

**STATEMENT TO BE MADE BY THE MINISTER FOR ECONOMIC
DEVELOPMENT
ON THURSDAY 15th SEPTEMBER 2011**

As Members are already aware, a Shadow Board for Jersey Harbours and Jersey Airport was formed in November 2010. The Terms of Reference for the Board were approved by the Assembly by P47/2011.

In March, I wrote to the Chairman of the Jersey Harbours and Jersey Airport Shadow Board asking for their consideration on matters concerning the potential incorporation of the two Trading Operations

Given the strategic and financial challenges facing both organisations, I was keen to establish whether incorporation could provide an element of the solution.

Working alongside the Executive Teams, the Shadow Board have now advised of their clear belief that incorporation of both Jersey Harbours and Jersey Airport will improve the financial sustainability of the two trading operations.

The Shadow Board have recommended the development of a detailed Business Case for incorporation which clearly identifies:

- The envisaged financial sustainability
- Costs and benefits of incorporation, including any remaining liabilities post integration of the business
- The viability of incorporating the two organisations together or separately
- A risk register identifying any social, economic or Island risks
- The impact on existing staff and future recruitment

To this end, I have today signed a Ministerial Decision instructing the Group Chief Executive to prepare a business case for incorporation.

Both my letter to the Shadow Board seeking advice and their response are attached to the Ministerial Decision which has been circulated to Members

In addition and following a recommendation from the Group Chief Executive, I have approved a proposed restructuring of the Harbours and Airports organisations to deliver immediate benefits, including savings and efficiencies.

Finally, I have instructed the Group Chief Executive to engage stakeholders in the development of the business case to ensure an effective plan is prepared, including Human Resources, the States Employment Board, Law Draftsmen, Law Officers, States of Jersey Development Company, Treasury officials, and the JCRA.

When completed, this work will:

- Integrate the structures of the businesses, drawing on best practice and to deliver efficiencies

- Deliver a vision and strategic objectives for the newly merged businesses
- Unify commercial strategies under one structure, whilst concentrating operational excellence in specific functions
- Complete a business case for incorporation for approval by the States

STATEMENT ON A MATTER OF OFFICIAL RESPONSIBILITY

3. Statement by the Minister for Economic Development regarding Jersey Airport and Jersey Harbours

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

Yes, please. As Members are already aware, a shadow board for Jersey Harbours and Jersey Airport was formed in November 2010. The terms of reference for the board were approved by the Assembly by P.47/2011. In March I wrote to the Chairman of the Jersey Harbours and Jersey Airport Shadow Board asking for their consideration on matters concerning the potential incorporation of the 2 trading operations. Given the strategic and financial challenges facing both organisations I was keen to establish whether incorporation could provide an element of the solution. Working alongside the executive teams the Shadow Board have now advised of their clear belief that incorporation of both Jersey Harbours and Jersey Airport will improve the financial sustainability of the 2 trading operations. The Shadow Board have recommended the development of a detailed business case for incorporation which clearly identifies the envisaged financial sustainability; costs and benefits of incorporation including any remaining liabilities post integration of the businesses; the viability of incorporating the 2 organisations together or separately; a risk register identifying any social, economic or Island risks; the impact on existing staff and future recruitment. To this end I have today signed a ministerial decision instructing the group chief executive to prepare a business case for incorporation. Both my letter to the shadow board seeking advice and their response are attached to the ministerial decision and will be circulated to Members. In addition, and following a recommendation from the group chief executive, I have approved a proposed restructuring of the Harbours and Airports organisations to deliver immediate benefits, including savings and efficiencies. Finally, I have instructed the group chief executive to engage stakeholders in the development of the business case to ensure an effective plan is prepared, including human resources, the States Employment Board, law draftsmen, law officers, States of Jersey Development Company, Treasury officials and the J.C.R.A. (Jersey Competition Regulatory Authority). When completed, this work will: integrate the structures of the businesses, drawing on best practice and to deliver efficiencies; deliver a vision and strategic objectives for the newly merged businesses; unify commercial strategies under one structure while concentrating operational excellence in specific functions; complete a business case for incorporation for approval by the States. Thank you.

3.1.1 Deputy P.V.F. Le Claire:

I would just like to know which part of the Business Plan this was identified for funding for and also when we had my proposition to call for the Minister to bring the board back for approval from the States, it was made quite clear that it was too late, the board had already been set up by himself and then subsequently he kindly said that we could approve his terms of reference, the last term even being that they could then go on to create new terms of reference. So I asked if we would have an opportunity to examine the minutes and it was agreed by the Minister that he would email us when they met so that we could ask to see the detail of those minutes on a confidential and commercial basis. I do not believe we have received any emails telling us they have sat. They have now made a decision that this is a recommendation for the Minister, which he has signed, there will be significant resource implications to evaluate this business case and I would like him to answer these points.

Senator A.J.H. Maclean:

Yes, the Deputy asks about where the funding arrangements are within the Business Plan. What I have announced today is quite simply that we are asking for a business case to be brought forward. The business case will be prepared, there has been a lot of work already undertaken

within the budget of Jersey Airport, and for that matter Jersey Harbours, which has called upon organisations such as Vector, Deloitte, Capita Symonds in recent years - this is not just this year - to evaluate the challenges faced by both boards. There is no additional funding requirements above and beyond what is already in the budget, what has already been approved, and as such there is no cost additional that the Deputy needs to be made aware of. As far as decisions are concerned the Shadow Board, as I have previously mentioned to Members, do not make decisions, they simply make the recommendation. I ask for advice and they have given their advice based on that. Copies of both those letters will be forwarded to Members. With regard to the minutes, the Deputy is quite correct, and indeed the agreement that reached was that should Members wish to have the minutes they would indeed be made available. We have had no actual request as such. What I have also undertaken at the time of the debate was that we would publish the agenda, details of the dates of the meetings of the board. I will need to confirm that has been put on the website, and I will confirm that in due course.

3.1.2 The Deputy of St. Mary:

There are 2 questions. One is this is a very large piece of work as the Minister has made clear and it depends entirely on one recommendation that incorporation would improve the financial sustainability of the 2 trading operations. I would just like him to enlarge a little bit on how incorporation would do that because that is what causes all the work. The second point is can he explain why the third bullet in the business case terms of reference is: "The viability of incorporating together or separately" and yet when completed the work will ... and it talks about newly merged businesses. So I would just like him to clear up that inconsistency.

Senator A.J.H. Maclean:

I will take the second item first on that. We believe there are efficiencies that can be driven between both the harbour and airport now, almost under a business as usual basis. The reason for that is there are a duplication of functions in both entities. We believe that would happen regardless of whether they are incorporated as a single entity or 2 separate entities for incorporation. So quite simply it would go ahead anyway this business as usual, so merging certain functions would happen to be more efficient and more effective. The other question the Deputy asked was ... I have forgotten the full detail of his question, so perhaps if he could repeat the first part?

The Deputy of St. Mary:

I said it is a big piece of work, it all depends on one statement from the board, the Shadow Board, that it would improve the financial sustainability to trading operations which was the advice he sought and I just want the Minister to enlarge on the cause ... on the reason for this big piece of work.

Senator A.J.H. Maclean:

The board have given their advice, the Deputy is quite correct. What we are asking them quite simply to do is to draw up the business case which would, in fact, prove the case categorically. Nevertheless the move to an incorporated structure, whether jointly or as one single entity, is believed by the shadow board to improve governance. Of course you fundamentally change the arrangements with the board of directors becoming responsible for the entity but, of course, being in a position to act more commercially does drive certain efficiencies and allows the organisation to benefit from commercial opportunities that perhaps are not available to a public sector body in the same way and without the same freedoms.

3.1.3 Deputy J.A. Martin of St. Helier:

Could the Minister agree that what he has just stated is not simply a business case? The last bullet point says: "Complete a business case for incorporation for approval of the States." We have been here before, Jersey Post and Telecoms, we had an in principle debate, they obviously have enough information, the Minister has enough information, I want this brought in principle to the States because if anyone has any concerns at this stage when it is ready for a States debate it will be too late. Why can the Minister not do that now?

[15:00]

Senator A.J.H. Maclean:

I do not believe it would be right to bring it here for an in principle debate. States Members very rightly and very often state that they want more detail, all we are simply going to do is we have collated already quite a bit of detail. The Deputy is right, yes we do have some and the board have considered that in order to give their opinion, which they have now presented. The basis of the letter, the opinion that they have given, I promise it is going to be circulated to Members, they will see the response that has come back. That will clearly hopefully outline the position. Members then will have an opportunity with all the facts available by the first quarter of next year, the end of the first quarter of next year, to debate this issue and it will be a debate. Members can either agree to it or refuse it if they do not think it is a viable proposal.

3.1.4 Deputy M.R. Higgins:

I must say I am most unhappy with what the Minister has just said. I was going to ask him whether he felt it was acceptable or good enough that he signs a ministerial decision which we have not seen, it has not been sent to us therefore we cannot comment on, and which still has not been sent out to us, so we are totally in the dark about what he is proposing. So not good enough. Secondly, I would like to know, he mentions in his statement: "I have approved a proposed restructuring of the harbours and airport organisation to deliver immediate benefits including savings and efficiencies." Now, what is the proposed restructuring he has approved before the business case has come here? So you have obviously made some decisions, you have obviously ...

The Bailiff:

Through the Chair, please, Deputy.

Deputy M.R. Higgins:

Sorry, through the Chair, Sir. Decisions have obviously been made, we are totally in the dark and it has just been dropped on us like this. Totally unacceptable. Will the Minister please tell us what he has signed?

Senator A.J.H. Maclean:

The M.D. (ministerial decision) has been signed and will be published shortly. Members will see it. The Deputy's point about M.D.s, I sign probably a dozen or 2 dozen M.D.s every week, they are not published or approved in advance beforehand. The information here is simply I have made the statement to give Members details of the fact that advice has been sought by me of the Shadow Board about the potential for incorporation of the airport and the harbour. I have accepted that advice and now we are moving towards a business case. Members will have more than enough time to consider the proposals and indeed to debate them, which is absolutely right. This Assembly should debate such an important decision. I have always said that would be the case and I maintain that position.

Deputy M.R. Higgins:

Supplementary, Sir?

The Bailiff:

No, I am sorry, Deputy, we only have 10 minutes for these questions and there are a lot of Members wanting to ask questions at present. The Deputy of St. John.

3.1.5 The Deputy of St. John:

Can the Minister say why it has been necessary to appoint a board of non-States Members when the Minister could have drawn from within this House at no additional cost to the Island? What is the cost going to be of this new board annually and is he now going to take to the Council of Ministers a proposition that we return to the committee system?

Senator A.J.H. Maclean:

I think we are covering old ground with the Deputy of St. John here. The Board has been appointed. I have stated in this Assembly that the cost of the Board is approximately £125,000 per annum. I believe the calibre of the Board which Members are aware of, they have seen the C.V.s (curriculum vitae) of the individuals, is at the highest level and it is a shadow board. It is there to give advice at this stage but it has already added considerable value in order to consider the future challenges that both the airport and the harbour are presenting. The Deputy is sitting in his seat and mouthing: "Rubbish" but I am afraid it is not rubbish, it is absolutely true and the case will be proven as we move forward.

The Deputy of St. John:

The Minister has not answered by question in full.

The Bailiff:

I am sorry, Deputy. Senator Ferguson.

3.1.6 Senator S.C. Ferguson:

Will the incorporated body be totally independent of the States, other than having the States as a shareholder or will the Minister retain the power of direction?

Senator A.J.H. Maclean:

I am afraid I cannot answer that question. It is a matter for the States to decide whether or not we move to incorporation. All I have simply advised at this stage is that we are moving to ask for a business case to be prepared once we have all the facts and all the information which clearly Members would require to make an informed decision then that will come back to this Assembly for their decision at that stage. It will be at that stage that such matters will be addressed.

The Bailiff:

Very well, I know there are other Members who wish to ask questions but I am afraid time has expired.

The Deputy of St. Mary:

Can I then raise a point of order, I did wait for the closure of the 10 minutes of questions, but it is a point of order relating to the statement. The Minister when he was speaking said that the ministerial decision had not been circulated. His statement says it has been circulated to Members together with attached documents. So my point of order is what is the status of something on the official record that is untrue, if I am correct?

The Bailiff:

Minister, can we just be clear ...

The Deputy of St. Mary:

It is the second paragraph after the bullet points.

The Bailiff:

Minister, it says here that your letter to the Shadow Board and their response is attached to the ministerial decision which has been circulated to Members.

Senator A.J.H. Maclean:

Indeed, Sir, it appears that there is a difference in versions but nevertheless it should have been circulated, it will be circulated, Members will have it within the next hour or so. My apologies for the confusion.

The Deputy of St. Mary:

So there is something on the record of this House that is incorrect?

The Bailiff:

I suspect that is not the first time. **[Laughter]** I am reminded that the Minister did say “will be circulated” when he read out his statement and therefore that is what Hansard will recall.

Deputy M. Tadier:

Can I ask for clarification, I think Deputy Le Claire asked the Minister to circulate the minutes to Members, the Minister said that he would be happy to circulate the minutes if a Member asked, and I think a Member has asked and I would ask also that he circulates the minutes to all States Members so that we can be kept in the loop as well as the ministerial decision?

The Bailiff:

That is a matter for the Minister.