



Economic and International Affairs Scrutiny Panel

Quarterly Hearing

Witness: The Minister for Sustainable Economic Development

Wednesday, 20th November 2024

Panel:

Deputy M. Tadier of St. Brelade (Chair)

Deputy K.M. Wilson of St. Clement (Vice-Chair)

Deputy M.B. Andrews of St. Helier North

Witnesses:

Deputy K.F. Morel of St. John, St. Lawrence and Trinity, The Minister for Sustainable Economic Development

Deputy M.R. Scott of St. Brelade, Assistant Minister for Sustainable Economic Development

Ms. E. Blampied, Senior Policy Officer, Digital Economy

Mr. T. Holvey, Chief Economic Adviser

Mr. H. Harvey, Head of Local Economy

Mr. T. Brackenbury, Sector Lead, Aviation and Maritime

[13:35]

Deputy M. Tadier of St. Brelade (Chair):

Minister, thank you for coming in for this quarterly hearing. They seem to come round so quickly. Thank you for coming in, again. I know you were in yesterday with a slightly different theme ... well, a different theme. So appreciate you coming back in so quickly, although this is a scheduled hearing of course. We are just going to move straight into it. We will do the introductions of course for those who might be listening. I am Deputy Tadier, and I am the chair of this Scrutiny Panel, which is the Economic and International Affairs Scrutiny Panel.

Deputy K.M. Wilson of St. Clement (Vice-Chair):

Deputy Karen Wilson, vice-chair.

Deputy M.B. Andrews of St. Helier North:

Deputy Max Andrews, a panel member.

The Minister for Sustainable Economic Development:

Deputy Kirsten Morel, Minister for Sustainable Economic Development.

Assistant Minister for Sustainable Economic Development:

Deputy Moz Scott, Assistant Minister for Sustainable Economic Development.

Senior Policy Officer, Digital Economy:

Elisabeth Blampied, senior policy officer, Digital Economy team.

Chief Economic Adviser:

Tom Holvey, chief economic adviser.

Head of Local Economy:

Heath Harvey, head of Local Economy.

Sector Lead, Aviation and Maritime:

Thomas Brackenbury, sector lead for Aviation and Maritime, Department for the Economy.

Deputy M. Tadier:

Thank you. Welcome, sorry, you have to sit there but I am sure, as and when, if you need to come forward and shuffle yourselves around, that is up to you, Minister. Feel free to do that. We do not need to play music while we do that. Although, if we did, I am sure there would be a good Badlabecques theme that we could find for you. I will pass over to Deputy Wilson to ask the opening questions.

Deputy K.M. Wilson:

Good afternoon, Minister. Could you tell us what you anticipate in terms of policies that need to be amended or adjusted to support the implementation of the Social, Environment and Economic Enterprise Pathway framework?

The Minister for Sustainable Economic Development:

A very interesting question. So the framework we are creating is one that is there to support and help businesses. I do not think there is going to be any legislative changes that are foreseen at the moment, but businesses will have to meet certain criteria. It will only be for Jersey organisations registered and controlled in Jersey, having a business licence under the Control of Housing and Work Law. New policies within the pathways will be things such as ... to be deemed a social enterprise, the organisation will have to generate 51 per cent of its revenue from trading activities as opposed to charitable donations. In the sense that if it is not a business in itself, not set up that way, if it is set up charitably, it will have to have a statement outlining the business model that will generate that 51 per cent. In itself, it must also have a written social, environmental and economic mission statement because social enterprise is not there primarily for profit, it is there to primarily deliver social environmental as well as economic gains to the Island rather than necessarily itself. They must, in themselves, be willing to submit documentation relating to the operations of the business such as management accounts and bank statements, so that we can verify that they are generating that 51 per cent, that they are not profit making in the way that an ordinary business is and so on. So they will be policies within the pathway itself as opposed to any kind of legislative change.

Deputy K.M. Wilson:

Do you anticipate in the future that you may have to introduce new policies or legislative change?

The Minister for Sustainable Economic Development:

It is quite possible as much as anything because this is the first time this has been done, so until ... we are doing it as a pilot in the first instance and it will be through that pilot and then ongoing. If the pilot is successful and we carry it on ... there is no way I could say there will not be policy changes. The 51 per cent for a start might be the wrong ... we might find out through the pilot that is the wrong number, if you know what I mean. Maybe it should be more, maybe it should be less. From a legislation perspective, one of the things that brought this to my attention before I was Minister was speaking to people who had tried to set up co-operatives as co-operatives. There is, as I understand it, no co-operative law in Jersey. It is very much a case of trying to use the existing Companies Law and amend it ... not amend it, bend it, I guess, in a way that enables you to have potentially thousands of members. That was one of the first things that came to my mind. If it is seen that over time that Jersey could do with a law along those lines for co-operatives in particular, then I think that would be one area that may be subject to legislative, in this case, creation rather than just change. But that is all to be seen. This is very much a pilot. Let us start, let us see how this goes, let us see what benefits it brings. Where we have got things, like I said the 51 per cent may or may not be correct, it will only be through experience that we find that. So it is quite possible there will be changes in the future.

Deputy K.M. Wilson:

But what you are saying is until we have actually done the pilot, we will not really know?

The Minister for Sustainable Economic Development:

We will not really know and we do not foresee them at the moment. For instance, on the co-operative front, that was something I brought to officers and said I am concerned there is no co-operative law. Through the work that we have done we do not think there is a need to create that or bring those changes in but, again, we might find through time that we were wrong in that and actually we do need to bring such a thing in.

Deputy K.M. Wilson:

Obviously in the absence of any policy or legislative change in the way that you have just outlined will present some gap, shall we say, for people who are actually going to be in this or for organisations in this pathway, how do you plan to balance the need for governance and oversight with the flexibility required for the enterprises to operate?

The Minister for Sustainable Economic Development:

Again, that is something we will be learning about as we go through this, but there will be oversight and governance of the organisations themselves. As I mentioned, they will have to be prepared to submit management accounts, et cetera, so that we can see that they are trading in the way that we want them to trade, that their money is going to the areas that we expect it to go into rather than just be profit-making. So there absolutely is governance. As I said, there are new policies in this such as the 51 per cent. That is a new policy that is something specific to this framework. I think it would be wrong to say there is no policy change, we are creating new policies for this. What I am then saying is the policies we bring at the beginning may need to flex or change as we go through the pilot and beyond that. This is the first time the Island has done this. I think it is really valuable. I am really proud that we are doing it because, again, one of the things that I think is difficult for people in the Island, and I keep thinking about young people, what motivates them to stay here, the idea that they can set up an organisation which is not necessarily focused on profit-making, but they can see how they can set up organisations to deliver social and environmental benefits while being able to operate it as an enterprise, their own business so to speak, but not necessarily just purely for profit. I think that is an exciting way forward for them and gives them just other options and makes them think, hopefully, there are reasons to stay in the Island as well.

Deputy K.M. Wilson:

Okay, I am going to just press you on the governance and the oversight. So how is that going to work both in the pilot and what do you anticipate to be those governance arrangements going forward?

The Minister for Sustainable Economic Development:

So we are using Jersey Business as the delivery partner for this framework. As I mentioned previously, there will be a requirement to have social, environmental and economic mission statements. They must be willing to submit organisational data and literature, and that oversight by Jersey Business will be ongoing; so there will be regular touch points with Jersey Business to make sure they are staying on track and that they are the type of organisation that is required to be in this pathway. If they are not, they will be asked to leave the pathway.

Deputy K.M. Wilson:

Will we be able to see a governance framework produced by Jersey Business to that effect?

The Minister for Sustainable Economic Development:

We can ask that that is created for you, in that sense. I am happy to.

Deputy K.M. Wilson:

Thank you. Could you, Minister, elaborate on how the principles of long-term sustainability will be integrated into the pathway assessment process to mitigate any potential new distortions?

The Minister for Sustainable Economic Development:

New distortions; in what respect?

Deputy K.M. Wilson:

Sorry, market distortions.

The Minister for Sustainable Economic Development:

I see. Again, this is not a framework which particularly is there to subsidise these organisations in any way. It is a framework which is there to help them be social enterprise organisations. This is all about trying to make it as simple as possible and as attractive as possible, from a non-financial perspective, for people to set up these organisations. We already have some in the Island, but we know that their journeys have been difficult. I can name a few - I am happy to - because I think they are brilliant organisations from Acorn to S.C.O.O.P. (Sustainable Co-Operative) and many others in between, there are these social enterprises. What we are trying to do is give them a framework whereby they can develop and grow or start up in the first place and do so knowing that they have the signposting-type support to help them do that. We are not, at the moment, creating market distortions in terms of any kind of grants or subsidies in that respect.

Deputy K.M. Wilson:

So what would be the long-term principles of sustainability that you would be seeking?

[13:45]

The Minister for Sustainable Economic Development:

Well, it will be about developing Jersey's community, benefiting Jersey's environment and bringing benefits to the economy as well. At that level, I think it is really important that those are key sustainability principles. Each organisation will deal with those 3 elements in their own way. They will have different aspects that they are looking for. So we need to be open-minded as to how they want to benefit society, how they want to benefit the environment. Some of them may have no environmental element at all. They may be entirely community focused. From that perspective, having those 3 very high-level concepts, and then it will be them presenting their enterprise to Jersey Business that they will be able to say: "Yes, we can see how that is going to benefit the Island, how that is going to benefit the environment", et cetera.

Deputy K.M. Wilson:

Can you tell us how the framework will address the risk of greenwashing and what measures will be implemented in the long-term vision for the pathway to ensure that the enterprise demonstrates genuine environmental impact?

The Minister for Sustainable Economic Development:

I think it is really important that the 51 per cent element of the revenue means that we can see how these organisations are primarily, at the moment, seen as either charitable or social enterprises. They are not-for-profit organisations that would be seeking to greenwash. If I have a company that exists already and it is just a simple profit-making company and I would like to put an environmental overlay purely for public relations-type purposes, that would just not fit in here at all because it would be really clear that the business is just a business operating the same as any other business, and that it is not primarily focused on actually delivering benefits to the environment or to society. So I think it would be really hard for them to use this as a pure greenwashing enterprise. This is not about a 100 per cent profit-making company coming in and saying: "Oh, we want to look a bit better." It is not about that at all. It is about organisations which are very much on the front line delivering. Acorn is a good example. They provide training for people and helping people get into employment, they return any returns back into the organisation itself. That is the sort of organisation we are talking about. I do not think they, for instance, would be seen to be wanting to greenwash at all. That is not where they are.

Assistant Minister for Sustainable Economic Development:

Can I offer some context here? Just when I was chairing the Economic and International Affairs panel and we were scrutinising Jersey Business, we did have an approach from a charity saying, well, why can we not have access to some of those ... the advice and some of these benefits, because we do a good job in the community and we could do with some help." I think in the context of this idea of ... it might give you a bit more of a picture about what is going on here.

The Minister for Sustainable Economic Development:

I think you are absolutely right. What I am trying to say is this is not for Kirsten Limited to just turn away from selling their goods for profit to suddenly being able to say: "Oh, look, we are a social enterprise." Existing organisations are very likely to be seen in the Island currently as charitable organisations. Those sorts of organisations are the ones that would come on to this pathway. With regards to subsidies, et cetera, it may be in the future that subsidies are provided and financial support is provided, but that is not part of ... it is certainly not budgeted for next year.

Deputy K.M. Wilson:

Okay. Just to confirm, there are no other anticipated legislative changes at all that would enable any of that support?

The Minister for Sustainable Economic Development:

No, I do not believe so.

Deputy K.M. Wilson:

Okay, thank you.

Deputy M. Tadier:

Can we just clarify - and I will pass on to Deputy Andrews as well because he has got some supplementaries - are you saying that no subsidies or grants have been given out yet, up to date, in terms of this scheme?

The Minister for Sustainable Economic Development:

No, this scheme is not up and running yet.

Deputy M. Tadier:

Okay. We have heard in our briefing - we had a briefing - that there was talk about one organisation in the Island which provides charitable support in terms of a food bank service. which is reformulating its model, and it sounded as if they had been getting some kind of assistance from the department in terms of their operation. Do you know anything about that?

The Minister for Sustainable Economic Development:

I am afraid I do not. I would have to look into that and I have to ... I do apologise. The pilot was launched at the end of September, so it is up and running in that respect. I do apologise.

Deputy M. Tadier:

No States money, none of your department's money has gone into that?

Chief Economic Adviser:

Not the department's to the best of my knowledge. It does not mean there is not somewhere from elsewhere in another government department, for instance. Some of this work is cross- government and there are other offices involved from C.L.S. (Customer and Local Services), for instance, but we can go away and check that out and come back to you.

The Minister for Sustainable Economic Development:

I do know that another department provided a food bank with some grants, but I do not believe, and I may be wrong, that had anything to do with this pathway. But I will have to check.

Chief Economic Adviser:

The fact it was a food bank does suggest to me that ... through the Cost-of-Living Group we were made aware of some work that the food banks were doing with C.L.S., and that is a distinct possibility and does ring a bell. But I do not think there is anything from our department that has done that.

Assistant Minister for Sustainable Economic Development:

The scheme is only ... I mean it has received expressions of interest; it is at that stage at the moment and that is being shortlisted this week. So it sounds somewhat different.

Deputy M. Tadier:

Is there going to be a budget that will be allocated in terms of subsidies, grants or some kind of other assistance in kind?

The Minister for Sustainable Economic Development:

I do not believe we have that at the moment. There is nothing in next year's budget that I know off at the moment.

Chief Economic Adviser:

No, correct.

Deputy M.B. Andrews:

Minister, there will probably be quite a few people who will be questioning, well, really, is there a need to be developing such a framework for a small Island when there has already been much good work done from, for instance, the corporations with their social corporate responsibility and some of the benefits that have been seen from a societal and an environmental perspective? So why now come forward with this?

The Minister for Sustainable Economic Development:

This has got nothing to do with organisations and their corporate social responsibility. It has got nothing to do with that at all. This is entirely about existing organisations that either want to or currently are, as well as being charitable organisations, developing a lot of their revenue from social enterprise. It is helping them navigate the pathway to being a consolidated social enterprise. I went to Wales a few years ago to look at social enterprise happening in Wales. They had, I think it was, 3,000 or 4,000 social enterprises in Wales they had calculated. They were delivering £4 billion of G.D.P. (gross domestic product) to the Welsh economy. In so doing, they were helping communities and the environment in very many different ways, a really wide range of ways. It struck me that the £4 billion at the time, 3 or 4 years ago, was really similar to Jersey's entire G.D.P. It is this idea of creating pathways for people who want to develop entities that are not purely profit-focused, who want to develop potentially careers in that area or are existing charities that want to develop more resilience quite simply by having a trading element to what they do. That is what this is about. It has got absolutely nothing to do with corporate social responsibility.

Deputy M.B. Andrews:

As you are the Minister for Sustainable Development, there is obviously going to be quite clearly people who are going to be quite concerned about the economy and they might want a bit more impetus on how are we going to grow the economy, how are we going to enhance economic productivity and then there is this focus on developing this framework, okay, albeit it is just a pilot at the moment. Why was this a priority and was there anything that potentially you had to maybe cancel out that you were maybe intending to plan due to this potentially being brought forward?

The Minister for Sustainable Economic Development:

Not particularly, this is something I put in ... I think it was my 2023 delivery plan. This is something that was there from the very beginning. It was purely because I had been spoken to by various charitable organisations and others who already ran social enterprises and they were pointing out that there was a lack of information around this in Jersey and a lack of ... it was difficult to set up a social enterprise in Jersey, is the message I was getting. My view of the economy is that it is an entire ecosystem, not that it is ... and some parts of it are not going to be there to deliver pure profit. That does not mean they are economically not worthwhile, and certainly because they bring potential benefits on the social and environmental side, that they have, you could argue, a much greater

impact than a purely for-profit organisation. This is about options around the types of organisations you have in Jersey and I think it is really exciting options because again not everyone wants to just work purely for profit. Other people are motivated by other things and the whole point around this pathway is to help develop the opportunity for people to do things ... create organisations that are doing things more than just making profit.

Deputy M.B. Andrews:

Having such a framework obviously be live and in action, do you think it is going to be a bit of a concern for you, as Minister, to be launching this pilot during a time when the economy obviously is in a position where we are just coming out of a period where the base rate is gradually going to be decreased across next year? Do you think that potentially could have an impact and potentially distort the results of the pilot scheme?

The Minister for Sustainable Economic Development:

I do not understand why interest rates would have a bearing on that; I do not understand.

Deputy M.B. Andrews:

It is just going to be more difficult to have a social enterprise potentially deliver on what it intends to do when there is potentially going to be costs that have obviously been an issue for several entities in Jersey.

The Minister for Sustainable Economic Development:

I am afraid I do not see the link; I do not understand.

Assistant Minister for Sustainable Economic Development:

Maybe I can put it this way. You have got charities who are struggling even now because of these extra costs. Now maybe if some of those collapse, Government will have to stand in because they are plugging some sort of gap. It is all interconnected and this scheme is not just about start-ups, it is actually to help some scale up. Basically there is a certain amount of, how can I say, avoidance of perhaps what could be potential area of where Government will need to step in so it does have potential economic impact.

The Minister for Sustainable Economic Development:

That is the resilience side, as I mentioned earlier.

Assistant Minister for Sustainable Economic Development:

Exactly.

The Minister for Sustainable Economic Development:

If you are a charity today reliant entirely on donations but you could potentially create a trading arm to your charity, you are then a more resilient organisation because you are not solely reliant on one source of income, you can blend it with another source of income.

Deputy M. Tadier:

I think Deputy Wilson has got a question?

Deputy K.M. Wilson:

It was just really, Minister, if I could talk about the accreditation scheme because we talked about not having any new legal structures or anything like that, so how will the accreditation scheme work?

The Minister for Sustainable Economic Development:

We would have to go into detail on that. The idea is that if they satisfy the criteria of 51 per cent delivering benefit to social, environmental or economic in the sense of that they are trading, if you know what I mean, if they satisfy those sorts of conditions, then they can be accredited by being on the pathway. We are not talking about creating an accreditation, which is a kitemark-type accreditation.

Deputy K.M. Wilson:

That is helpful. I was just wanting to clarify that. That is helpful.

The Minister for Sustainable Economic Development:

No, it is about being on the pathway in the first place.

Deputy K.M. Wilson:

Yes, that is okay. Thank you.

Deputy M. Tadier:

Can I go back, talking about the funding? I understood from our briefing that there is a sum of £50,000 of funding that would be allocated to business-owner education, so early start-up grants and facilitation costs.

The Minister for Sustainable Economic Development:

I apologise if I got that wrong. I understood that that was more for developing the actual scheme itself, so I may have got that wrong and I do apologise.

Deputy M. Tadier:

It would be good to have clarification on that because that is what we have got from ... I hope I am not disclosing anything inappropriate but that is what we were told ...

The Minister for Sustainable Economic Development:

Not at all, no.

Deputy M. Tadier: .

... in our briefing that £50,000 funding allocated to business-owner's education, start-up grants and facilitation costs and, of course, that is therefore why Deputy Wilson asked about the potential market distortions. If, say, a coffee shop is setting up coffee, wants to pursue a model that is in line with the S.E.E.s (social, environmental and economic) and accesses a grant to do that, and then they are therefore competing with the shop next door to them, has that potentially been taken into consideration about what the impacts might be?

The Minister for Sustainable Economic Development:

You would want it to be, but again ... so the reason I saw that as part of the start-up of the framework was because one of the things they will be doing is delivering courses, et cetera, for people who are running social enterprises. That is where I understood that money would be used in that sort of way rather than directly subsidies. What I will say is that £50,000 will not stretch very far, and so even if it was to go to a coffee shop which is delivering social and environmental benefit, number one, they would not be getting £50,000; they would be getting a fraction of that amount of money. Any market distortion - with the chief economist next to me - would be incredibly small if they were just to get £2,000 to help you train your staff in some way.

Deputy M. Tadier:

But if it was going towards a start-up and that company did not exist and then you have all of a sudden got a competitor very close to you that did not exist before and would not exist without government assistance, seeing it in a very black and white sense, if I was that other business owner I may well say: "Well hang on a minute, I have had to bring this business up on my own."

The Minister for Sustainable Economic Development:

At the same time, another argument would be the other organisations are entirely profit-making and so they have the ability to reinvest those profits fully or not at all, whereas this organisation is about distributing its profits for social and environmental causes, so have less ability to reinvest themselves.

Chief Economic Adviser:

I was going to make that very point, but the other thing I was going to say, there is that slight difference between a subsidy to a business and a grant to a charity. While the social and enterprise blur both, they are still more on the charity side of things, despite the controls we have put into it. What you are really doing is funding the activity of the charity, as opposed to a full market distortion. I think it is something we just need to be aware of, though, as we are handing these out, because you do not want over ... I do not think it matters so much in St. Helier, for instance, but there could be a village somewhere where you have a coffee shop already and it takes that business away. We just need to be aware of that happening. Where you have got quite significant demand in St. Helier, that distortion should be actually really quite limited, but we do need to be aware of it definitely.

[14:00]

The Minister for Sustainable Economic Development:

I can understand your concern, for instance, thinking of a coffee shop which was set up as a social enterprise not far from here. I believe it received support from Government - not our department - in another way. If you are a coffee shop very close to it, you may feel that you are being put at a disadvantage in some way. I think it is quite a strong argument to say, actually, that coffee shop is training people who would find it hard to find employment. Otherwise, that in itself creates a disadvantage from a pure profit-making perspective. Therefore, the Government providing some elements of support to that, because it is also creating a social good as a result of helping to employ people who would otherwise find it difficult to find employment, that is potentially the gap as to why you would want to do that.

Deputy M. Tadier:

Good. I am glad that it will be considered, and if we can get some clarification around about the sums involved, that would be helpful. Thank you. Are we happy to move on to the next one?

The Minister for Sustainable Economic Development:

Apologies, I just want to say it is really exciting. I think it is a really good idea.

Deputy M. Tadier:

We were asking questions based on ... it does not mean we are not also excited.

The Minister for Sustainable Economic Development:

No, I appreciate that.

Deputy M. Tadier:

Thank you for that. I am just going to turn to the digital economy and then it will be the retail strategy. Could you give us an update, Minister, on the progress made on the digital economy strategy and the action plan to date?

The Minister for Sustainable Economic Development:

The digital economy strategy, while we have not published it yet, and there are some reasons for that, the actual ... there is a delivery board that is ongoing and working within Government and they meet, I believe, on a monthly basis. They are working through action points in the digital economy strategy. I have not checked in with them recently to check exactly where they are, but they are doing that.

Deputy M. Tadier:

Can I ask, it is not a question on the paper, but what is the interaction between the digital economy strategy, that group you just talked about, and Digital Jersey? Is there any interaction? Is there any overlap?

The Minister for Sustainable Economic Development:

Yes, absolutely. Digital Jersey are one of the delivery partners for the digital economy strategy. Digital Jersey are named in there as a delivery partner and there are action points that involve that.

Deputy M. Tadier:

Is it the case that what Government is doing in digital and what Digital Jersey are doing, that they work together, they are not pulling in different directions?

The Minister for Sustainable Economic Development:

The idea of the strategy is to bring them together. Elisabeth may be able to ...

Senior Policy Officer, Digital Economy

Yes, they both sit on the Partnership Board. They both have agreed actions and support and commitment to deliver against those short, medium and long-term actions. Yes, the idea of the board is to demonstrate progress and highlight areas where they are not going to, where there is challenge or where they have made good progress. Both are equal partners in the delivery of the digital economy strategy, and exactly to that point, so they do not duplicate work and we get better.

Deputy M. Tadier:

Is the digital economy strategy entirely in-house; does it straddle other departments?

The Minister for Sustainable Economic Development:

It has to straddle other departments. It is not just us.

Deputy M. Tadier:

You lead on it?

The Minister for Sustainable Economic Development:

Yes, we absolutely do. One of the elements is we obviously know that Government has its own work in hand around digitising government, and that is a long piece of work. That interacts with the digital economy strategy. One piece of work which is interesting is Plat Douet and Les Quennevais School are part of a project examining core skills for digital learning at primary and secondary levels. So that touches into the Education Department, and that is part of the strategy. They are trying to produce a model for the effective acquisition of digital skills in the future, which I think is a really important piece of work.

Deputy M. Tadier:

Okay, thank you. Can you confirm which phase of the development process you are currently in, if you have not already?

The Minister for Sustainable Economic Development:

I will have to ask Elisabeth. Which phase of the digital economy strategy are we in at the moment?

Senior Policy Officer, Digital Economy

The digital economy strategy was presented to C.O.M. (Council of Ministers) end of March and then from that moment onwards we have been in the delivery phase. We are just coming up to three-quarters of a year delivery against the short-term actions. The team are looking to pull a summary of those actions and what has been delivered against them in the first quarter of next year, because that will be a year from agreement of the strategy, and at which point we can share with you, if the Minister is supportive, an update of where we are at. Then work will begin at the beginning of next year to consider the medium to long-term actions, which have a 2026 and beyond delivery, and we will be putting in place the resources to make sure they are available in order to deliver against those actions. That will be across all partners, so that is M. and D. (Modernisation and Digital), C.Y.P.E.S. (Children, Young People, Education and Skills), ourselves and key delivery partners like Jersey Business and Digital Jersey. Through the board that is where those actions will be.

Deputy M. Tadier:

What are the outcomes that you are hoping to get from this strategy?

The Minister for Sustainable Economic Development:

Ultimately, the strategy falls into 6 themes, which kind of encapsulate the outcomes. There is one that I have just discussed with Plat Douet and Les Quennevais School, which is lifelong learning and talent. I think it is really important making the most of Jersey's data assets, which is again something which across the board, within government particularly, but it is not just within government, we do not really use our data and exploit it in the way that we could. Supporting digital adoption, that is within organisations principally, but obviously we know that in some areas in the economy there are digital deficits, I would say. The element which is about economic growth is about making Jersey start-up and scale-up friendly. I think we can see in Digital Jersey and Jersey Business, both have done good work bringing in new businesses to the Island or helping Islanders start their businesses. We know Jersey is a difficult place to scale up as a business. I will not name the business, but there is one very good business in Jersey which was started by a couple of entrepreneurs - young entrepreneurs - and they are now selling worldwide. But as I have spoken to them ... I am not sure how many people they employ, but it is in the 10s; I think it is around 40 or so. They said if they were not from Jersey it would have been much easier doing this outside of Jersey. The only thing that has kept them here is the fact that they are from Jersey and they love the Island and this is where they wanted to be. So you need to overcome that sort of barrier. Why is it difficult to scale up in Jersey? Cost is obviously one of the things, but part of the work is to try to make sure that happens. General support for digital businesses and making sure that future regulation - and obviously we are in the world, I know Deputy Scott thinks about these things as well - around future-looking. You have got things like artificial intelligence, et cetera, but also cybersecurity, things like that. We need to make sure that any regulation around those areas is proportionate, as well as future-proof; but importantly proportionate.

Deputy M. Tadier:

I think the panel shares the feeling that digital skills and the strategy is critical for Jersey. I think that is one of the reasons we have put an amendment in, to try to increase the funding for Digital Jersey, for example, and for Jersey Business. Maybe that is a debate for another day, Minister, but ...

The Minister for Sustainable Economic Development:

Not long away though.

Deputy M. Tadier:

Do you agree that it is actually critical that we make sure that we do invest, whether it is in terms of money or resource, in these areas?

The Minister for Sustainable Economic Development:

It is really important. I do not believe that Jersey is where we need to be in terms of digitisation, full stop. Whether that is skills or just understanding what we can get from digital technologies. So in that sense, yes. Whether that is financial or other, I think we do need to spend time looking at this.

Deputy M. Tadier:

Do you think that a cut in the budget to Digital Jersey, to the extent you proposed, goes against what you may be trying to do in this wider strategy?

The Minister for Sustainable Economic Development:

I think cuts in the budget to the economy go against economic growth in the Island in that respect, and so I think, at the end of the day, I do not particularly want to cut any budgets. But we have pressure on the whole department, and the department has made plenty of cuts to itself, but 80 per cent of our funding goes straight out to A.L.O.s (arm's length organisations) and so it is very difficult to take all of those cuts just purely in the department. If I could say, it is not about one organisation or another organisation pinning it to say we will cut that and nothing else. We have to make cuts across our department to budgets. If we are going to make those cuts, we have to include A.L.O.s, whoever they are. We have to. We have some ring-fenced areas of our A.L.O.s, which effectively make it pointless cutting their budgets, because you have to ... we have ring-fenced money, it has to be used there. So there are a number of A.L.O.s who are the main recipients of all those cuts.

Deputy M. Tadier:

You said that there could be economic consequences if the cuts are ...

The Minister for Sustainable Economic Development: .

I think there does not need to be economic consequences because I also think it is important when you are grant-funded, and I said this to the A.L.O.s a while ago, I said A.L.O.s need to think like businesses. Now when revenue drops in a business it does not necessarily make you a worse or less-effective business. What it can do is make you really look at your processes, make you look at the way you work and can make you a stronger and more effective, more resilient business. So that is the framework within which I think it would be right for the A.L.O.s to ...

Deputy M. Tadier:

It does not have a long enough leading time, but if it is a surprise cut that you were not expecting, presumably that can be difficult to manage in the short term, is that not right?

The Minister for Sustainable Economic Development:

Again, I would argue that no business knows when its revenues are going to fall. That is a surprise for every business, and yet businesses adapt. I think it is really important that (1) I do not think it

has been a surprise. I think it is been trailed many, many months in advance. I do not think there is an element of surprise, so I think the challenge, and it is a good challenge, is think like a business; where can you become more effective with a slightly smaller amount of money?

Deputy M. Tadier:

Can I just push you on that, because we have heard that the amounts that you finally have foisted or cut from some of these A.L.O.s, it was a surprise that they were not expecting that amount of money to be reduced on their budget?

The Minister for Sustainable Economic Development:

I cannot answer that. I sat around the table with Digital Jersey 2 months ago ... I believe it was about 2 months ago.

Deputy M. Tadier:

But did they know the amounts that were being talked about?

The Minister for Sustainable Economic Development:

I told them. I explained to them a couple of things and one of them was: "I have to cut £571,000 from A.L.O. budgets and at that time that is likely to be X amount." I believe that was what I said at the time.

Deputy M. Tadier:

But at the time it was spread over more A.L.O.s, was it not?

The Minister for Sustainable Economic Development:

No, I do not believe it was.

Deputy M. Tadier:

I think there was, because Visit Jersey is an A.L.O.

The Minister for Sustainable Economic Development:

Yes, that is correct.

Deputy M. Tadier:

Okay, but they have not had their budget cut.

The Minister for Sustainable Economic Development:

I have been speaking to Digital Jersey and Jersey Business and I have said to them I am going to seek to find if I can spread it more thinly. So I am doing that at the moment. In that sense, that might be a surprise as well, that they are not having as much cut as they thought.

Deputy M. Tadier:

But the offer is there, Minister, if you want to support our amendment. I think we are trying to get more money for your department.

The Minister for Sustainable Economic Development:

I appreciate that, thank you.

Deputy M. Tadier:

You can consider voting with us on this one if you want to but I will leave that with you. But putting that aside, I was going to ask, before passing over to Deputy Wilson, is digital an area that you keep entirely for yourself or is there any delegated responsibility to other Assistant Ministers?

The Minister for Sustainable Economic Development:

Well, certainly, number one, Deputy Scott takes a big interest in digital matters. Delegated cybersecurity and data protection, which are both absolutely digital matters to Deputy Scott. I believe Deputy Scott is quite capable of engaging in the digital economy side of things very well.

Deputy M. Tadier:

Obviously, we have got specific questions on cybersecurity later, so we do hope to hear from Deputy Scott, and of course, if you wish to answer any and if the Minister wishes you to, that is also fine.

Assistant Minister for Sustainable Economic Development:

I was going to say, in the context of digital and Digital Jersey, that it may be worth looking at some of the work when I was chair of the panel, because in fact, Digital Jersey was notified of cuts. I think they were buffered to some extent, but I think you need to perhaps go back and have a look at how things stacked up.

Deputy M. Tadier:

I am sure we can do that, if we have not already. Thank you. I will pass over to Deputy Wilson.

Deputy K.M. Wilson:

Can I just follow on before we just move on to the 2 other questions here? Here we have got a key government department that is instrumental in helping organisations to be more productive, to be transformative, and to be able to bring that new kind of technology and development to the Island.

What you are proposing is to reduce the resources available to that department to be able to continue to operate on all those fronts. Our question and our amendment is more about why we would do that when it is fundamental to the way in which the economy will need to adapt and change for the future, if you are to achieve your outcomes around productivity and transformation? I do not know if you have any more comments on that?

Assistant Minister for Sustainable Economic Development:

I could argue, why would you divert funding towards arts and culture and heritage from the Budget? You could say on all of these ...

Deputy K.M. Wilson:

It is specific issues around the amendment and around ... one of the things that I think, and the question is about whether this is actually spread across departments. This is critical infrastructure that will need to be supporting health, education, as well as business. We are concerned to understand what is it that makes this an area where the reduction in the resource has been considered.

The Minister for Sustainable Economic Development:

I think it is really simple. I would prefer not to cut budgets. I have a mission given to me from up high that I have to cut budgets. The Government has chosen to increase investment in Health. The Government has a finite amount of money, we therefore have to distribute the reductions elsewhere. From my perspective, I actually think there is a good and strong challenge ahead which is please let us work as businesses. We try to in our department. Our department itself has taken many more cuts.

[14:15]

We are saying challenge ... these are organisations that support businesses in different ways. I think it is therefore beholden on them to also think like businesses and that means you cannot always guarantee that you will have the same amount of money year in, year out, and I think that pressure actually makes them become sharper and makes them become more focused on what they are trying to do and more focused on the support that they want to give in the many areas that you have just talked about, Deputy. I think that is a very useful piece of work, because I think otherwise what can happen is, if your grants just continually grow, I think it is quite possible that that becomes taken for granted, that you then are not as efficient because you just believe that the money will keep coming in, keep coming in. There is not a business in Jersey that knows whether the money will keep coming in or keep coming in. I think it helps keep that sharpness and a certain resilience and a certain mission focus as a result of this pressure and this downward pressure.

Deputy K.M. Wilson:

Does this mean then that this is Government's way of performance managing the performance of the A.L.O.s?

The Minister for Sustainable Economic Development:

I think it can be, yes.

Deputy K.M. Wilson:

Is that clear? Because they are delivering on a Government agenda, they are not delivering for shareholders in terms of generating profits. What is it that you are telling us about the way in which you are interfacing with arm's length organisations around productivity and improvement and efficiency? Are you just saying to us that they just need to operate like a business and they need to expect variations, or are you trying to performance manage them in such a way that they start to understand the importance of a performance management approach to the things that they do?

The Minister for Sustainable Economic Development:

I think there is an element of both in there, to be honest with you. I do think, and I do believe, that downward pressure on budgets, and it is relatively small, I do think it means that any organisation stays alert, is constantly questioning themselves, constantly reviewing processes, constantly reviewing what they are delivering, how they are delivering it, and the effectiveness of that delivery. So, in that sense, I do believe there is an element of performance management. I do not think that is a bad thing.

Deputy M. Tadier:

I do not know if we are allowed to use the word "disingenuous" here, but I am not going to get ...

The Minister for Sustainable Economic Development:

You are allowed to, I do not mind.

Deputy M. Tadier: .

I am not going to get pulled up by the Bailiff, for sure.

The Minister for Sustainable Economic Development:

No, I am happy to have that ...

Deputy M. Tadier:

In terms of the argument, you started off with the point that you do not want to be implementing the cuts. I think you are trying to find a silver lining to say that these organisations are maybe not being run efficiently, therefore they can absorb these and find better ways to practice. There is no evidence that ... I have not heard anyone saying that Digital Jersey, Jersey Business, Visit Jersey, any of these organisations, are inefficient. You have never told us that. Yet you are saying that this could be the outcome from giving them less money.

Assistant Minister for Sustainable Economic Development:

It is about how you support ambition.

Deputy M. Tadier:

But where is the evidence that this will be the consequence of the reduction in budget?

The Minister for Sustainable Economic Development:

I will be meeting Digital Jersey, as an example - only as an example - in the coming days. I think it is absolutely right. When I talk to them, I talk to them about the work in partnership together. I explain to them the issues around cuts, that we are taking them as a department as well. This is not just being passed on. It is interesting. I think that people, including the panel here, focus on protecting A.L.O.s, but they are happy for the department's budget to be cut, because that is where the cuts will have to come from. So the department budget will have to get cut even further. Only focusing on A.L.O.s suggests that there is a suggestion, in my mind, an implication that the department itself is not ..

Deputy M. Tadier:

I think we have secured more money for you. I think the percentage for arts obviously has given you more money as a department, so I think ...

The Minister for Sustainable Economic Development:

No, not as a department.

Deputy M. Tadier:

That is for you ...

The Minister for Sustainable Economic Development:

No, it is a subsector of the department.

Deputy M. Tadier:

That is for you and the Minister for Treasury and Resources to sort out. There are ways that things can be done, so if there are things you want to tell us about your wider budget we can talk about that. I am mindful of course that this is not a Budget hearing, we have had that, but we are focusing specifically on Digital Jersey here and the digital strategy in your department.

The Minister for Sustainable Economic Development:

But we are talking about A.L.O.s and not just Digital Jersey here. I think it is really important that I do not believe this conversation has developed into one which is just about Digital Jersey. For me, this conversation is now about the A.L.O.s and not just Digital Jersey.

Deputy M. Tadier:

In the context, but we are focusing on the digital strategy so in the sense that Digital Jersey is an A.L.O., and you said that there is good partnership working between Digital Jersey and your internal digital department, if I can call it that.

The Minister for Sustainable Economic Development:

I will come back to you. Yes, do I want to find a silver lining? Yes, I do. Do I want a department which has cuts to it across the board? No, I do not particularly want to have cuts across the board. I do worry about investment in Jersey's economy. I note that we are one of the lowest, from a Government perspective, investors in the economy compared to other areas. But I also point out that we have heralded this in terms of the future economy programme, the ageing population ... we are seeing it in action now. Money is going into Health; vast amounts of money is going into Health. It is already the biggest or one of the biggest spenders in government. Health is getting more money. That is a consequence of the ageing population. That is happening before our eyes. As a result, other departments of government get reduced budgets. As a result, we have to be cleverer with our budgets and what I am saying is that the A.L.O.s need to come on that journey with us. They cannot be protected entities.

Deputy M. Tadier:

That is fine, but that is a paradigm which you have accepted as a Minister. I think the Health Department has not accepted the cuts agenda. I think that these are political choices that are made ...

The Minister for Sustainable Economic Development:

That is correct.

Deputy M. Tadier:

... and we are interested in the evidence and the consequences of those reductions in budget. I think we will leave that there unless ...

The Minister for Sustainable Economic Development:

If I could just quickly say, I do not believe that the amounts that we are looking to reduce budgets by are of such a magnitude that any of the A.L.O.s that will be affected by it cannot deliver as effectively, if not more effectively, by looking at processes, by changing things around. I think if we were going for something like a 30 or 40 per cent cut, something like this, I think that would have massively clearly a detrimental effect. But I think when we are talking about smaller amounts, then I think we are talking about amounts that allow them to accept that pressure, review the way they work, review how they are working, what they are working on, and prioritise streamline processes, et cetera, that will make them be more effective at the end of it. I do not think we have got to a level of cut that disables them in any way.

Deputy M. Tadier:

All right, well, we have got that on record, Minister, so thanks for that. We will move on.

Deputy K.M. Wilson:

Just coming to the strategies, can you explain why there is a significant delay in the finalisation of the strategy, given that it was expected in quarter 4 of 2020.

The Minister for Sustainable Economic Development:

First of all, to be honest with you, the whole vote of confidence and the new Government coming in was one of the things that did affect the delivery of the strategy. I then wanted to make sure that I was content with all elements of it. I think there has been a desire in Government as a whole to focus more on delivery, fewer strategies. I know that our department was absolutely one of the departments coming up with strategies. I do maintain that strategies, such as the visitor economy strategy, were strategies that were being asked for by industry, depending what industry you wanted.

Deputy K.M. Wilson:

Sorry, Minister, can you just repeat what you said there about strategies? You said the production of many strategies was a problem.

The Minister for Sustainable Economic Development:

That is one of the things that I have understood is one of the ... I actually heard this in the vote of confidence debate. Government is delivering strategies, but not delivering, if you know what I mean. That was something that I know was said in the vote of confidence debate. So one of the things that I wanted to do is just make sure that we are delivering, and now we have got the Partnership

Board working, is this strategy one that is going to be delivering? It looks like it is. So I think we are in a better place for publishing the strategy itself.

Deputy K.M. Wilson:

When will we be seeing that? Do you have a date?

The Minister for Sustainable Economic Development:

I do not have a date at the moment, but I am content with it, so I can publish it relatively soon.

Deputy K.M. Wilson:

You can?

The Minister for Sustainable Economic Development:

Yes.

Deputy K.M. Wilson:

In terms of the monthly delivery board meetings and the quarterly Ministerial Oversight Board meetings, have any taken place at all?

The Minister for Sustainable Economic Development:

Certainly the Partnership Board meetings have taken place. I have had meetings about the digital economy strategy, but I do not know if they were billed as formal Ministerial Oversight Group meetings. Elisabeth, were they billed as formal ...?

Senior Policy Officer, Digital Economy

I do not believe so.

The Minister for Sustainable Economic Development:

No, I do not think so.

Deputy K.M. Wilson:

The reason for that?

The Minister for Sustainable Economic Development:

There is no specific reason for that at all.

Deputy K.M. Wilson:

Okay. Are you able to provide us with any detail as to whether people are still working collaboratively as anticipated, or given the absence, if you like, of any action to date? Have you got any specific arrangements in place to try and create some more cohesion around the strategic intentions that you outline?

The Minister for Sustainable Economic Development:

I do not believe that we have ... I do not recall any divisions or lack of cohesion, but I will speak to Elisabeth. Please tell us if there are.

Senior Policy Officer, Digital Economy

No, I am not aware of any, and they meet monthly. So, key senior members of C.Y.P.E.S., M. and D., Digital Jersey, Jersey Business and the Digital Economy team meet monthly to review progress against the strategy. Those meetings are unlimited and that is where any concerns are raised and managed within the delivery framework of the strategy.

Deputy K.M. Wilson:

I think the question is more about are people working collaboratively on the strategic deliverables?

Senior Policy Officer, Digital Economy

Yes.

Deputy K.M. Wilson:

Can you give us an example?

The Minister for Sustainable Economic Development:

I was going to say I think it is a Plat Douet or Les Quennevais School example. I think these are really good examples of departments working across.

Senior Policy Officer, Digital Economy

C.Y.P.E.S. and with Digital Jersey support.

Deputy M. Tadier:

Can you tell us about the digital academy? What is going on with that? Has the funding been secured for that?

The Minister for Sustainable Economic Development:

You would have to speak to the Minister for Education and Lifelong Learning about that.

Deputy M. Tadier:

Is it not something you have been discussing?

The Minister for Sustainable Economic Development:

It is not something that we fund.

Deputy M.B. Andrews:

I take it the budget split is not between Education and itself?

The Minister for Sustainable Economic Development:

Yes, it is funded entirely out of Education.

Deputy M. Tadier:

So you do not have conversations about that?

The Minister for Sustainable Economic Development:

I have conversations and I have heard that the Minister for Education and Lifelong Learning ... my problem is I do not want to say something that may be incorrect because I am not the Minister for Education and Lifelong Learning.

Deputy M. Tadier:

I am not trying to trick you.

The Minister for Sustainable Economic Development:

So no, I prefer not to discuss what I have said in a private conversation with somebody else.

Deputy M. Tadier:

We are talking about collaborative work and that is all, I just wonder if that extended through the Ministerial ranks. It seems to me that if there are good things happening in terms of a digital academy, then it would have implications on your department.

The Minister for Sustainable Economic Development:

Not from a funding perspective.

Deputy M. Tadier:

No, but from an outcomes perspective.

The Minister for Sustainable Economic Development:

Potentially.

Deputy M. Tadier:

It is fine, it is not a question that we need to pursue but thank you. I am going to pass over to Deputy Andrews, who is going to ask some questions about Impact Jersey.

Deputy M.B. Andrews:

Minister, I just wanted to have your views on the impact that Jersey's Technology Accelerator Fund has had since the £20 million was allocated towards projects.

The Minister for Sustainable Economic Development:

It is interesting, you say since £20 million was allocated; £20 million has been allocated by the States Assembly, and I still think this was absolutely the right thing to do. Rather than putting £20 million in a ring-fenced pot and leaving it there, much of it unspent year in, year out, what we have done is we are staggering the amount that goes into that pot so that then ... for instance, if £3 million was going to be used the first year, we would have left £17 million that could have been used by other departments in that year. What I said was, no, what we need to do is make sure the Impact Jersey Fund has the money it needs for any given year. But the excess that it will not need in those years can then be distributed elsewhere. In all, £20 million will be distributed. That is what I mean. I just wanted to make sure that you understood. There is not £20 million sitting ring-fenced away, so I think that would be a poor use of government resources. So, July 2023, we had the first open programme, and that is the first one that is really at a stage where we could talk about impacts at all. Even then, it is only a year and a few months since then, but 6 projects were funded through that. They have all completed their milestones, and each project has set gateways which are set by the project team ... sorry, by the Impact Jersey team and they have to meet certain achievements, let us say, in order to get the next tranche of their funding. All of the 6 projects have passed through those gateways and received their full funding. I know that certainly some of them, such as the drones for search and rescue, is a project that benefits us daily in the sense that they are there and they are able to be used for us. So the initial indications are that that first open programme is being successful. We have now obviously since then launched the CareTech programme and now the Customer Experience programme. They are too early for us to be able to have a view on the success of them or not.

Deputy M.B. Andrews:

Can I just ask, Minister, obviously you have been in post since we reconstituted in June 2022, I just want to know whether consideration would be given to try and secure funding in future once the £20 million has been fully used?

The Minister for Sustainable Economic Development:

I think if this is successful, this is exactly the kind of fund that I think is really valuable to the Island. One of the things I have said to Digital Jersey a year or so ago ... let me start. One of the things Jersey does not have much access to is research, development and innovation. We do not have big academic institutions, things like this, which generate that kind of innovation, research and development. I think Digital Jersey has a role in that area and this Impact Fund is a really good example of the way they can have a role in developing innovation in Jersey.

[14:30]

With that in mind, I think it is highly likely that future Governments, which I will not have a part of because I think £20 million is still going to take a few years yet to spend, so future Governments, if they can show that there was success in this first £20 million, I think future Governments should really look very carefully at the idea that they should probably carry on such sorts of funds. I love the flexibility of it. So the fact that we have done everything from an open programme which had drones, for instance, as we talked about, through to CareTech, through to now Customer Experience Tech, and there is a whole range of other sectors that the funds can engage in, gives it a flexibility. What I like about it, it is not just digital, it is not just digital technology, it is technology in its wider sense across a range of sectors. So I love the flexibility. Jersey, as a small Island, needs to be open to innovation from outside and this is a really good way because, at the end of the day, the fund itself, by having money in it, does mean that external organisations, not Jersey-based organisations, will also have an interest as well as Jersey organisations. I think it is already working with a good balance of both external and internal organisations because innovation cannot only come from within, it also needs to come from without. I think the Impact Fund, which we have modelled quite closely on the Canadian model, Impact Canada - and it seems to be doing really good work there - I think it is likely to be the sort of fund that should be continued long into the future, because wherever we are, 100, 150 years, long after our time on this planet, the Island will still need to take innovation, will still need to be able to take new technologies, it will have different challenges to the ones we have today. But the idea that you will not need innovation, I cannot believe that, if we are going to be fighting.

Deputy M.B. Andrews:

Minister, you have touched on private sector investment compared to other jurisdictions where we stand in that respect. I just wanted to know whether it was something that you would like to see more of private sector investment to try and stimulate the economy, and if so, what do we need to do to try and make sure that happens?

The Minister for Sustainable Economic Development:

I will, in a sec, hand over to Tom, because it will be interesting to hear what he says about it as well. I strongly believe that we need greater private sector investment. I think, to some extent, one of the narratives I would like to change in Jersey is that Government needs to do everything. I think we need Government and the private sector to be working together, and by private sector I mean that is ... so this includes charitable organisations, things like this, hence the social enterprise pathway as well. Quite simply, if we stand on the idea that Government needs to do everything, then we are going to have to change our whole taxation model and we are going to have to become a very different type of Island to the one we have today.

Deputy M. Tadier:

Who is saying Government needs to do everything? I do not hear that very often. I think we have got a low-tax model already, have we not?

The Minister for Sustainable Economic Development:

We do, absolutely. I am not seeking to reduce it in any way at all. What I am saying is that a lot of finger-pointing happens when things go wrong in the economy and says Government should do this or Government should do that. I think, yes, there are plenty of things Government should do. I do not deny that. But it is really important that the private sector works with Government as well. One of the areas that - this is where I begin to hand over to Tom - we know the private sector is not as strong as other jurisdictions in reinvestment itself. So business investment in Jersey is very low. I believe it is half - on a pro rata basis obviously - of the U.K.'s (United Kingdom) investment levels, and the U.K. is the lowest of the G7 countries.

Deputy M. Tadier:

Have you ever looked at whether that is anything to do with the zero per cent tax rate? Obviously if you reinvest in your business, then that is tax deductible, it is not profit that you take out. But if you have got a zero per cent tax rate, is that something maybe Tom would like to talk about?

The Minister for Sustainable Economic Development:

Just before Tom does, because obviously a political line cannot come from Tom, but it is interesting, and I think you have touched on something there, Deputy Tadier, in that by not having ... in general, not having corporate taxes, does mean that you do not ... the Government therefore does not have levers to encourage certain types of...

Deputy M. Tadier:

It cannot give tax breaks.

The Minister for Sustainable Economic Development:

You cannot give tax breaks to encourage investment in this, you cannot give tax ... that is absolutely correct. One of the conversations I have had this morning is about film funding. All jurisdictions that are successful in bringing films to be produced in is tax credits. It is difficult for Jersey to do that without a tax system that you can rebate against, if you know what I mean. But I will hand over to Tom in general about the business investment side.

Chief Economic Adviser:

There are lots of reasons of why private investment has been there and what you need to do to try and ensure private investment improves. Strangely enough, actually, I think for bang for your buck, public investment is one of the biggest returns you get on any form of investment for a wider economy. But that is in things like early education, good infrastructure, and the like. We have some of those things already in place. But, we do invest quite low levels publicly. We spend large amounts on services, as opposed to infrastructure and capital investment. I think we have done that over a number of years. Reversing that trend I think would be important from a public sector point of view, which feeds back actually to the points you were making about A.L.O.s earlier and our wider savings and efficiency across government. We maybe have not quite got the balance of public sector investment quite right at this moment in time. The private sector investment, when you think about what the biggest bang for your buck is of what you want to do, the biggest thing you can do is planning systems reform. That is more across the world and having a very effective planning system. Making sure that you have got a very stable political environment. I think actually we are going to be in a top tier of that anyway. The next most important thing is access to markets. I think access to markets when you are a small Island, it becomes even more important. Whereas access to markets might be fifth or sixth at most, like the U.K., we probably comes second or third of our importance. We need to make sure that we are really clear on where our markets are across all our services, professional services, financial services, and everything we do. From an export point of view, our access to markets is not great because of Brexit and other items as well. But also from an import point of view, it becomes more important when you are on-Island as well, that access to markets to ensure that costs are kept low so that money can be reinvested back on the Island as well. There are several things that we need to do on that supply side of what we have done in the past. But I think we might maybe need to think about the demand side a bit more, alongside private sector investment.

Assistant Minister for Sustainable Economic Development:

Can I add something about investment, because the finance industry grew not because of tax deductions here? The finance industry grew because it saw prospects for growth. If businesses do not see prospects for growth, they are not going to invest in it. If people are going to retire because they are old, they will not invest in it. Those are the sort of issues that I think we should be thinking about more.

The Minister for Sustainable Economic Development:

Again, I think you are absolutely right. In particular, you talked about people coming close to retirement. It speaks again to the ageing population issue of, yes, if you have a business today and you are thinking that you might retire in 5 years' time, it is unlikely that you are going to invest large amounts in that business right now just because you are coming to the end of your working life and you are choosing to exit the business. Even the ageing population can potentially have an impact on business investment or private sector investment as a whole. I think access to markets, as Tom was talking about, is something again that I focus quite a lot on. It is one of the reasons that, in my mind, Brexit from a U.K. perspective was only going to harm the U.K. because they were cutting themselves off from their biggest market, and that just economically makes no sense. Obviously it is having an impact on Jersey as well. While we had moved away over the last 20 years from trading enormously with the E.U. (European Union), I want us to build back that trade because before the 2000s we had quite a lot of trade with the E.U. But it is difficult to build back that trade because of the U.K.'s decision to leave the E.U. So access to market is something which we do focus on. As I have said to you before and I have said everywhere before, Jersey has to be international. We have to be open, that is where the innovation comes in as well. If we are going to succeed as an Island long into the future, we have to think internationally and that means to all the markets, particularly around us.

Assistant Minister for Sustainable Economic Development:

And digital trade has got an advantage there.

The Minister for Sustainable Economic Development:

It does; digital trade does. Obviously with, you know, the C.P.T.P.P., (Comprehensive and Progressive Agreement for Trans-Pacific Partnership), which is the Trans-Pacific Partnership, in theory will give us goods access to another market. But it is a very far away market.

Deputy M. Tadier:

How are we doing? Are you happy with that section?

Deputy M.B. Andrews:

Yes, I just have one more question. I know I have asked the question to the Minister for Treasury and Resources about Zero/Ten taxation and potentially would any reform happen in the future. I just wanted to have your personal view, as Minister, about the tax regime and whether there are any difficulties with the regime when you are trying to stimulate private sector investment.

The Minister for Sustainable Economic Development:

I do not think there are significant difficulties, as I have said before. The fact that you do not have taxation levers to encourage investment or behaviours in certain ways is a disadvantage. I have heard no conversations in the last 3 years, so since June 2022, about changing the tax system, other than the Reform Jersey manifesto perhaps, but within Government I have not heard of any conversations around that. Obviously, there were tweaks made to the tax system. We brought in, in my time in the States, before the last election, taxation on large retailers. Retailers that generate more than £5 million in profit, I think it is, are taxed at 20 per cent. So, we do have some corporation taxes, Zero/Ten, the 10 in Zero/Ten is financial services taxation. There are areas we can work. For instance, I think one of the things I would like to look at and ask the Minister for Treasury and Resources to look at is can we use that retail tax to encourage productivity investment within those retailers that are taxed? It is only the very large retailers, but can we give tax rebates, et cetera, super deductions, as it was called in the last Budget for the financial services industry, for stimulating certain types of investment within those large retailers? That is somewhere that I think it could be worth us looking at. But there are some bits of corporation tax; property developers. So I think, again ... this is not evidence-based. This is my current thinking, something which has been of interest to me, is when I look at our housing market, and the Minister for Housing is better placed to talk than I am on this, I realise that there are a lot of people living on their own in quite large homes, even within my own family. I know one person who is living in a 5-bedroom home by themselves because as they have got older, fewer people are living in that house. That 5-bedroom home could be a family home for somebody else. Rather than having to build another family home, what would be great would be to create options for older people ... attractive options for older people to move into smaller housing so that that family home is then free on the market. Because developers are subject to a 20 per cent tax, they could receive a rebate for building ... I do not like the word step-down housing, so you could even encourage certain types of housing development by using that tax in a particular way.

Deputy M. Tadier:

Minister, can I bring us back to this?

The Minister for Sustainable Economic Development:

Apologies.

Deputy M. Tadier:

That is all right. We all like to range widely.

The Minister for Sustainable Economic Development:

Well, I was asked the question.

Deputy M. Tadier:

You are happy to talk about housing but not the digital academy, it would seem.

The Minister for Sustainable Economic Development:

No, I was asked my personal view on tax reform.

Deputy M. Tadier:

That is all right, I think there is probably latitude which was given maybe inappropriately. But I think it all comes out in the mix. Is it all right if we move on to the next section? So I would like to bring us back to the retail strategy, if that is okay; back down to earth, so to speak. With regard to the retail strategy, can I ask for an update on where the strategy is basically?

The Minister for Sustainable Economic Development:

The retail strategy has just come to me for consideration. Obviously, I may ask for some amendments to be made, et cetera, and I believe the panel has been briefed on the retail strategy.

Deputy M. Tadier:

What are the main levers, what are the main areas of focus, the outcomes that you would like to achieve in terms of the strategy?

The Minister for Sustainable Economic Development:

Ultimately to get a retail sector that is really fighting fit for the future. It is based around 3 main pillars that we want a vibrant retail strategy but it should be consumer-led. I think that is really - or customer-led, might be a better word - and productive in the terms of efficiency. The strategy highlights those 3 areas, and creating that business environment.

Deputy M. Tadier:

What does vibrant mean?

The Minister for Sustainable Economic Development:

Alive; alive and kicking.

Deputy M. Tadier:

All right, good. Do you not think we have that now?

The Minister for Sustainable Economic Development:

I actually think we have got a much better retail sector than sometimes the comments I read suggests. I think Jersey has ... we have looked at Jersey's retail sector, particularly the town centre,

and we have a high street, which has got a great mix of chain stores, national chain stores and independent stores. We have got really good footfall still, despite COVID having changed working practice, more people working from home. We still have really, really good footfall, which we know, having spoken to other towns in the U.K., they are really quite envious of the amount of footfall we have got. So we have got people visiting town, we have got a great mix of shops in town. We have now opened up King Street so that we see some restaurants coming on King Street too - King Street and Queen Street - which makes it ... again, just brings more people in. We have got more events happening and the arts and culture strategy is really well-placed and does provide events in that area. I think we have got a superb proposition. I think it is much stronger than sometimes comments suggest it is. What I want to do is build on what we have, which is a very good retail centre and make it even better.

Deputy M. Tadier:

If I can say, today we have got, if you look out the window behind me, the Christmas fair starting in the Royal Square. Christmas week, effectively a festival of consumerism if you are a retailer, you could call it. I will be struck down by somebody now.

The Minister for Sustainable Economic Development:

A lightning bolt.

Deputy M. Tadier:

A lightning bolt. I am going to wait, give it a few minutes, I think I am all right. If we take this as an example, I do not want to knock what is going on out there because there is a lot of good work, but it does not feel especially Christmassy. We have got these plastic tents out there which come every year. They are set up now.

[14:45]

It is well over a month before Christmas, and that fair, I think, will be taken down probably 2 weeks before Christmas, probably when some people are just getting into the Christmas spirit, and some people might have a few days off work. Does there need to be a more joined-up strategy, in fact, about what happens in the ground, and who are the major stakeholders that are going to be involved in that to make the town centre not just vibrant for shopping but as a place to be where shopping might be a by-product of what is going on in St. Helier?

The Minister for Sustainable Economic Development:

It is interesting. I think number one, it is really important to say the Fete dé Noué is really successful and showcases different Jersey businesses and their products in different ways. I agree with you

about the tent situation. I think, when I have been to places like Zurich or Strasbourg, where I used to live, where they have Christmas markets, they are much more in kind of wooden cabins. I do not know the reason why we have chosen one over the other. I am happy to try to find out and suggest could we change to that. I think one of the issues with events is they both attract, but they potentially can also compete. I do not know if this is one of the reasons I am not close to the organisation of the Fete de Noué, but it is true that a bricks and mortar shop has to pay rent, has to have building codes that it adheres to, et cetera. A short-term event does not have any of that. I particularly noticed this in the hospitality sector, where a one-off nightclub in the street, let us say to the Royal Square, does not have to worry about soundproofing the building and things like this, whereas I know hospitality venues have to pay hundreds of thousands of pounds to soundproof their building and such like. There is a market distortion when you do bring short-term events in. That might be one of the reasons why it is not the full month. I do not know, but that could be a reason because it ultimately, in a sense, competes with retailers who are already in town in bricks and mortar. But the actual concept of having a Christmas event which attracts more people to town, and I know the Parish of St. Helier, which is one of those key stakeholders that we work with, is doing that. They had a fantastic turning on the lights recently. They have a lot going on down the Parade. That does bring footfall to town. It is then up to our shops, and this is where the retail strategy speaks to it; it is up to our retailers to convert that footfall into people coming into their stores and then people buying from their stores. A lot of the retail strategy is going to be about encouraging ... helping businesses understand how they convert what is really good footfall already.

Deputy K.M. Wilson:

Can you just help us understand what percentage split there is between retail businesses that have opened and those that have closed over the last 12 months?

The Minister for Sustainable Economic Development:

I do not get stats on businesses that are opened and neither closed, but what I can say is ... and there are many reasons the J.F.S.C. (Jersey Financial Services Commission) are the ones who hold that information, but what I do know is our vacancy rate is about 10 per cent at the moment. That is slightly higher than it was a few years ago and I think there are numerous reasons for that, not least things like COVID, cost of living, which sent import costs for businesses much higher, meant some people perhaps bought less as well. But also the centre of gravity of town has moved to the south, and this was a policy decision 20 years ago, 30 years ago, with the Waterfront and the abattoir site being turned into a retail centre. There is a shift in the centre of town's gravity, which does mean when you look particularly to the Queen Street and then towards Colomberie, that is often where you see more of the vacancies. I do wonder how much the vacancies we are seeing at one end of town is due to the pull that has happened towards the other centre of town.

Deputy K.M. Wilson:

What is the plan to make that as equally vibrant, as it were, because you talked about having a vibrant retail sector?

The Minister for Sustainable Economic Development:

Absolutely. So we are actually going out and, as I asked officers, we need to sell Queen Street. Those are my words, go and sell Queen Street. We are now, and I will ask Heath perhaps to speak to this as well, engaging with retailers. Obviously, we are not landlords, we cannot do the deal, but we are engaging with retailers to tell them about the benefits of being in Jersey's high street; maybe that is something Heath can speak to?

Deputy K.M. Wilson:

Just before you do, Heath, can I also ask a question about ... we hear from a lot of retailers who talk about the cost of rents. What is the department doing to actually navigate or negotiate on behalf of retailers?

The Minister for Sustainable Economic Development:

We do not navigate or negotiate on behalf of retailers with regards to their rent.

Deputy K.M. Wilson:

What can Government intervene to do?

The Minister for Sustainable Economic Development:

At the moment, I do not think there is a lot we can intervene to do. Those are private sector decisions and private sector contracts that are entered into. Market forces are dictating that rather than Government.

Chief Economic Adviser:

Can I just come in on that point, because that is a really important point to this, because you were just talking about ..

The Minister for Sustainable Economic Development:

Are you telling me there is a lot Government can do?

Chief Economic Adviser:

No, the market, and what we were talking about, the shifting of towns. That happens in most city centres and town centres, often with a strategy behind it. The places where you are shifting from often actually are reducing their rents, and they become very important places for start-ups, for some

of the innovative companies, that can then start up more effectively, cheaper, but then maybe go into the areas of the high footfall as well. As towns live and breathe, which they actually do, and move, different areas become more vibrant at different times. The areas that maybe are not quite as vibrant become really, really important themselves as those start-up areas. While the Government is not intervening, by having that shifting round, it becomes a really important part of any strategy for a town centre to be successful.

Deputy M. Tadier:

Is it not the case that the Government has actually intervened? What it did is it set up, with S.o.J.D.C. (States of Jersey Development Company), it created the Waterfront. It then decided to subsidise rents and get a peppercorn.

The Minister for Sustainable Economic Development:

Again, I do not know that.

Deputy M. Tadier:

I think that is what we have seen. The anchor tenants that we have had down at Liberty Wharf have basically moved in there either very cheaply or ... and so that has then created Government interference, if you like, has created a vortex on the other side of town.

The Minister for Sustainable Economic Development:

Thank you, I did not appreciate that there were low rents provided to Liberty Wharf. Is that still the case?

Deputy M. Tadier:

I do not know. Maybe that is something I could ask you because you are the Minister.

The Minister for Sustainable Economic Development:

No, but I am not a renter.

Deputy M. Tadier:

That was certainly the case.

Assistant Minister for Sustainable Economic Development:

Or responsible for S.o.J.D.C.

The Minister for Sustainable Economic Development:

And I am not responsible for S.o.J.D.C.

Deputy M. Tadier:

But I think Government can interfere or intervene.

The Minister for Sustainable Economic Development:

We could do in the most, let us say, flat and least nuanced fashion bring in rent caps, et cetera, or something like this or design certain types of contracts. I would also worry that if we were to do that, that would send a particular message to the market which may actually put off investment in the Island. I am not sure but that is something you would have to look at very carefully before Government intervene. I do not know if Heath has anything to say about what we are doing to attract or to sell the retail sector to the Island?

Head of Local Economy:

Retail falls under our inward investment strategy and in that we identify where does the Island have needs and how do we draw businesses to the Island that fulfil those needs. If we feel Jersey has an ageing population and we want to attract care businesses to the Island, we do that through our inward investment strategy and the team that deliver inward investments within the department. Retail is no different. We look at how do we achieve the key pillars of the retail strategy, if it is vibrancy. Retail has changed enormously over the last 10 years. The high street is no longer somewhere you go to acquire goods anymore. It is far more experiential today than it was 10 years ago, and it is not just about coffee shops either. It is a very balanced, curated mix, and what we have seen is some of the success in the high street has come from independent retailers. While we are out there, like we were last week when we saw you, Deputy, we are out there flying a flag for Jersey, declaring we are open for business and trying to have conversations with the sorts of brands who are finding retailing in the U.K. high street, footfall is low, crime levels are high, they have got every reason to move to clicks rather than bricks, and we are trying to say to them there is a place called Jersey with 7½ million footfall in the high street, low crime.

Deputy K.M. Wilson:

Would that extend to some of the calls that have been made particularly in a cost-of-living crisis for low-cost supermarkets?

Head of Local Economy:

Sorry, what is the ...?

Deputy K.M. Wilson:

Would the call be also for low-cost supermarkets?

Head of Local Economy:

I will let the Minister answer, as you have done a lot of work in that area.

The Minister for Sustainable Economic Development:

I think it is interesting, I was speaking about supermarkets this morning. We have gone out, not specifically for low-cost supermarkets, but we have one supermarket which in the next few weeks I should learn whether they are choosing to commit to Jersey or not. But obviously we have also seen recently Morrisons supermarket move into the Island directly rather than through the franchise situation. So its products were here before but the business was not here; now it is the actual business coming here. I am meeting them soon and one of the questions I will be asking will be about pricing of goods because I think there is potentially need for that. Previously we had some low-cost supermarkets ...

Deputy K.M. Wilson:

You talked about your relationship with European partners, so we have talked about French supermarkets and there have been suggestions perhaps that the Aldis and the Lidl's of this world might also be potential customers to Jersey.

The Minister for Sustainable Economic Development:

They may do. We are always happy to speak to them. I think Jersey has issues around scale on that front. A lot of these businesses require ... and this is where ... we have excellent footfall for high street retailers, the supermarkets we have obviously limited scales. I am not sure what Aldi or Lidl have said about Jersey. I believe they have been approached in the past but my thought would be that they would see the scale of Jersey as not being on the size that would enable them to make the returns they require, but we have other supermarkets. I said there is one which I should know in the next few weeks whether it is going to commit to the Island or not, and Morrisons has committed to the Island. Certainly if you look at Morrisons U.K. pricing, it is lower than the lowest prices in Jersey. Whether they can bring ... Jersey has a different cost base, they will have to adjust their pricing locally for that cost base but it does give me hope that they may be able to help on the pricing front as well.

Deputy M. Tadier:

Do we not have Morrisons already?

The Minister for Sustainable Economic Development:

Through a franchise, so it is their products rather than the business.

Deputy M. Tadier:

It is just confusing because they are called Morrisons, are they not?

The Minister for Sustainable Economic Development:

It is Sandpiper. So Morrisons currently ... Morrisons has bought a lot of shops off Sandpiper but Sandpiper was already stocking Morrisons products in its shops and flying it as the Morrisons brand but it was not Morrisons.

Deputy M. Tadier:

But like you say, there is no guarantee that a cheap supermarket would translate into cheap prices because it is a bit like dragging a bottom fish up to the top and it is changed all of a sudden, it is not the same shape and it is a dead fish.

Deputy K.M. Wilson:

It is still the same fish.

Deputy M. Tadier:

If you excuse the morbid, slightly bizarre, analogy. I am reading a book about cod that is why ...

The Minister for Sustainable Economic Development:

I was wondering where that had come from. It is the highlight of my day.

Deputy M. Tadier:

With that segue, I am mindful that we are getting towards the end of this and I do not want to disrespect ...

Assistant Minister for Sustainable Economic Development:

I need to leave at 3.00.

Deputy M. Tadier:

... any particular ... I am mindful of your 2 colleagues and the officer who have not had a lot of chance to talk. I am minded to bring this to an end, because I do not think it is worth starting a new topic. That is no disrespect to the areas that we have not covered of cyber-defence.

The Minister for Sustainable Economic Development:

Would you like to send through those questions in those areas?

Deputy M. Tadier:

I would. So just for the public record, we have got questions outstanding on the agricultural loans, cyber-defence, and the maritime modernisation policy and amendments that are coming through. Are there any points that you would like to just cover in the next few minutes on any of those?

The Minister for Sustainable Economic Development:

Just on the maritime front.

Sector Lead, Aviation and Maritime:

I am happy to come to the table and answer any questions.

The Minister for Sustainable Economic Development:

Sorry, Deputy Scott, is there anything on cybersecurity?

Assistant Minister for Sustainable Economic Development:

No, that is all right. It is a bit ,,,

Deputy M. Tadier:

We are going to a women-only next time, I am afraid, because it seems to have been dominated coincidentally by all the masculine policy topics, if we can call it that.

Assistant Minister for Sustainable Economic Development:

Not that cybersecurity should not be a priority.

Deputy M. Tadier:

No, indeed. We may need to reconvene if that is ...

Assistant Minister for Sustainable Economic Development:

I would be very interested in learning from your trip to Kosovo in that respect.

Deputy M. Tadier:

We might need a separate, completely dedicated session for that. Thank you. Minister, are you happy to ...?

The Minister for Sustainable Economic Development:

I thought you were going to ask about the III Code.

Deputy K.M. Wilson:

Shall I just give you a flavour of the areas that we are interested in? We wanted to know if you could give us an update on the development of the code. Given the number of government departments involved, how are the work streams being managed in relation to that? Do you have the collaboration and the resources available to you? How often does the Territorial Seas Co-ordination and Advisory Group meet and what issues are there to date? Are you happy with the progress that has been made? That was basically the flavour of the question.

Sector Lead, Aviation and Maritime:

Yes, I will take that very broadly. The I.M.O. (International Maritime Organization) audit of Jersey's maritime compliance was broadly very positive. There were 8 findings for Jersey and a recommendation. The Territorial Seas Co-ordination and Advisory Group, you referenced, Deputy, meets regularly. In fact, it is meeting as we speak. That is the vehicle through which the findings are being worked on and are initiated. A piece of work that is going on at the moment is around developing a mechanism to ensure that international treaties and maritime laws can be efficiently put into Jersey law. This was a finding from the I.M.O. We are developing through T.S.C.A.G. (Territorial Seas Co-ordination and Advisory Group) a mechanism that will use ambulatory referencing to integrate those maritime laws into Jersey law. Now, it will not just happen. The I.M.O. will not say, well, we are updating this convention and that convention and that just writes itself into Jersey law. T.S.C.A.G. will be the vehicle through which those updates are reviewed and audited, and then there will ultimately be a recommendation to the Minister as to whether to proceed. We, as officers in T.S.C.A.G., made sure that we wanted that oversight function before the ambulatory referencing was put in place. It is important to stress that the law drafting on building that mechanism has begun recently.

[15:00]

Deputy K.M. Wilson:

Thank you. Just for the benefit of the public, the statement "ambulatory referencing", could you just explain very briefly what that means?

Sector Lead, Aviation and Maritime:

I am not from the Law Drafting Office or the Law Officers' Department, but as it is explained to me, it is a mechanism, and I will check this when the session concludes and make sure that my statement on this is correct. You would not have to draft primary law. You would not have to make a new law every time there was an update to a convention, if that makes sense. It is a process by which those laws are updated, not automatically, but sort of.

Deputy K.M. Wilson:

Okay. If you can give us a definition in the response, that would be really helpful. Thank you.

Deputy M. Tadier:

Thank you for that. We will follow up on the other points. Can I thank you all for attending, Minister. Have you got any final points that you would like to clarify?

The Minister for Sustainable Economic Development:

Thank you.

Deputy M. Tadier:

Thank you to all of you. I am sorry we do not have enough time for these things, but I think it speaks to the breadth of your portfolio, Minister, what you have to do, and obviously what we have to also scrutinise, so we appreciate that.

[15:01]