

**2.1 Deputy J.A. Martin of St. Helier of the Minister for Economic Development regarding policies in place for the regulation of the fulfilment industry:**

Will the Minister state what policies, if any, are in place for the regulation of the fulfilment industry, whether he intends to introduce new policies, whether consultation has taken place with representatives from the industry over current and proposed policy, and would he also set out the current status of the prepaid VAT (Value Added Tax) registration scheme to facilitate the speedy delivery of fulfilment goods to the UK?

**Senator P.F.C. Ozouf (The Minister for Economic Development):**

Following an OXERA (Oxford Economic Research Associates) report commissioned by the Economic Development Committee in 2005, the Committee of the day issued a fulfilment policy in August 2005. The prepayment VAT registration scheme is not within the remit of Economic Development and questions, I am afraid, should be addressed appropriately to the Home Affairs Minister, who has responsibility for Jersey Customs. What I can say is that I will be publishing later this morning a new revised policy in respect of fulfilment and certainly also explaining some administrative decisions that I have been making recently concerning the future of the fulfilment industry.

**2.1.1 Deputy J.A. Martin:**

Would the Minister tell us how many companies are awaiting new licences for the fulfilment industry at the Regulation of Undertakings at this moment?

**Senator P.F.C. Ozouf:**

The Deputy is quite right to suspect that there have been a number of licences which have been pending decision. They fall broadly into 2 categories: applications for commencement of a trade, which do require a licence and I have written to all the fulfilment companies and online retailers that were operating in Jersey to require them to put forward a licence; and secondly, applications concerning staff. I cannot give the Deputy exact numbers on the individual applications; they are probably up to 20 in both respects. I have determined a number of them in the last few days.

**2.1.2 Deputy R.G. Le Hérissier of St. Saviour:**

Would the Minister outline the political pressures as he sees them emanating from the UK?

**Senator P.F.C. Ozouf:**

The pressure has been effectively in 2 particular areas, and there is a group of small businesses in the United Kingdom that are independent retailers that have been concerned about the situation whereby some UK companies were using offshore locations, including Jersey, to effectively serve their UK customers through basically a post box in Jersey. I am on record quite clearly as saying that I do not approve of that kind of activity and I believe that it falls squarely within my responsibilities of administering the Regulation of Undertakings to disallow such activities. On the other hand, there are legitimate online retailers, Jersey companies, properly constituted with proper administrative arrangements here that are perfectly properly competing in the UK. It is that latter group of people that we want to seek to encourage to continue operating. They provide a useful stream of taxation income for

the Island. The pressure is, as I say, from the small business retailer, which I have to say I have some sympathy with.

### **2.1.3 Deputy G.P. Southern of St. Helier:**

The policy statement made in August by his predecessors broadly suggested that the then Committee was going to encourage whole-chain companies and discourage third-party service providers. Will the Minister indicate to Members whether this broad policy will be changing?

### **Senator P.F.C. Ozouf:**

Broadly speaking, no. I have to say that I have reviewed the decisions made by the former Committee and there were a couple of decisions by the former Committee, which I know the Deputy is probably aware of, which I cannot quite square with that original policy that was set out by the Committee. Of course, the Committee of the day was entitled to make individual decisions on a case-by-case basis. I uphold and agree and have further tightened the policy that was contained in August 2005. Deputy Le Hérissier asked about UK pressure. There is some speculation as to whether or not the UK will take unilateral action concerning this kind of activity in the budget. I very much hope that Jersey - as a well-run place of integrity - that the measures that we have put in place in Jersey will give considerable comfort to the UK Government.

### **2.1.4 Deputy J.A. Martin:**

Following on from that, Sir, in the policy it does state that there have been concerns expressed from the UK Treasury and late last year that the Minister was going to meet with officials from the UK Treasury to see if these were actual concerns or just concerns that we thought may exist. Could the Minister confirm whether this meeting has taken place and if the UK Treasury has serious concerns about our actions in the fulfilment industry in Jersey?

### **Senator P.F.C. Ozouf:**

I think it is fair to say that as a result of the lobbying of the Small Business Association there are concerns at the highest level within the UK Treasury. We have engaged with the UK, as we do (and I have liaised with the Chief Minister's Department on this), to understand what their concerns are and, indeed, we are at one with the UK in terms of Jersey being used as a post box for UK companies selling to their UK clients via Jersey. I seek to use the Regulation of Undertakings to tighten the arrangements that we have in Jersey. I can also advise the Deputy that I have met with my Guernsey counterpart to seek to establish a common Channel Islands position in respect of online retailing. I believe certainly from the conversations I have had with the Minister that we are as one in the Channel Islands.

### **2.1.5 Deputy G.P. Southern:**

It is envisaged that the fulfilment industry is due to expand remarkably in the next 2 years, doubling the number of employees it engages. Does the Minister foresee any problems in the labour market as a result of this?

### **Senator P.F.C. Ozouf:**

The fulfilment... I actually prefer the words "online retailing." I think that is a much better description of exactly what we are talking about here. The good bits of online

retailing - that is whole-chain company retailing - has provided welcome employment opportunities for our local community. I remind the Deputy that it is only locally qualified people under the Regulation of Undertakings (I think with one exception) that are employed in the sector. This is providing diversity of employment; it is giving students an opportunity to work in their summer and Christmas holidays, et cetera; and it is welcomed, I think, universally. I would see a further expansion. We are talking about a diversified economy for Jersey and I could see that there could be some limited growth within the online retailing sector. But as I would repeat, I have made some decisions in the last few days which are effectively going to be as announced later on this morning, that some companies operating in Jersey that had not hitherto got a licence are being given a 12-month exit route to suspend those activities within the Island.