

3.6 Deputy R.G. Le Hérissier of the Minister for Economic Development regarding the steps taken by his Department to encourage Play.com to remain in Jersey:

Would the Minister outline the steps taken by his department to encourage Play.com to remain in Jersey and state whether he is aware of the reasons why ultimately they decided to move?

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

My department was regularly in contact with the senior management at Play.com and provided every assistance possible, including taking action in the High Court in an attempt to preserve L.V.C.R. (Low Value Consignment Relief). This assistance continued when the company was acquired by Rakuten, a Japanese company with global operations. Three principle factors impacted Rakuten's decision to consolidate their operations out of Jersey and into the U.K. Firstly, as a Japanese company, the fiscal treatment of profits that arise in low-tax jurisdiction by the Japanese tax authority system meant that it was not a viable option for Rakuten to retain the headquarters operation in Jersey. Secondly, H.M. (Her Majesty's) Treasury changes to L.V.C.R. for consignments from the Channel Islands changed the competitive landscape within which Play.com operated. As we made clear in our submission to the U.K. courts, the consequences of the proposed change included significant job losses, which regrettably have arisen. Finally, as part of its global expansion Rakuten changed their business model from the Play.com fulfilment model wherein Play.com sold their own stock to that of market place, where a web platform developed by Rakuten is used by other retailers as an internet shop window. Members will, of course, be familiar with Amazon who operates a similar model. Thank you.

3.6.1 Deputy R.G. Le Hérissier:

All the factors appear to have been out of the control of the local authorities. Could the Minister absolutely assure the House that the push and pull factors which he outlined in no way reflected adversely on the lack of incentives offered by various authorities on the Island.

Senator A.J.H. Maclean:

No, I cannot. What I said in my answer were the principle reasons. I outlined 3 principle reasons. However, there are other factors that were relevant to Play.com. Those come under the heading and title of competitiveness. They are issues around data costs, data transfer costs, post costs and freight costs. We worked at quite considerable lengths with Play in order to address some of those issues of competitiveness. I should add though that their particular business model was the overriding factor. We have many other companies similar to the old model of Play.com still operating, developing and flourishing in Jersey despite competitive issues.

3.6.2 Deputy M.R. Higgins:

Would the Minister accept that the policy of the fulfilment industry or the policy that is pursued which enable some very large companies to come in and make an awful lot of money has worked to the disadvantage of most citizens of this Island? In the sense that now because of restrictions brought in by the U.K. Government, people are being made to pay V.A.T. (Value Added Tax) on goods they are sending to the U.K., including gifts in some cases, over a certain value and the U.K. authorities are being far more draconian on goods going into the U.K. Therefore, the policy is flawed. It has benefited some, created employment for a number for a short period of time, but then in the long-term has been detrimental to the Island.

Senator A.J.H. Maclean:

The issue is that it was not a Jersey policy. This low value consignment relief was an E.U. (European Union) Directive from the 1980s. Simply, businesses were innovative in Jersey and Guernsey. They saw opportunities, they developed their businesses to take advantage of that and they were very successful. It is as simple as that. It was an opportunity that was always going to have a limited shelf-life as electronic downloads ensured that it was not going to last forever, regardless of the fact that the U.K. took action, unreasonably we thought, which is why we took our court action to the High Court.

3.6.3 Deputy R.G. Le Hérissier:

Would the Minister clearly outline the competitive issues which were not resolved in negotiations between himself and Play.com? Would he say whether those situations have improved in terms of enticing other companies to remain on Island?

Senator A.J.H. Maclean:

Taking the last point first, no, I do not believe it has had an impact on other companies. We do still see the ability to attract online businesses to Jersey. We have had several in the last few years and existing businesses have redeveloped their business model and remain here. We lost Play.com, it is regrettable, but their model changed dramatically due to the acquisition by Rakuten, as I have laid out. The principle area of competitiveness where we were unable to bridge the gap, it was not directly our government, it was as a result of Jersey Post's requirements placed on them by Rakuten to reduce their cost to such an extent that it was going to be unviable. We are talking about millions of pounds of impaired revenues for Jersey Post if they had acceded to the offer, which frankly was not viable at all.