

## **2.14 The Deputy of St. Mary of the Minister for Economic Development regarding Low Value Consignment Relief:**

What lessons, if any, have the Minister and the Economic Development Department learnt from the evolving situation regarding Low Value Consignment Relief?

### **Senator A.J.H. Maclean (The Minister for Economic Development):**

Life is a continuous learning process, and it is good to hear that the Deputy understands that too. Indeed, in the evolving relationship with the U.K. Government there remains much to be learned. The fulfilment sector directly employs approximately 1,000 people in Jersey, most of whom are locally qualified. To protect and sustain the sector we published a Fulfilment Policy in 2006 which prevented any U.K. businesses in the Island operating here solely to exploit L.V.C.R. (Low Value Consignment Relief). Since the publication of the policy, my department has been in regular contact with the U.K. Treasury and H.M.R.C. (Her Majesty's Revenue and Customs) regarding L.V.C.R. and where appropriate we have taken action to ensure the policy is adhered to. My department was in communication with both the U.K. Treasury and local fulfilment companies prior to the U.K. Budget in March, and we continue to take a proactive stance in supporting local businesses with these matters. Since the U.K. Budget announcement, we have stepped-up activities in terms of contact with both the U.K. Government and E.U., including via our new C.I. (Channel Islands) Brussels Office. With the valued assistance of Senator Cohen, we are working with colleagues in Guernsey to convey a pan-travel Island message in both the U.K. and the E.U. and in doing so helped to minimise the impact of any further changes to L.V.C.R.

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

May I have a supplementary? Does the Minister think that it is good policy with regard to our neighbours to ... first we had the Health Agreement where we swizzled, basically, the U.K. out of £3.5 million a year, roughly, and then we had L.V.C.R. which was initially designed for horticultural exports and then suddenly became thousands of millions of C.D.s (Compact Discs). Does the Minister think that this might not be the best way to go about securing the Island's economic future and that we might look at other areas which are genuine economic activity?

### **Senator A.J.H. Maclean:**

First of all, I do not doubt that there is genuine economic activity with 1,000 jobs created from this particular business, which utilises a perfectly legitimate function. I would simply quote for the Deputy, which might help him, that this question that he has raised was raised in the *Guardian* newspaper, and in fact the U.K. Treasury tells the *Guardian* newspaper, and I quote: "The implication that businesses are simply setting up on the Channel Islands to take advantage of this relief is not true. In fact exports from the Channel Islands account for a very small percentage of C.D. and D.V.D. (Digital Versatile Disc) retail market."

### **2.14.2 The Deputy of St. John:**

Given that the fulfilment business has been kicked time and time again from within this Chamber by the Chief Minister's Office and also the Treasury Office because this House was being curtailed by the United Kingdom and Europe, will the Minister for E.D. (Economic Development) be looking further afield to attract this business, because it employs a larger number of people who could not probably work in the

finance industry; i.e., the blue collar workers and the like? If that can be done, it would create a third or fourth string to our bow, and it is the way forward. Will he encourage people to look outside of Europe for some of this business?

**Senator A.J.H. Maclean:**

Yes. We support all local businesses and local business opportunities and we continue to do so. I would say that local businesses involved in L.V.C.R., particularly into the U.K. market, are because of the evolving situation looking at opportunities outside of the U.K. They are looking at Europe. I personally believe that there is significant opportunity for local businesses to develop trade elsewhere in the world, and I already see examples of businesses who are beginning to do that and I welcome that.

**2.14.3 Deputy M.R. Higgins:**

Does the Minister think that the Jersey Chamber of Commerce's questions to the Chancellor of the Exchequer on this issue at the British Chamber of Commerce Conference where U.K. retailers were baying for the relief to be reduced or extinguished was helpful, or does he think that it is a matter that was best left to the Government?

**Senator A.J.H. Maclean:**

It was probably on balance unhelpful to raise it in that way. Nevertheless, it was done. We continue through Government to make the necessary representations and will continue to do so. I have to add that a lot of the talk and heat in the U.K. on this matter surrounds D.V.D.s and C.D.s, and the Channel Islands are a problem. In fact, we have to realise that in fact the 4 large supermarkets in the U.K. have 80 per cent of the C.D./D.V.D. market. They are selling below Channel Islands prices even with L.V.C.R.

**2.14.4 Deputy G.P. Southern:**

And at least one of them does it through Guernsey. Has the Minister just reversed a longstanding policy whereby he is committed to encouraging high value, high pay, and low footprint business on the Island, given that most of the workers in the fulfilment industry are on or around minimum wage? Has he not just reversed the policy?

**Senator A.J.H. Maclean:**

Not at all. I think we have to recognise that there are a number of people who find value in carrying out the jobs that the fulfilment industry offers. There are about 1,000 in total employed. Many are at the lower end of the pay scale. It is an important role for them to fulfil. But no, I am not reversing policy at all.

**2.14.5 Deputy M. Tadier:**

The Minister spoke of the 1,000 or so who work in the fulfilment industry and also said most of whom are locally qualified. Does the Minister have the exact stats of exactly how many non-qualified and locally qualified are employed in that sector, and if not will he undertake to circulate any information he has? Perhaps also any information he has with regard to those who receive the minimum wage or thereabouts.

**Senator A.J.H. Maclean:**

I am very happy to give; if the Deputy would like to send an email with the exact details of what he is after then I am happy to supply those to him. I would point out that as well as the 1,000 or so directly employed in this particular sector, there is probably a further 1,000 or 2,000 in data hosting and other related industries.

**2.14.6 Deputy M. Tadier:**

May I have a supplementary? Does the Minister think that there is any correlation between the alleged minimum wage or thereabouts of Deputy Southern, which these workers are paid and the increasing year-on-year profits of the likes of play.com?

[16:30]

**Senator A.J.H. Maclean:**

No, I do not.

**2.14.7 Deputy G.P. Southern:**

The Minister committed to circulate an answer to the Deputy. Can he circulate that answer to all Members?

**Senator A.J.H. Maclean:**

If all Members would like that I am more than happy to do so.

**2.14.8 Deputy J.A. Martin:**

In his answer to the original question from the Deputy of St. Mary, the last part of the answer was: "And we are working very closely with Guernsey." As Guernsey do not have a policy, and anyone who could not set up in Jersey went to Guernsey but still called it Jersey XO Limited, why are we now so closely working with Guernsey?

**Senator A.J.H. Maclean:**

We always work closely with Guernsey wherever we possibly can. The Deputy however raises a very valid point. All I can say is that as far as the U.K. and others are concerned they view this matter as a Channel Islands issue, not just a Jersey or a Guernsey issue. So it is perfectly correct that we speak and work as one as best we can with Guernsey.

**2.14.9 The Deputy of St. Mary:**

Firstly, does the Minister not agree that this policy has put Jersey firmly on the radar of the entire S.M.E. (Small and Medium Enterprises) sector in the U.K. for the wrong reasons? Secondly, has he not learnt, because the initial question was about learning lessons, that this is a volatile sector? It may go down, it may go up; it is probably going to go down. Will he undertake to start running the Island's economy or to assist the Island's economy to run in a sustainable fashion on a level keel?

**Senator A.J.H. Maclean:**

We continually work hard to diversify the economy and to ensure that the sectors and the businesses we support are sustainable and are in the long-term interest of the Island. I see no reason why fulfilment and all that flows from it cannot have a long-term sustainable future for the Island. It may well be that markets will evolve into other parts of the world. I think that is going to be the most likely outcome. I think there is a strong future for this sector. I think it will grow and diversify as other sectors of the economy will as well, and I will continue to support them all.