

## **2.2 Deputy M.R. Higgins of St. Helier of the Minister for Treasury and Resources regarding contingency plans for the exit of banks from Jersey:**

Following the recent speech entitled *What if the banks did a bunk?* by the former head of Deutsche Bank, who is also a former commissioner of the Jersey Financial Services Commission, what contingency plans, if any, does the Minister have to deal with a situation where external factors cause a slow or rapid exit of banks from Jersey?

### **Senator P.F.C. Ozouf (The Minister for Treasury and Resources):**

Undoubtedly 2009 was a difficult year for the financial services sector around the world, however there are no signs that Jersey banks are doing a bunk. Unlike other jurisdictions we have not seen any bank failures and have no banking stability issues. There have been some regrettable job losses here and elsewhere but our financial sector has proved incredibly resilient. Jersey's strong I.M.F. (International Monetary Fund) assessment, O.E.C.D. (Organisation for Economic Co-operation and Development) white listing, and a positive report by Mr. Michael Foot, have helped to ensure that we remain one of the world's leading offshore financial centres. Jersey has retained its place as the highest rated offshore international financial centre in the latest ranking published by the City of London and now is the only offshore centre in the top 20 in the world. While we are confident, we are not complacent and we are not resting on our laurels and that is why on 24th December we announced that fiscal stimulus funds are being invested further to protect jobs in the finance industry and the wider economy. We are taking all necessary steps to protect Jersey's existing business and we are looking at opportunities in growing economies in the developing markets of India and China and beyond and also helping to preserve and expand our traditional markets in banking funds and fiduciary services. As for economic diversification the Minister for Economic Development will shortly be bringing forward to the States important new legislation covering and boosting diversification. This will help create opportunities to expand and diversify the Jersey economy, assisting local companies and providing new avenues of employment for Islanders. I should say that I have read the speech by the ... and the Deputy corrected himself; it is indeed a former commissioner of the J.F.S.C. (Jersey Financial Services Commission). That is not the written submitted question. I thought it was a very positive speech. I thought it was an excellent speech which set out the importance of the financial services industry and nevertheless spoke about diversification.

### **2.2.1 Deputy M.R. Higgins:**

Would the Minister agree with the assessment that recently ... it was in the latest Jersey Business Brief, and is also amplified by economists around the world, that recessions that are caused in financial markets by financial institutions are among the deeper ones and in the Jersey Business Brief it mentioned that Jersey was likely to suffer more than the Isle of Man and Guernsey because of our dependence upon the finance industry. Would he care to comment on that?

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

Delighted. Jersey Business Brief does not have a monopoly on economic commentary. What they do say, and it is true to say that there has been a contraction in financial services and because of Jersey's pre-eminent position as having a scale of financial services activity, which is much larger than Guernsey and the Isle of Man, we have seen a greater fall-off but the position remains that we still get far more tax return per capita of our comparative jurisdictions of Guernsey and the Isle of Man for

financial services. So, yes, there has been a greater contraction but we start from a much, much higher base and the position that we end up with in starting the position of economic growth means that we are likely to grow much faster than some of these other places too.

### **2.2.2 Deputy D.J.A. Wimberley of St. Mary:**

The Minister clearly accepts the need for diversification and he mentioned that the Minister for Economic Development was bringing forward important new legislation. Would the Minister for Treasury and Resources care to comment on the fact that the tourism industry does not need new legislation, it needs more support and, for example, out of 10 or 11 marketing and P.R. (public relations) organisations across Europe there are now just 2 left?

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

Diversification is important. It is important to diversify the financial services industry, both its geographic range and its product range. That is vital to ensure that it is not a one-trip pony in itself. In terms of tourism support, I agree I cannot comment for other governments and what they do but this Assembly votes more money for tourism than many other development agencies and we continue to do so, and I would remind the Deputy that last week I announced fiscal stimulus funding for Durrell - an important tourism attraction - a pound-for-pound funding to ensure a new visitor centre. The Minister does everything he can for tourism and where we see opportunities we will do more.

### **2.2.3 The Deputy of St. Mary:**

May I ask a supplementary on that? How does the Minister see the future of tourism in these straightened times when we are supposed to be cutting £50 million from the budget? I just cannot see a growing appetite in marketing spend.

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

The difficulty that we have is that all of the services that are provided by the States of Jersey do need to be looked at in terms of delivering them more cheaply, but that should be compared with investment in terms of securing our economic future. Much of the economic fiscal stimulus money that has been put is designed to ensure that people are kept in work and we prepare and we position Jersey to take as much of the upside as possible, both in financial services, in intellectual property, in creating digital Jersey, in creating all sorts of opportunities.

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

Does the Minister agree that the reasons why the financial institutions remain in Jersey are the same as why they came here; namely stable government, good communications, close to London, good public service infrastructure and good legal expertise on the Island?

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

Yes, and we all have that in abundance.

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

In that case, will the Minister agree that the reason the banks stay here and why they came here is not primarily about low tax rates and will he agree to tax business, the finance sector, at a rate appropriate for doing business in Jersey?

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

I do not think Deputy Southern and I will ever agree on this. An important element and part of the financial services industry is offering of tax neutrality. We seek business that has been taxed on the inbound and we ensure that all individuals give their information to their respective tax authorities. We offer tax neutrality. Deputy Southern wants to tax business here which will ensure that they are taxed twice and if his policies were ever to be in force in relation to the financial services industry we would not have a financial services industry.

**2.2.6 Deputy P.J. Rondel of St. John:**

Given the Minister has mentioned that some of the money he has spent, £1.5 million, has gone to Durrell and given that Durrell recently received £500,000 from the United Kingdom Government by way of a grant, is the Minister happy that the money is to be spent on an interpretation centre or kiosk for going in and the like? Also, given that Durrell are reputed to have a plane standing at the airport, would it not have been better if they had sold their plane and used it on the welfare of their animals and creatures within the zoo prior to using public money by way of the stimulus package?

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

First of all, may I say that I am delighted to hear that the U.K. (United Kingdom) Government is supporting our Jersey Durrell organisation helping secure its future too. I do not think there is any Member of this Assembly that does not think that Durrell is absolutely important to Jersey, both as part of our unique offering for children, *et cetera*, and a magnet to bringing visitors to Jersey. Durrell needs support from the States; they have had support over the years. The fiscal stimulus body and all of the advice I have is very testing in terms of ensuring that money is only given where it is absolutely necessary. I do not think the Deputy is correct in saying that there are planes available for jetting people from Durrell around. Durrell has had financial issues. I think that everybody in this Assembly is aware of that and that is one of the reasons why we have supported the pound-for-pound matching for the new visitor centre, which I am sure is going to be an exciting new attraction for Jersey.

[10:00]

**2.2.7 Deputy M.R. Higgins:**

Would the Minister explain why he feels that economic growth will be greater because of the presence of the finance industry in Jersey when economists around the world see major restructuring and slow growth in financial services in the immediate future?

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

I do not think I am ever going to agree with Deputy Higgins on financial services either. I believe that there is a sound and good prosperous future for well regulated, well run financial services in centres such as Jersey. There will be a flight to quality. Not all offshore centres will survive. I am confident that what we do in Jersey and what our 13,000 people who work in financial services do will continue to provide services at the higher premium end of financial services for the growing markets of the developing world, *et cetera*. Jersey has a great future but we have got to enable it to happen providing good legislation and support where necessary. I am an optimist. I am not a destructor of the financial services industry. I am sure the Deputy is not either.