

Corporate Services Scrutiny Panel

GST Sub Panel

THURSDAY, 7th SEPTEMBER 2006

Panel:

Deputy P.J.D. Ryan of St. Helier (Chairman)

Connétable J.L.S. Gallichan of Trinity

Connétable M.K. Jackson of St. Brelade

Mr. R. Teather (Advisor)

Witnesses:

Mr. M. Powell (Commercial Director, Durrell Wildlife Conservation Trust)

Mr. M. Powell (Commercial Director, Durrell Wildlife Conservation Trust):

Good morning.

Deputy P.J.D. Ryan:

How are you?

Mr. M. Powell:

Very good. Thank you.

Deputy P.J.D. Ryan:

After last night's meeting, I hope a little better.

Mr. M. Powell:

Yes, I thought it was a very good meeting. I thought in some ways it was reasonably well controlled because it is a very emotive subject. I thought basically there was good interaction between the Senator and the people who are obviously very, very concerned. I think most people, in some ways, understand that you look to the UK and you look to other countries for some guidance on what happens elsewhere but at the same time there is this little island in the middle of the sea there that likes to be different and I think that is the concern. In some ways it is very difficult to compare the whole makeup of Jersey and the whole interaction of what charities are here compared to somewhere in the UK and globally in fact, because one of the things I need to do today is talk about the complexity of Durrell and I would love to invite you all out for a week so that we could do that. But as the word suggests, it is a very complex organisation.

Deputy P.J.D. Ryan:

Before we start, although we have already technically started, I need to read out the formalities. There is a note in front of you there, just on the right hand side, so that you understand the conditions under which you are appearing at the hearing.

“The proceedings of the panel are covered by parliamentary privilege through Article 34 of the States of Jersey Law 2005 and the States of Jersey Powers, Privileges and Immunities, Scrutiny Panels, PAC and

PPC (Jersey) Regulations 2006. Such witnesses are protected from being sued or prosecuted for anything said during hearings unless they say something that they know to be untrue. This protection is given to witnesses to ensure that they can speak freely and openly to the panel when giving evidence without fear of legal action, although the immunity should obviously not be abused by making unsubstantiated statements about third parties who have no right of reply. The panel would like you to bear this mind when answering questions.” Now, we are recording behind you. Transcriptions of everything that is said will be provided to you for any correction of detail and/or clarity that you feel might need to be added to anything you say and then it will be made available on the scrutiny website following that. Okay. So, we started to talk about Durrell and as a registered charity you attended the meeting yesterday evening where hopefully certain things were made a bit clearer than they were before on the way that charities in general, and Durrell in particular, might be treated under the GST law. You were saying that you need to talk to us about the general complexity of the Durrell business. Would you like to expand on that?

Mr. M. Powell:

I think so. I think we have -- I have brought some more information as was requested to bring down to try and break down our income. We are basically complex in the way that we are 3 organisations which are in one and is based here in Jersey. The first is really our international training centre which is at Les Noyers on the site up at Trinity. What we do there is basically bring people from all over the world to train specifically on conservation needs and so on. Unfortunately, I did not bring it with me but we have a map, which is a red map of the globe and on that map of the globe is a few white dots and those white dots are, in fact, the countries where we have not trained somebody globally to be trainers in conservation. The type of people we have on those training programmes are already PHD/Masters qualified and they come in here specifically to train on something that they can then go out and they can train elsewhere. So, we have put Jersey on the map on a global scale and, in fact, we have somebody out in the Seychelles right now training groups of people out there. It is the Durrell brand and the Durrell name that is so important to that whole kind of legacy, if you like, for what Durrell is that makes that whole thing successful. The second thing is our overseas conservation programme, now, again, the profile of that in Durrell is global. We concentrate on highlands and islands which is where the most vulnerable animals live because it is both their habitat and the intrusion of people that makes it very difficult for species in those areas. So, we have our niche in conservation and I think one of the things is that - and I am sure you are hearing from a number of different types of charities - increasingly as charities do what was once governmental jobs, whether here or globally, conservation and the environment in particular is very much on the agenda these days. There is a very competitive nature to be in a charity these days where there is only a certain pot of money in so many different areas that you have to compete for to be able to do whatever your discipline is as a charity. That is one of the things that is overly concerning about the GST and the impact that may have on Durrell. But Durrell globally is recognised as a big name in conservation. Then we have, effectively, our head office/attraction operation here, which is based up at the Trinity site which effectively is the wildlife attraction now. We do have a partnership in a restaurant and we do have a shop and this is where the biggest impact might be to us. But really what we find is that where we are losing money on an annual basis is in fact here in Jersey and the money that we try to attract is, in fact, coming in from so many different sources; lots of overseas donors, lots of trusts, and there is something called a Darwin Trust which we write proposals for and there is cash there for conservation needs and so on. The biggest problem for us is that our cost base in Jersey has to be covered. What we very quickly did - and I am sure the numbers are totally wrong, so I do not want to go on the record of saying that this is a precise number - we think that following yesterday evening that we could be expected to pay on GST somewhere in the region of £150,000, maybe more. It was only yesterday evening that we had to break down the message that came from that presentation yesterday really to establish what we think we may be paying. The problem for us right now is twofold. We do not run ourselves as an organisation and I think we are a very big organisation, we are very big in complexity, we are reasonably small in turnover if you were going to

look on the business side of things and the scale compared to the corporates and so on. But we find ourselves in a situation where if somebody came along and gave us £20 million or £100 million it would probably be restricted on the activity that they wanted to donate that money for. Therefore, it does not help us cover our costs here. That is why we do the management and that is why we do the shop and that is why we in fact have the animal collection, you know, because of the legacy of Gerry Durrell. I mean, Gerry Durrell was always famous for saying that the public are a bloody inconvenience really but we need them. We are all about the animals. To a degree, that is a big ship that is turning around now in its thinking but that is still very much there. But the whole concept is about wildlife conservation and everything else is the enabler to help us do what we do. With that in mind though, that is the kind of mission of the whole operation. The added complexity is in fact, what does it mean to Jersey? I mean, Tourism will tell us that we are the premier attraction and we should develop our site and we should develop our operation because it is important for the Island and it is important for their vision of dragging more people here to spend more holiday time. Again, this is so important for us because my role is to put a proposal together of how we may develop the site to attract more income and work with Tourism to attract more people to the Island. We have been having those meetings and we have been engaging overseas sponsors and so on; we have just got Premier Holidays sponsoring us, although they do not operate here in a big way. So, we are bringing that cash in from overseas. Now, that is, I think, a whole different thing from the charity, we are part of the establishment, we believe anyway, of what Jersey means to so many different people. We are one of the big 3 or 4 tourist destinations for the Island. What we try to do with Tourism is work out how we are going to bring more people to the Island for the bucket and spade holiday. Now, I am going to go slightly off track but it kind of says that how time is important, we know of a vineyard, for example, that are planting their vines half way up a mountain with the idea that their ancient vines are going to become damaged because of heat, because of global warming. So, they are going to have to find a cooler place with the knowledge that that is going to be warmer and I saw something on the telly not so long ago that said that the UK has to wake up to the fact that it will become one of the main summer destinations of the future because the traditional places will be too hot. Turkey and other countries or even Spain are already starting to see that once temperatures start getting to 35/40 degrees, people are not going to go in the summer months and they are going to start reverting back. So, we are trying to think of this long-term strategy of how we develop that with Tourism and what that means to us. We are putting all of this into the potential of making a very large, multi million pound investment into Durrell and how we develop the site for the future visitors to Jersey and how we capture that market share and how we operate as part of Jersey. We are at this crossroad situation and I am not sure if I can put it down in writing to show how desperate the situation might be, because the fact is that our reserves are pretty much supporting us at the moment and there are a few years that that can carry on. I have to understand whether I need to develop a development plan or a closure plan; because it will probably cost us £2 million to close Durrell because we are going to have to relocate the animals and so on. That is the crossroads we are at. I have stood in front of my trustees and said that I have got this vision and we are looking to invest and we are looking to develop this whole operation but I did not put a £150,000-£250,000 hit in the equation. So, now I have to do that because it is public. That is a major concern to me because as an organisation we are not looking to make excessive profits; we are not a profit organisation. So we are not in the competitive world of saying that we need income to open another site somewhere else or develop our commercial side of our business. What we are looking to do is in fact develop an operation that gives Durrell a sustainable future but not one of profit making and that makes us very different to the commercial world. That is what our major concern is on this, it is that I am at that crossroads now and I have already kind of staked the ground and said: "We can build this; we can redesign this and we can do some better marketing. We can attract sponsorship from overseas and we can work with Tourism to bring the people here to raise our income to cover our losses." We are fairly clear that we can do that but we did not put a £150,000-£250,000 number into that equation. So, maybe this is a different approach to what you have heard from other charities and I heard a lot about defining what a charity is last night and I think that is such a complex thing to have to do, I really do. I think it is a worthwhile thing to do, I think

it is an important thing to do. But you have to understand that conservation, governments do not do. There are a number of charities in the world of conservation, there are a number of zoos and other charity-based trusts that are looking at conservation. Some are much bigger than us and some are integrated in their efforts, as we are in some cases. So, you have this thing: "How much are we supporting?" We are a donor to Mauritius at the moment, so we are supporting a charity there and there is this whole network and this whole complexity of what charities are and how they are all integrating with each other. I think you have heard from the health service very much so, you know, you are not talking about one charity, you are talking about 5 in their make up. We have got so much going on, I think, is our problem. We have got what we mean to Jersey as partly an establishment of Jersey and how we see ourselves as ingrained in the importance of the economy for Jersey. We are working with Tourism as one of the main attractions but our mission is very much conservation and training.

Deputy P.J.D. Ryan:

Okay. Thank you for that. This £150,000; first of all, 2 things: is that still £150,000 after last night's meeting or have you reviewed that?

Mr. M. Powell:

No, £150,000-£200,000 we think would be the --

Deputy P.J.D. Ryan:

Even after last night's meeting?

Mr. M. Powell:

Yes.

Deputy P.J.D. Ryan:

I mean, therefore, I think you are just talking about the shop?

Mr. M. Powell:

That is admissions and the shop; because people obviously pay to go in. One of the things I am looking to do is reduce the price in the winter months and we are looking our whole pricing structure and, of course, all of that has an impact on how much we would pay, whether we could afford to do that as well. So, our whole marketing strategy is now almost on hold, our whole development strategy is almost on hold because we have to fully understand, before we can develop, what we need to consider. But admissions are roughly 18 per cent of our income. In fact, I was asked to bring down a clearer graph which I think might be useful. I have only got 2 copies, so I apologise.

Deputy P.J.D. Ryan:

Yes, it is not [Interruption]

Mr. M. Powell:

It was in black and white, it did not come out very well. I understand. Sorry. Let me just find the paper I have got here. If we look at this thing, you can add a number of numbers together which we think would be effected; 18 per cent is just basically the admissions.

[Aside]

Deputy P.J.D. Ryan:

Can we just get some of these big numbers out of here so that we can understand this better? This 26 per cent in the top right hand corner; what is that?

The Connétable of Trinity:

Legacies.

Mr. M. Powell:

Legacies is our biggest form of income.

Deputy P.J.D. Ryan:

Grant making bodies is 6 per cent. 3 per cent is adoptions, is it?

Mr. M. Powell:

Yes.

Deputy P.J.D. Ryan:

Individual donors.

Mr. M. Powell:

No, adoptions is basically --

The Connétable of Trinity:

You look after an animal.

Mr. M. Powell:

Yes, but that, we believe, would be subject to GST

The Connétable of Trinity:

So would your memberships, would they not?

Mr. M. Powell:

Yes, adoptions, memberships, retail and admissions.

Deputy P.J.D. Ryan:

Net trading profit? That is one of the zeroes, is it?

Mr. M. Powell:

Mm hmm.

Deputy P.J.D. Ryan:

What is training?

Mr. M. Powell:

Training is basically in Les Noyers where we charge obviously to cover our costs. But I suppose the problem is we have an income graph and not an expenditure chart show that most of these, if not all of them, are loss making, with the exception of one or two. In fact, the shop is in profit and so is the restaurant and, of course, they are the things that we will be paying GST on, so it would drive our profits further down. We passionately believe that there is absolutely no way that we could simply put the 3 per cent on the price. I am looking at a strategy now to reduce the price to attract more visitors in the winter months because we have a very high peak in visitors for the obvious period, which is the school holidays and the summer period. We have lots of things that people can do in the winter months but we have to attract some of them. One of the things we want to do is reduce the price of coming in and maybe attract a secondary spend which would help us. But again, that could be flawed because we

would pay GST on most of that activity.

The Connétable of Trinity:

If you get them in, they all go to the restaurant anyway so you hit them twice with GST, do you not?

Mr. M. Powell:

Mm. Well, we would in fact hit them 3 times, in admissions, in the restaurant and the shop. Yes.

The Connétable of Trinity:

The shop as well.

Deputy P.J.D. Ryan:

So, what we are trying to get to is where this £150,000 comes from. Admission charges we can see.

Mr. M. Powell:

Very roughly, in rough numbers, two-thirds. Let us say that we have a £5 million turnover; two-thirds of our income. I was asked for last years accounts which showed £1 million loss but I was asked to bring that today, which I think needs to be scrutinised on a different day perhaps because it is, again, fairly complex. But in very broad terms, two-thirds of our income is through fundraising and donations and through trusts and one-third of our income is through direct activity. So, we would probably pay 3 per cent on over £1 million perhaps. We think from last night, that we could take that probably down to £150,000-£200,000 rather than the £300,000.

Deputy P.J.D. Ryan:

So, you think at the moment there would be GST on admission charges, for example?

Mr. M. Powell:

Mm hmm.

Deputy P.J.D. Ryan:

The shop and restaurant, is that under other income?

The Connétable of Trinity:

Are you 50 per cent on the take of the restaurant or is it just you franchise that out?

Mr. M. Powell:

It is not strictly 50 per cent. Basically, we have 50 per cent of the profits but then there are charges that go through for management charges and so on which is biased towards the franchise. So, we do not get a true 50 per cent of the profit.

The Connétable of Trinity:

Yes.

Deputy P.J.D. Ryan:

Okay. At the moment, if that were to be the case, you would meet this bill presumably from your reserves is the only way, because you are not making any profit anyway?

Mr. M. Powell:

It would increase our losses.

Deputy P.J.D. Ryan:

Increase your losses straight out of the company reserves.

Mr. M. Powell:

We did meet very briefly to talk about simply applying 3 per cent on the shop, it just would not be possible. The type of lines we have it is not -- you know, we have a number of things that are 99 pence and £1 and so on and applying 3 pence makes that non-competitive because you do not sell something at £1.03, you always have to sell it at 99 pence and so the whole --

Deputy P.J.D. Ryan:

Yes, or something else which is -- would it not balance?

Mr. M. Powell:

No, we passionately believe that we could not apply a 3 per cent on any of our charges out to --

Deputy P.J.D. Ryan:

Even if you were adding the 3 per cent at the till?

Mr. M. Powell:

The restaurant is criticised for being expensive, so we are looking at reductions in prices for members and so on. Because we do not believe it is expensive for tourists but it is expensive for local people who do come on a regular basis. We have 35,000 visits from people in the Island and we have 35,000 free entries per year. So, we have 70,000 people per year that come in on a regular basis, which is our Island people generally. There are some UK members in that but generally, we got 70,000 visits and we have now got to target how we can reduce our prices for those people to make sure that they come. Once they pay their membership, there is unlimited usage so they do not have to keep paying anything to come in. So, we have got to make sure that everything, once they are there, is affordable for them. At the same time, we have to target the tourists in a different way because they are - pardon the pun - of a different animal but we have to think differently how we can make sure that we do not damage our income.

Deputy P.J.D. Ryan:

Okay. Have you done any calculations on what might happen? We have talked about if you absorb the tax, which is just an extra £150,000 off your bottom line.

Mr. M. Powell:

Mm hmm.

Deputy P.J.D. Ryan:

What about if you put your prices up? Have you done any evidence on --

Mr. M. Powell:

We are already above mid-range on pricing for the type of attraction that we are. If we were to put it up, we would be competing with someone like Longleat, which is treble the size of what we are. The generally feeling is that we are reasonably expensive for the size of the operation that we are. But we do very well because one of the reasons we do not like calling ourselves a zoo is that we are not a zoo. I mean, somebody very clearly made a comment from a picture on a wildlife exhibition that was there of a leopard that was in a zoo in Turin which had this look of despair and concern and was scared - and of course, leopards are not supposed to be scared of pretty much anything other than lions - and the comment was made that our animals do not look like that. We have a very high success rate of breeding animals where other commercial operations do not have that success.

Deputy P.J.D. Ryan:

Okay. Let us just move on to administrative burden. You already have obviously got a fair amount of administrative cost; do you think there is much administrative burden in GST?

Mr. M. Powell:

Absolutely. Unfortunately, Mark our honorary treasurer was there last night, he is one of our trustees and has already reported back to the trustees which is a positive thing he should be, but also has already highlighted that we have already estimated that it will cost us £30,000 to properly administer because we simply run a very lean and mean operation.

Deputy P.J.D. Ryan:

I mean, that implies another employee.

Mr. M. Powell:

It does. Yes.

Deputy P.J.D. Ryan:

Just to run GST?

Mr. M. Powell:

We have a weak accounting department so I think we would have to employ somebody to make sure that our accounting was better than it is now.

Deputy P.J.D. Ryan:

You already have a ...?

Mr. M. Powell:

I think it summed up very well on the TV on a documentary that was on about Durrell the other day where Durrell openly said that they are exceptionally good on the animal side but need to improve the business side. That is not exactly what was said but as we are being recorded it was very clear that we have got a lot of work to do on the administration side.

Deputy P.J.D. Ryan:

Do you get any grant from the States at all?

Mr. M. Powell:

We run an education programme for schools, a lot of the free people that come in, and we get a £30,000 grant on the educational side, I am not sure, without detail, what else we get. That is a lost leader for us, that does not cover the cost of what we do.

Deputy P.J.D. Ryan:

Okay. One of the things that came out last night was the number of people that have not spoken to Gary Conlon or the GST team at the Treasury. Have you done that?

Mr. M. Powell:

I spoke to Gary quite early on when I was first made aware. I think at the time very much the advice was: "We are at the information gathering stage." Today I think it has come out with that in the document I pulled together and so on. But until really last night, there just was not enough information out in the public domain to really have much of a view. One of the things I am concerned about from last night is I think the £300,000 benchmark is uncompetitive for the bigger organisations. I think I asked the question: "Would we be exempt on the first £300,000?" and the answer was no. Where if there was another wildlife attraction here that only had running costs of £300,000 then that would be

non-competitive towards us.

Deputy P.J.D. Ryan:

Sorry, running costs of £300,000?

Mr. M. Powell:

Well, sorry, because the entry point is the organisation has to be over £300,000.

Deputy P.J.D. Ryan:

For registration?

Mr. M. Powell:

Yes.

Deputy P.J.D. Ryan:

Although, voluntarily, you can register below £300,000.

Mr. M. Powell:

That benchmark on cash we kind of felt was uncompetitive for the big organisations because we would have to pay on the full amount of £300,000 where others would be exempt up until that point, if we understood it properly, I think.

Deputy P.J.D. Ryan:

Turnover. Are you talking about turnover rather than --

Mr. M. Powell:

Yes. On turnover. Yes.

Deputy P.J.D. Ryan:

Sorry, I understand you now. Okay. What is your suggestion? What is your proposal? Do you have one?

Mr. M. Powell:

Well, it is quite simple really. I think at this stage we have got a lot more to think about and to do. My biggest concern is that we are going through a decision making process on the future of Durrell, which is not in the public domain because quite frankly, we are not at that point yet. But we are not, I hope --

Deputy P.J.D. Ryan:

It is now.

Mr. M. Powell:

Well, I hope we are not too far away. There has been scaremongering from the newspapers and other media to say: "Well, Durrell has only got so many years left." Well, that is not on our agenda. We are ambitious, we know that we are making losses each year but it is our role in life to turn that around. But the timing of this is terrible for us and I have to go on the record as saying that.

Deputy P.J.D. Ryan:

Do you have solution?

Mr. M. Powell:

We believe that we have a solution to turn it around.

Deputy P.J.D. Ryan:

No. No, I am talking about a solution as regards GST.

Mr. M. Powell:

We have no solution at this point because we only really understood the impact of this from yesterday. At this moment we have no solution to cover the cost of what GST would do to us.

Deputy P.J.D. Ryan:

If you were another attraction that was competing with Durrell, the Living Legend and others. What is another one? The German Underground Hospital?

The Connétable of Trinity:

La Mare Vineyards.

Deputy P.J.D. Ryan:

La Mare Vineyard and you were their management, I do not think it has been suggested that they would be able to zero rate their admission charges or their shop income or whatever, putting yourself in their position, how would you feel if Durrell were allowed to do that and they were not?

Mr. M. Powell:

I think lots of the tourist attractions benefit from Durrell in a big way and that is the feedback that we have had from Tourism and so on. We are a half day or a full day attraction. I think the analysis is saying that people come here for up to 5 days and they have probably got 3 big attractions they can do in those 5 days and a number of small ones. So, what you tend to find is that Durrell is used as one of the main attractions with the war tunnels and maybe the Castle Gorey and so on and then the smaller attractions are the day filler. So, they vineyards and other places do well on the back but there are bigger attractions to go to on the Island. That is again, going away from what Durrell is, being a charity, to what it means to the Island. It is so integrated that these places actually benefit.

Deputy P.J.D. Ryan:

So, I think what you are saying is that as a manager of the smaller attractions, you would not have an objection?

Mr. M. Powell:

I do not think I would have an objection. I think we can use the aMaizin Maze as an example. The aMaizin Maze had one of our gorillas on the front of their advertising this year. I believe their attraction is up 124 per cent this year.

Deputy P.J.D. Ryan:

Okay. Right. Any further questions?

The Connétable of Trinity:

It covers it pretty well, I think.

[Aside]

Deputy P.J.D. Ryan:

Yes. All right.

Mr. M. Powell:

Okay. Well, thank you for your time. Thank you for last night, I think we were one of the few that maybe got more concerns but at least we have a bit more clarity and I think that has been very important for us.

Deputy P.J.D. Ryan:

Okay. Thanks very much indeed. Thank you.

Mr. M. Powell:

Thanks.

Deputy P.J.D. Ryan:

Good morning.