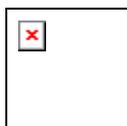


INVESTING IN TOURISM'S FUTURE (P.170/2001): AMENDMENT

**Lodged au Greffe on 27th November 2001
by the Deputy of Trinity**



STATES OF JERSEY

STATES GREFFE

180

2001

P.170 Amd.

Price code: B

INVESTING IN TOURISM'S FUTURE (P.170/2001): AMENDMENT

In paragraph (b), for the word “two”, substitute the word “three”.

After sub-paragraph (i) of paragraph (b), insert the following sub-paragraph -

“(ii) financial incentives to promote private sector investment, such incentives not to exceed one pound for each pound privately invested and to be controlled in accordance with guidelines to be agreed between the Tourism and the Finance and Economics Committees,”.

Re-letter sub-paragraph (ii) as sub-paragraph (iii).

DEPUTY OF TRINITY

REPORT

Prior to 1999, the emphasis, in respect of the States' investment in Tourism, was on infrastructure projects. This principle was supported by the Tourism Industry. But, starting in 1998, as a result of the dramatic downturn in the Industry's fortunes, the possibility of direct financial support for tourism businesses became a matter for serious discussion between the Industry and the Tourism Committee.

There have been strenuous efforts by the Industry since 1999 to progress the question of Investment Incentives. However, it was not until June 2001 that a draft of a Tourism Report and Proposition was produced, which specifically included the option of **"financial incentives to promote private sector investment"**, together with all the supporting arguments and methodology.

Despite many meetings with the Tourism Industry since June this year and a clear initial commitment to the Industry to promote an Investment Incentive scheme, the Committee, fearing a lack of general political support, eventually decided not to pursue the matter. Rather than putting forward the views of the Industry as a whole and thus giving the House the opportunity to consider all the options, a revised version of the original draft proposition was lodged. The revision (P.170/2001) omitted the proposal to make available **"financial incentives to promote private sector investment"**.

The strength of the initial commitment from the Committee is well documented and cannot reasonably be ignored. Members are asked to note, for example, the Tourism Business Plan 2000 (page 7) and the Tourism Strategy 2000, entitled "Tourism Adds Value". In the latter document, at page 60, the first Action Point reads **"Extend the Tourism Investment Fund to provide financial assistance to accommodation enterprises for selected projects"**. The whole Tourism Strategy, as detailed in "Tourism Adds Value", was considered by the House a year ago in an "In-Committee" debate, chaired by the President of Tourism. The result of that debate was the strong general approval of members for the Strategy as published.

To say the least, the Industry was dismayed by the Committee's subsequent change of heart and has declared a complete loss of faith in the Tourism Committee over the matter. This is not only the view of the Jersey Hospitality Association (which represents most hoteliers, guest-house proprietors, restaurateurs, attraction owners and car-hire operators) but it is also the view of other Industry members of the Tourism Advisory Group including the Chamber of Commerce, the Channel Island Tour Operators Group and the Island's sea and air carriers.

An expectation of opposition is not of itself a good enough reason to avoid a debate. I fully believe that the members of the Industry have the right to expect their views to be put before the House, so that the States themselves might make the decision as to whether Investment Incentives are to be made available to the Industry. I would maintain that it is the Tourism Committee's absolute responsibility to represent the views of the Industry and to put those views to the Assembly. This responsibility they have failed to accept and failed to fulfil. There are people who have remained in the Industry in anticipation of this issue being debated and hopeful that it would be resolved in a way that would show meaningful support for the Industry. They have been led on and let down.

If the Report, in the Committee's proposition (P.170/2001), is considered carefully, it is clear that, in light of the Committee's decision not to bring this issue to the States, some sections, relating to investment incentives, have been removed from the original draft Report. Even after this doctoring, however, the case for Investment Incentives is still well made and I am confident that the case is indeed a strong one. In this sense, the effect of the amendment is to make Tourism's proposition correspond more accurately with their own supporting report.

Following the recent postponement of the Marriott Waterfront Hotel, members will appreciate that the Banks are reluctant, at present, to lend on tourism properties as going concerns. In direct consequence, there are simply no buyers in the market-place, save property developers of course. Members may care to ponder upon whether any of the responsibility for this lack of lending confidence might reasonably be laid at our own door. In any event, without a meaningful show of confidence in the Industry by the States, resulting in an improvement in the quality and future success prospects of our hotels, guesthouses and other facilities, the Banks are likely to remain unenthusiastic about lending and the buyers, who would be the new blood that the Industry desperately needs, will not return.

Furthermore, it has to be said that if the number of Industry beds continues to fall, the whole thrust of the Island putting further investment into infrastructure becomes highly questionable. Yet, it is proposed by the Tourism Committee and the Finance and Economics Committee that the Tourism Development Fund be invested almost entirely in infrastructure at the rate of £2 million per annum for a period of five years commencing in 2003. I do not believe that this relatively low level of investment in infrastructure alone will be enough to restore any real degree of confidence in the Industry as a whole. Nor will it reverse the bed-loss trend, except perhaps in the very, very long term. Far better to invest part of the Fund as quickly as possible on incentives, which would have a more immediate effect on reversing bed-loss and which, because such incentives would have to be matched pound-for-pound by the Industry, would have the further effect of at least doubling the actual

investment made.

I wish to make clear that this amendment is merely seeking to permit the use of the £10 million, as requested by the Tourism Committee in P.170/2001, in a manner which the Tourism Industry believes will be most likely to achieve the objective. It is **NOT** a request for any additional money. Nor is it a request for unaccountable handouts. Rigorously audited models, of pound-for-pound investment projects, have long been in existence all around the world and they work well. The House is also reminded that the general availability of Investment Incentives would help to put the Industry onto a more even financial playing-field with numerous competing destinations, as detailed in the Tourism Committee's own report.

The Tourism Committee's proposition at paragraph (d) refers to tourism properties which are located in prime sites and would therefore be constrained under the Prime Sites Policy (TR2) in the draft Island Plan. The Prime Sites policy is intended to protect sites, considered "to be of prime importance to the Tourism Industry" which, once lost, would be irreplaceable. Although the Committee are called upon, in item (d), to consider the possibility of future financial support for these properties, this proposal is entirely unacceptable to the Industry, which is strenuously and implacably opposed to the Prime Sites Policy. This opposition is on two main grounds: Firstly that, to date, Government efforts to protect prime-site properties have simply depressed their selling prices and thus materially devalued them as security for bank loans. Secondly, that the provision of financial support for prime-site properties only, rather than helping all industry properties to survive regardless of where they may be located, is unreasonable. The survival of Jersey's Tourism Industry does not rely on the continued participation of prime-site properties alone. Indeed, most of the Island's busiest hotels are located on sites which are not perceived to be "prime" for tourism purposes.

It is surely undeniable that Tourism is the Island's most realistic insurance policy against any future downturn in the Finance Industry. If the Island wants such an insurance policy, there is a premium to pay. In my view, this is the modest suggestion of pound-for-pound financial incentives to promote private sector investment.

Financial and manpower implications

As stated above there are no additional financial implications as this amendment is not seeking to increase the total amount in the fund, merely enabling the funds to be used in a different manner. There are no manpower implications.