not a question of that. It is not a sacred cow. It is just that when you look at areas like the airport or the harbour, for example, the practicalities of doing that, there would be more negatives than there would be necessarily positives. There are a whole raft of issues. What I am saying is that you should not discount at any stage looking at all these elements and considering them and assessing them appropriately.

Chief Executive Officer, Economic Development:

I think it is worth saying one other thing, just on the airport. I think we started off a very long time ago by saying the airport is no sacred cow and what you will see with the other information that will be presented to you shortly, if you do not have it already, is that there has been an absolutely forensic analysis of the airport's finances and its commercial viability. As a consequence of that, it has identified revenue-increasing opportunities, it has identified cost-saving opportunities and there really have been no sacred cows in that appraisal. Now, in the final analysis, however, is the airport a key strategic asset - not just for the tourism industry - and should, therefore, we leave it to be prey to the ravages of the private sector, if you believe that is what they are. I think the analysis right now is, no, we should not and that it has huge value as a strategic asset, not just for tourism but for the economy as a whole.

The Deputy of St. Mary:

Getting back to the P.P.P. and funding and so on, away from the airport, J.F.L., will that be included in the no sacred cows; there could be cuts, et cetera, et cetera?

The Minister for Economic Development:

Yes. It could well be.

Chief Executive Officer, Economic Development:

Absolutely.

Deputy J.M. Maçon:

Can I ask a question? Why have raising industry contributions over the 5 years been modified in the latest proposals test? I think it is 2 years now.

Chief Executive Officer, Economic Development:

Well, what we have always had from industry is a firm commitment over 2 years and then beyond that it was what I think they were happy to disclose was an aspiration. I think that is right. Yes. That was when we were looking at a longer-term transition. Now we are looking at the short period and what we have done is we have taken out ... not because it was aspirational but now we are just looking at it from a 2-year perspective. So we believe that we have the

commitment from the private sector to deliver that over the 2-year period. I personally believe that in the event that it is successful we will see we have the potential to get much greater levels of private sector contribution. No guarantees. It is not me making the commitment. But I believe if this works that is what we will see.

Deputy J.M. Maçon:

I just ask the question because obviously if I was a business, which Kevin mentioned, the protection of the public sector contribution is going to be the huge thing for industry buy-in. You have said that it is only for 2010 and 2011. Do you feel that will be enough to entice industry?

Chief Executive Officer, Economic Development:

I think it has been enough to get the J.H.A. to sign up to this document and they are fairly representative of industry. As accounting officer, of course, I cannot give you a commitment to 2011 as we sit right now. Hopefully, if and when we go to 3-year budgeting, that will be much more manageable but that is really at the moment as far as we can go with any degree of certainty. Over and above that, I think there is a very strong continued commitment to supporting the industry from the department. Just coming back to the airport briefly, I think we lose sight of the fact that in the absence of the tourism industry the airport would look like a very, very different place and that would have a huge detrimental impact on the financial services sector and all the other sectors as well. So it is very difficult in Jersey, and I speak as a relative newcomer after only 5 years, to look at any one sector in isolation because they are so dependent on one another. If we lost the tourism industry or lost a proportion of it and as a consequence of that lost elements of our route network, this would be a far less attractive place for the whole economic base that we have.

Deputy M.R. Higgins:

One last question on the funding before we move on to Shona. J.H.A. have not committed to joining the P.P.P. as such; virtually no organisation in the P.P.P. Do you see that as a lack of confidence in the P.P.P. model?

Chief Executive Officer, Economic Development:

No, I do not think it is a lack of confidence. We had this discussion with them and we have been having it for some time as they may have told you. My view is that I think in 2 or 3 years down the line it may very well come into the P.P.P. They see it themselves at the moment and it is perfectly within their right so to do as a trade association; I think in the same way that the Jersey Finance Industry Association saw itself as quite separate when J.F.L. was originally formed. It was then subsumed into it. I do not think it is a lack of confidence. What they want to see is it is there created, working, and then they have something to

merge with.

Deputy M.R. Higgins:
Okay.

The Deputy of St. Mary:

Can I just ask one question of detail about the funding? On Kevin's outline of changes from version 6 to version 7 you mention, therefore, no provision has been made for relocation. Can I just confirm that what it says in version 7, where it says that the first year additional costs for the P.P.P. would be £650,000 and the second year costs additional would be £440,000, that those figures still stand; that we are looking at an additional cost of £1.1 million and if there was to be relocation that would be on top of that?

Director, Jersey Tourism:

Yes. That is one of the presumptions.

The Deputy of St. Mary:

I just want to check that those are the figures we are talking about; £1.1 million?

Chief Executive Officer, Economic Development:

We are assuming that the tourism P.P.P. will be where Jersey Tourism is now, which is within the Tourism Office. But when we were looking at that, as you may have read in the papers, there was an option at one point to move back to the other end of Liberation Square. We could not come anywhere near acceptable terms to make that move and, therefore, we stay where we are.

Deputy M.R. Higgins:

Can I just clarify 2 points and then it is straight to Shona, onejersey.com, at the moment we are told that the website is of vital importance to tourism, it is hosted and maintained by the States Information Systems Department following transfer of funds for this purpose some years ago. Is this still going to be maintained by ...?

Director, Jersey Tourism:

Yes.

Deputy M.R. Higgins:

It is? The rest of the I.T. (Information Technology) costs that you are talking about, such as computers, software and all the rest of it, have to be funded by the P.P.P., is that right?

Director, Jersey Tourism:

Yes.

Officer, Economic Development:

In the same way that the human resources function also has to be funded and the H.R. (Human Resources) function ... because the synergies that the department enjoys at the moment has been part of the States ...

Director, Jersey Tourism:

That was one of the changes when we went to version 6. Between 6 and 7 there was a change in I.T. costs because that assumption was changed. On the original I.T. specification the assumption was that we would be moving to a new place somewhere else and, therefore, there were significantly higher costs. We were able to pare back those costs if you allowed the assumption that we are staying in the same place.

Deputy J.M. Maçon:

Just very quickly on the H.R. costs, does that include ongoing professional development and training?

Director, Jersey Tourism:

To some extent, yes. I mean there is nowhere else where that would come from.

Deputy J.M. Maçon:

Well, that is the point because obviously we do not have access to all the States courses any more.

Deputy M.R. Higgins:

Okay. Shona, do you want to take us into the last section, please?

Deputy S. Pitman:

Yes. It is with regards to H.R. matters. Firstly, what sort of structure do you envisage with regard to staffing?

Deputy M.R. Higgins:

In the P.P.P.

Deputy S. Pitman:

Yes.

Director, Jersey Tourism:

Different from what you see in the paper, you mean? We have put a staff structure in the paper.

Deputy J.M. Maçon:
So as is the paper?

Director, Jersey Tourism:
I am trying to understand what you are asking.

Deputy S. Pitman:
How different is it going to be to what currently exists within Tourism.

Director, Jersey Tourism:
The proposal is that the existing staff would be transferred into the new organisation.

Chief Executive Officer, Economic Development:
Seconded.

Director, Jersey Tourism:
Seconded, I beg your pardon.

Deputy M.R. Higgins:
That is a key word. We need to explore that.

Director, Jersey Tourism:
It is a very key word. I should not have made that error. I apologise. They would be seconded in and then the new additional staff who would be required would be taken on under new terms. So the existing Conference Bureau staff plus the administration staff, which would be for Finance, H.R. and other such things, would be new additional members of staff that would be employed directly by the organisation.

Deputy S. Pitman:
What do you mean by "seconded"?

Director, Jersey Tourism:
"Seconded" means that those people would continue to be employed by the States of Jersey and would be placed in the P.P.P. but still continue to enjoy the benefits. I think the term is no less favourable than those which are currently enjoyed by other members that are working for the States of Jersey.

Deputy S. Pitman:
Will they be in the same role within the P.P.P.?

Director, Jersey Tourism:

Not necessarily, no.

Deputy M.R. Higgins:
How long is the secondment for?

Director, Jersey Tourism:
That is a question that we have yet to answer. That is a question at the moment that we are trying to deal with at the States Greffe because secondment should have a fixed period and at the moment we have not defined a fixed period. So that is something that needs to be resolved.

Deputy M.R. Higgins:
The reason I say this, we heard evidence from Jersey Hospitality when they came on Friday that the new board, when it is created, will decide the new structure and the need for the establishment and what the different roles are going to be. So, it is going to be very much in their court. So it could be a very, very short secondment. If it is a secondment for a short period of time, depending on ...

Chief Executive Officer, Economic Development:
Sure.

[12:15]

Deputy M.R. Higgins:
They may take everybody. They may only take a few. It depends on the skills or whatever it is they are looking for. But if people are seconded across and there is not a role for them in the new organisation, what happens then?

Chief Executive Officer, Economic Development:
Well, I will say, first of all, that we have, I think, a very, very good team in Jersey Tourism and I do not envisage any of the functions that are undertaken by Jersey Tourism not being undertaken by the P.P.P. I do not envisage any of the people who work for Jersey Tourism not having a place in that structure. Again, making it absolutely clear, any activity of the P.P.P. and the public sector funding related to it is governed by a business plan and a marketing plan - which includes Ed Gannett and Ann Power - that has to be approved by the Minister. So, both in terms of the secondment and the subsequent process, we have built into that protection for the existing staff. Now, the State ...

Deputy S. Pitman:
So you do not envisage any redundancies?

Chief Executive Officer, Economic Development:

I would hope not. I think that we will be working very closely with the chairman of the board of the new organisation to make sure that it delivers all of the functions that that are delivered by Jersey Tourism. I would very much hope that that is delivered by the same people because I think we have got a very good team.

Deputy M.R. Higgins:

So we are dealing with secondment initially. When there is a transfer what will be the need for the transfer? They will cease being public servants and move on to totally new conditions of service and so on or what?

Chief Executive Officer, Economic Development:

Well, as David said, I think the one thing we have to complete resolving is the time limit, if there is one, of the secondment. The reason for seconding people is specifically because we can absolutely ensure that they retain the same terms and conditions of employment as they enjoy as Jersey Tourism employees. I think that is right, I think it is fair and I think it is just. The advantages of the P.P.P. are about bringing the 2 things closer; not about, in the first instance, or indeed in any instance, getting rid of people.

Deputy S. Pitman:

We spoke to the Minister in June last year and at that point it is my understanding there had not been any discussion with the staff themselves. Has the Minister and yourself sat down with the staff and discussed the P.P.P. and their role in it?

Chief Executive Officer, Economic Development:

Quite recently both David and I have communicated with the staff about the P.P.P., about what it means and what it does not mean. We have regular staff briefings for all of E.D.D. at which the P.P.P. comes up as and when it is appropriate and I think that within David's team (I think he can probably enlighten you more than I can) I am sure there is regular discussion and communication about the progress that is being made. That is where we are. Some time ago, before we put out version 6, I think we had discussions with John Moulin and some of the other union representatives about all of the issues around the P.P.P. and gave them the same sort of assurances that we have given you today about the intent, if it goes down that route, of moving people from Jersey Tourism to the P.P.P. under the same terms and conditions.

Director, Jersey Tourism:

They are certainly informed as to what is going on. I think the major difficulties, if there are difficulties, usually come about from misinformation, from either misreporting that has happened on a number of occasions in newspaper articles

and so on, where in fact the correct information has not been given to members of the staff. But the most important thing for most members of the team is that they continue to enjoy the benefits of being an employee of the States and that they continue to be able to do the job that most of them are very proud and wanting to continue to carry on doing.

Deputy M.R. Higgins:

One of the disconcerting things though is the fact that you will see a degree of uncertainty and we have not seen what the service level agreement would be with the P.P.P. because we have not got a board that is there anyway and we do not know what they have in mind for, in a sense, the organisation that they envisage.

Chief Executive Officer, Economic Development:

No. But a partnership agreement or an S.L.A. (Service Level Agreement) is drawn up between 2 parties. We would be putting on the table, if this were to come to pass, very early, the type of partnership agreement that we have, for instance, with Jersey Finance Limited which is very clear about what the expectations are and is very clear about what those expectations are in exchange for funding. That is what it does: "We provide funding. This is what we expect to be delivered as a consequence of it." It is the same as any grant that we offer. It is a grant-funded body.

Deputy M.R. Higgins:

Are we in a chicken and egg situation in the sense that is the board going to come into being after the agreement for a P.P.P. or will it be set up before the P.P.P. comes into being? If you are going to get into those negotiations with them, they have to be there. But if they have not got the funding and the commitment to the P.P.P. we are not going to have those discussions, are we? So which is coming first?

Chief Executive Officer, Economic Development:

I think what the Minister is going to be doing is bringing forward an R.M.P. (Risk Management Plan) that seeks approval from the States to proceed with putting a P.P.P. in place. Now, one of the first steps of that process is for the E.D.D. and the Minister to appoint a chairman and it is between the chairman, whoever he or she may be, and us to start shaping that partnership agreement and that relationship that is then delivered by the P.P.P. That is the way it works in the creation of almost all entities of this nature.

Deputy M.R. Higgins:

Okay. Is the States going to be able to see all that and decide on whether a P.P.P. is a good thing beforehand or have we, again, just a leap of faith hoping

that you are going to sort it all out?

Chief Executive Officer, Economic Development:

Well, I think that what the States will be able to approve is whether or not we move down the route of creating the P.P.P. Can we put in the R.M.P. examples of the partnership agreements that already exist that we would consider to be models for how we can go forward? Yes. Will we have written a specific partnership agreement for the P.P.P.? Well, in large part, probably yes and that could also be appended. But, as you quite rightly say, it will not be an agreement between the department and the P.P.P. because at that time the P.P.P. will not be in existence. If the States reject it, then the P.P.P. will never be in existence and we carry on as we are.

Deputy S. Pitman:

What have been the reactions of the staff with these discussions?

Chief Executive Officer, Economic Development:

Well, this is quite a significant change for the staff and there has been a degree of disquiet which does not surprise me. David has quite rightly said some of the misinformation that has been put around is perhaps more disturbing than some of the information that they have been given internally. But make no bones about it, I certainly (and I know David and I am sure I can speak for the Minister) treat the issues around the staff and the preservation of their terms and conditions and treating them properly as having absolute primacy in this process. That has to be the way we deal with it.

Deputy S. Pitman:

Do they have any grievances?

Chief Executive Officer, Economic Development:

Nobody has launched any formal grievances at all, I do not believe.

Director, Jersey Tourism:

No, they have not. But it would be wrong to say they are not concerned because any change is going to be of concern to people and I think until the future is clear then obviously they are going to be worried about whether there is the right job for them and all the rest of it. But at the moment I think you could honestly say that most members of the team are happy that they have been kept informed. They have seen the papers. They have seen the proposals. Whether they agree with them is not a matter for them to decide, it is a matter for others. But, providing that things happen in the way that is being suggested, I think they will go along with it. Yes, absolutely.

Deputy S. Pitman:
What are the concerns they have?

Director, Jersey Tourism:
As I said a moment ago, I think some of the misinformation has not been helpful. The kind of comments it would appear that were made to your panel last week, from people like the Hospitality Association and so on, have not been very helpful. We get a lot of feedback that things are going to be different and so on. But that is misinformation, according to the ...

Deputy S. Pitman:
Sorry, I am not sure ... I was not here last week.

Director, Jersey Tourism:
I am getting the impression from the Chairman that certain things were said about how the thing was going to be organised and decided and so on.

Deputy M.R. Higgins:
I think the main thing there was the fact that the new board will decide the structure and ...

Director, Jersey Tourism:
Yes.

Deputy M.R. Higgins:
Essentially that is it.

Chief Executive Officer, Economic Development:
Let us put this absolutely straight. The new board will propose, as part of their business plan and their marketing plan, to us and that is for the Minister to approve; just as it is with J.F.L., to approve that business plan based on what is presented. I mean it is that simple.

The Minister for Economic Development:
I think what we have to focus on here is that, first of all, there is an extremely good and talented group of individuals filling the services within Tourism at the moment and there is no desire to change that at all as far as the individuals are concerned. I think one of the biggest problems here is the uncertainty, which is one of the reasons why we are keen to move this forward as quickly as we can; both from the industry point of view but also from the staff's perspective. It is important to get certainty put in place and, as Mike rightly points out, ultimately the decisions come down to a proposal and an effective agreement being put in place. If that is not forthcoming then it would not happen, quite simply.

The Deputy of St. Mary:

The Minister just mentioned uncertainty among the staff. Would you guess that that is more likely to be about the structural change from where they are now to the P.P.P., if it happens, or would you guess that it is more likely to be about the commitment to their industry from the political sphere?

The Minister for Economic Development:

I think my comment about uncertainty was as relevant to the staff as it is to the industry as a whole. Both sides do not like the uncertainty. We want to move to a degree of conclusion on this. We are either going to have a P.P.P. or we are not. Industry want it. As far as the staff are concerned, I think it is just the concept of change. Nobody likes change. There is going to be a different structure or a different structure is being proposed and they would like to move forward and know exactly what that is going to look like and how it is going to work and when.

Deputy J.M. Maçon:

We had the J.H.A. in and, while they were very appreciative of the department's work and gave much praise to it, they did highlight a frustration in the marketing process where they felt that the marketing plan was put together and they were just kind of shown it and asked to endorse it. As an alternative, if industry was brought in quicker, perhaps in the process that happens now, would that not be perhaps an easier way of dealing with the marketing situation; if industry was brought in earlier?

The Minister for Economic Development:

Industry are brought in. That is why we have set up the marketing panel where you have got 6 members of the private sector, together with 2 from the Tourism Department, forming and helping to deliver the marketing strategies for the future. That went out to be advertised. We have had a fantastic response and a very high-quality group of people that have now been selected, 6 of which have been brought forward and selected. So I think that type of structure is a step in the right direction and a first step towards a formal P.P.P.

Deputy J.M. Maçon:

How did you get to initiating that programme?

The Minister for Economic Development:

Well, we decided we wanted to do it. It was one of the suggestions that was raised as part of Locum's thoughts as to how you could progress to a full P.P.P. Aside from that, we had the experience of the Tourism Task Force that was set up in response to the global financial crisis and the effects it was appearing to

have at the very early stages on the tourism industry. It was a very good, in my opinion, structure to put in place. Again, you are involved in the industry and the decision-making process and pulling in the expertise that they have. I think it is essential. I am delighted with the way it has come together. I am delighted, in particular, with the individuals that have come forward and are prepared to contribute towards it.

Deputy M.R. Higgins:

Finally, just going back to what we were just talking about in terms of the business plan basically that you are going to have approve or not, you have obviously said that you consider the business plan and the interests of the staff is going to be a major consideration. You could have a situation where the business plan may say, I do not know: "Three-quarters of the staff we would be happy with and we see a place for and maybe a quarter would not." You would not be rejecting it on that basis, would you? Are you saying: "No changes, we want it exactly as it is," or what?

Chief Executive Officer, Economic Development:

No, we are not saying that and I think you need to bear in mind something I said earlier and this is particularly the case with Financial Services, for instance. Government, in this case E.D.D., will still retain control over policy and, to a great extent, strategy. Therefore, we will need a small core of people retained within the department. So, I think that between what may or may not be required for the P.P.P. and what will be required there, then I do not see there as being an issue.

Deputy M.R. Higgins:

There is one last question and it is the question of accountability. One of the big problems and frustrations that we have as States Members is accountability of some of these bodies. As it gets further and further removed from the States control, the less they seem to answer to the public sector. It seems very, very hard to get, for example, J.F.L. or others to be held to account. W.E.B. (Waterfront Enterprise Board) is a classic example of one that is out of control. How can you try to safeguard the public interest?

Chief Executive Officer, Economic Development:

Can I just comment on that? This is not W.E.B. This is a grant-funded body, as is J.F.L.

[12:30]

I can be held to account by the P.A.C. (Public Accounts Committee) for what is delivered by J.F.L. or indeed the P.P.P. and I think the Minister can be held to

account by the States. So, I do not see the issue of accountability being as ... I am accountable under the law for the money that is given to those bodies to discharge the business plan and the marketing plan that we agree, governed by an S.L.A. which is compliant with all of our financial directions; that is the situation.

Deputy M.R. Higgins:

So the accountability is through the business plan? So you have agreed it, we hold you accountable for it and the failures that go with it or success of it?

Chief Executive Officer, Economic Development:

Or success of it, yes.

The Minister for Economic Development:

There is political and accounting officer accountability.

Deputy M.R. Higgins:

I was going to say accountability you tend to think of in the negative, because you are holding people to account. But obviously the benefits that come as well, you will be praised for that.

Chief Executive Officer, Economic Development:

Feel free to do that whenever you wish.

Deputy M.R. Higgins:

Okay. Well, thank you very much for coming today and for the information that you have provided to us.