

STATES OF JERSEY

Economic Affairs Scrutiny Panel

TUESDAY, 4th MAY 2010

Panel:

Deputy M.R. Higgins of St. Helier (Chairman)
Deputy C.F. Labey of Grouville (Vice-Chairman)
Deputy J.M. Maçon of St. Saviour
Deputy D.J.A. Wimberley of St. Mary

Witnesses:

Senator A.J.H. Maclean (The Minister for Economic Development)
Senator P.F. Routier (Assistant Minister for Economic Development)
Connétable L. Norman of St. Clement (Assistant Minister for Economic Development)
Chief Officer for Economic Development
Enterprise & Business Development Director
Strategy Development Manager

[09:59]

Deputy M.R. Higgins of St. Helier (Chairman):

We have all been here before and done this, so you are aware of the standard format and the procedure. We are just going to start for the tape by introducing ourselves. I am Mike Higgins, chairman of the panel.

Deputy C.F. Labey of Grouville (Vice-Chairman):

Carolyn Labey, vice-chair.

Deputy J.M. Maçon of St. Saviour:

Deputy Jeremy Maçon of St. Saviour.

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

Senator Alan Maclean, Minister for Economic Development.

Senator P.F. Routier (Assistant Minister for Economic Development)

Senator Paul Routier, Assistant Minister for Economic Development.

Connétable L. Norman of St. Clement (Assistant Minister for Economic Development):

Len Norman, Assistant Minister, Economic Development.

Chief Officer for Economic Development:

Chief Officer, Economic Development.

Enterprise & Business Development Director:

Economic Development.

Strategy Development Manager:

Economic Development.

Deputy M.R. Higgins:

Thank you for coming. You have had circulated some of the topics we want to discuss. It will not necessarily be in the order I think you were given. Can we start off first of all with the comprehensive spending review and, in particular, if you can tell us where the department is with that.

[10:00]

The Minister for Economic Development:

Yes, of course. We have made our initial submission with regard to the comprehensive spending review. You will be aware, Mr. Chairman, that the process had been temporarily delayed and indeed there is a meeting of the Council of Ministers to discuss the final details on Thursday this week, after which there will be a programme of releasing the information from the various departments.

Deputy M.R. Higgins:

Your department, I believe, was one of the departments that got it in on time; is that correct?

Chief Officer for Economic Development:

Well ahead of time.

Deputy M.R. Higgins:

Well ahead of time. Is there any reason why the panel could not have it before because I cannot believe, in a sense, that it is going to change much because we believe that 2 departments were late and who are arguing over whether they can cut 2 per cent, I think 1 per cent was being offered or maybe asking for more in another case. Is there any reason why the report could not have been forward to the panel so we could have started work on it?

The Minister for Economic Development:

Well, it was quite simply a decision of the Council of Ministers that departments would release once everybody had agreed what their various submissions were going to be, and clearly that process has not yet been completed. After the meetings this Thursday there will be an agreed date of release so it was just a collective agreement.

Deputy M.R. Higgins:

In line with the delay, do you have any idea what the timescale is going to be going forward, assuming it is all agreed on 6th May?

The Minister for Economic Development:

At this stage not accurately, no. I do not know if you have anything to add on that.

Chief Officer for Economic Development:

I think the intent is that there are 2 meetings this week, tomorrow the Corporate Management Board is meeting followed by the Council of Ministers meeting on Thursday, at which all Ministers will have the benefit of seeing all of the submissions and discussing all the detail. I believe after that the plan is subject to there being agreement on that which can be released then, everything is released to Scrutiny and we get, as was planned, I think for last Monday-ish.

Deputy M.R. Higgins:

Can you give us an indication then, I know that it has not all been agreed by the Council of Ministers, but can you give us an indication of where Economic Development sees itself making the necessary savings to fund the 2 per cent shortfall?

The Minister for Economic Development:

I mean at this stage only in general terms. Clearly, like all departments, difficult decisions are having to be taken as to where the savings are going to be made but largely it is across the board, and it is not, I should point out, just a question of the 2 per cent for 2011. Of course we have spending pressures like anti-money laundering, for example, which is a pressure that we have to find funding for of over £300,000. So it is more than 2 per cent in real terms for our 2011 budget. But it will be, broadly speaking, across the board.

The Deputy of Grouville:

Can I just ask on that note? It is going to be 2, 3 and 5 per cent across the board over the years.

The Minister for Economic Development:

Over the 3 years, yes. 2011 is the 2 per cent and then ...

The Deputy of Grouville:

Is the department still committed to diversification?

The Minister for Economic Development:

Absolutely.

The Deputy of Grouville:

So the spending cuts are going to be across the board or more in specific areas?

The Minister for Economic Development:

Generally, we have looked at each area of activity and we have looked at issues of duplication, for example, in ways in which we can be a little bit more efficient, and we have had to look at every area of activity within the department to try and find the savings. I should say that in 2011 it will be much easier to deliver than it will be in the subsequent years which are going to be far more challenging, as I am sure you would appreciate, and indeed I know that other departments are also going to find problems.

Deputy M.R. Higgins:

So in terms of the 2 per cent this year, and you are saying it is across the board, it is not one area giving more than in others, a general 2 per cent across the board.

The Minister for Economic Development:

We have had to look at every area of activity within the department. I am sure you would expect us to do that.

Chief Officer for Economic Development:

I think firstly, Deputy Labey, I think you will be pleased when you do see what I think we proposed that we have increased the emphasis on diversification and particularly following up points on the legislation that we are putting in place this year on intellectual property, eGaming, and benefiting from some discussions that have been held recently, for instance with the French authorities and French energy producers on renewable energy. So there is an increased emphasis on diversification in that respect. But there is no doubt that Alan has referred to spending pressures which come over and above that which we have had to fund in 2010, and that includes £313,000 for the anti-money laundering unit of the J.F.S.C. (Jersey Financial Services Commission). We made a provision for the Financial Services Ombudsman within the E.D.D. (Economic Development Department) budget of, I think, £150,000 and these are things that we are obliged to fund and will result in perhaps a disproportionate impact on other areas of the budget.

Deputy M.R. Higgins:

Can I just go back for a moment? So the Financial Services Ombudsman you budget £150,000? What is that being spent on?

Chief Officer for Economic Development:

That is the costs of operating the Financial Services Ombudsman.

Deputy M.R. Higgins:

So you will be bringing legislation shortly to the States?

Chief Officer for Economic Development:

Yes. As you know Senator Breckon lodged an amendment to the Business Plan which replaced our Proprietary Intellectual Property law drafting time with law drafting time for Financial Services Ombudsman. That process is now in train and the plan is to lodge in the latter part of this year to be able to deliver the Ombudsman service from 2011 onwards, so we made provision in the budget to fund that, and the cost of running a Financial Services Ombudsman is significant. Very significant. Depending on what potential advantages we can have by working with the U.K. (United Kingdom), and perhaps more likely with Guernsey, that cost will be somewhat higher or lower than we currently estimated but a prudent estimate we believe is in the range of £100,000 to £150,000 per annum recurring.

Deputy M.R. Higgins:

You say it has gone to a law draftsman, have you issued law drafting instructions?

Chief Officer for Economic Development:

No, we are in the process of bringing that together to issue the law drafting instructions, but we have obviously the law drafting time allocated in 2010 to bringing that law forward.

Deputy M.R. Higgins:

In terms of that, are you undertaking any research into it?

Chief Officer for Economic Development:

Yes, we are. We have a meeting on 23rd June, which is the earliest period of time they could make it, with the U.K. Ombudsman to take that up but there is also, independent of that, work that has been undertaken by our regulatory services team to define effectively what will result in the law drafting instructions, to define the law for the Financial Services Ombudsman.

Deputy M.R. Higgins:

But you have not employed Oxera or anything?

Chief Officer for Economic Development:

We have not employed Oxera. Oxera have done some work in the past on the whole issue of around the depositor compensation scheme, on Ombudsman, and other things. But, no, we have not employed Oxera.

The Deputy of Grouville:

Has any focus been given on looking to the finance industry itself, especially with regard to Jersey Finance Limited? I think it is one of the recommendations for the Comptroller and Auditor General about the percentage the industry puts into funding Jersey Finance Limited.

Chief Officer for Economic Development:

Which is a separate issue from the Ombudsman.

The Deputy of Grouville:

Yes, it is separate from the Ombudsman but it is finance.

Chief Officer for Economic Development:

We have a very close dialogue as we determine the grant for Jersey Finance Limited for 2011 and beyond, and within that we always ensure that they maximise the contribution from the membership

but it has to be said that for the foreseeable future, given the current level of activity of Jersey Finance, the majority of funding will come from the States grant.

Deputy M.R. Higgins:

Can I just go back to the other one? The Anti-Money Laundering Unit of the F.S.C. (Financial Services Commission), why is there a need for an extra £313,000? What is going on there?

The Minister for Economic Development:

It is actually a sum in excess of £313,000. That is the sum that Economic Development are contributing. Quite simply this came from the I.M.F. (International Monetary Fund) review and it is dealing with smaller entities, smaller businesses like accountants and, dare I mention it, estate agents and others that are having to be regulated in this way as far as anti-money laundering is concerned and it seemed disproportionate and unreasonable to get industry to fund all of that and, I might add, also smaller businesses like one, 2, 3 man accountancy firms that have to meet this particular requirement.

Deputy M.R. Higgins:

Right, okay.

The Minister for Economic Development:

This is just an example of both that and the Ombudsman, 2 examples of under funded pressures that we did not have on top of the 2 per cent I was referring to earlier on.

Deputy M.R. Higgins:

I may come back on some of these later; not today in this meeting but with a letter to you just following up ... just wanting to understand what is going on there.

The Minister for Economic Development:

Sure.

The Deputy of Grouville:

If I can just go back to Jersey Finance Limited again, this particular element of the finance industry. If there are these pressures in other areas surely this is the optimum time to look to the industry to support various services like Jersey Finance?

The Minister for Economic Development:

The pressures we are talking about with regard to anti-money laundering is a regulatory issue which is driven by the J.F.S.C. not Jersey Finance, and indeed J.F.S.C. already levy industry for these type of issues. So industry does contribute, pays and meets the costs of the majority.

The Deputy of Grouville:

They contribute but is there kind of a percentage that they contribute in these economic times?

The Minister for Economic Development:

I may be wrong, but I think you are asking the question about Jersey Finance Limited and whether indeed the contribution by the industry to Jersey Finance functions and activities is a fair percentage compared to Government's, as opposed to the regulatory side which is separate. I think the original model was a third industry and two-thirds Government when Jersey Finance was set up. I accept that that balance has shifted slightly and it is probably about a quarter to three-quarters; is that fair?

Chief Officer for Economic Development:

Yes.

The Minister for Economic Development:

I accept again there is a debate as to the relative contributions but we believe the Jersey Finance, first

of all we control them very closely with a service level agreement, it is a business plan, and they have had increased funding and rightly so in the current economic climate to ensure that we sustain the business activity and flow that we get from the financial services industry.

The Deputy of Grouville:

But this is all drawing on your budget, with the grant you give. So if you can give them less of a grant because they are contributing their third then surely you would have more money for various Financial Ombudsmen.

Chief Officer for Economic Development:

It is a philosophical issue, but the return on the investment for the funds that went to J.F.L. (Jersey Finance Limited) in terms of ultimately what results in new business and new businesses and tax take is of the highest level that we have. For every pound that we put into J.F.L. the return in terms of additional tax take that we get from the financial services sector as a result of new business is really for existing players or indeed introducing new players into the market is very good. So there is a point which is completely contrary to what you are saying, that at the moment because one of the things the J.F.L. does is address both threats and opportunities within the financial services sector, that we should be increasing investments to make sure that we maximise the benefit to Jersey from the financial upturn that other financial services companies will capture. It is a delicate balance but I think we already get ... I think we get £500,000 and that has been escalating well above R.P.I. (retail price index) in terms of the charges to individual members of the J.F.L., so they are making a more significant contribution but the total quantum of budget the J.F.L. have to operate has also been increasing, and I think quite rightly so because we need to make sure that we do maximise the benefit of the opportunities and we do address the threats that currently exist to our financial services sector.

The Deputy of Grouville:

But surely if these businesses are benefiting from Jersey Finance in the business that they generate, then the businesses are doing well and better because they are benefiting from it, so surely they can contribute in equal ...

Chief Officer for Economic Development:

Which they have been by increasing contributions.

The Deputy of Grouville:

Well, it is not increasing contributions, is it, if they used to give a third and now they give a quarter?

The Minister for Economic Development:

Both have increased though. Both have increased. The Government percentage grant has increased but so has the industry. All I was saying was that the relative percentages have changed slightly but both have increased the headline budget they put in. It is a difficult balance to achieve but we have to recognise that putting appropriate funding into Jersey Finance and ensuring that the financial services industry is successful does feed through into other industries as well. The success of the tourism industry and all the retail elements that of course rely upon the success of a thriving and prosperous finance industry. So we have to bear in mind that angle as well.

Deputy M.R. Higgins:

How have you dealt with the Comptroller and Auditor General's criticism that not all finance firms are members of Jersey Finance? What are the reasons for that? Why are they not all members?

Chief Officer for Economic Development:

I think that was the chairman of the P.A.C.'s (Public Accounts Committee) view.

Deputy M.R. Higgins:

Sorry, yes.

Chief Officer for Economic Development:

I think the point is that membership of Jersey Finance is not mandatory. If a firm believes that for whatever reason it does not derive value then it will not pay its membership subscriptions but the vast, vast, vast majority of businesses in financial services, be it banks, trust funds or other businesses, for that matter, are members of Jersey Finance Limited. The vast majority of businesses in the Island in that sector are members. There are some that are not but, as I said, it is not mandatory.

[10:15]

Deputy M.R. Higgins:

Are there any big players who are not?

Chief Officer for Economic Development:

I cannot think of any of the major banks that are not or the major trust companies that are not.

The Minister for Economic Development:

The majority of the larger organisations are and they see the benefit. I think you would expect in any organisation which has a membership of this nature that perhaps the smaller companies were budgeting slightly tighter and perhaps do not have so much emphasis internationally would not see the benefits, and those are typically the ones that are not members.

Deputy J.M. Maçon:

Can I ask, how do you identify the new business coming into the Island that is brought in by Jersey Finance, as opposed to the independent marketing operations of businesses independently?

Chief Officer for Economic Development:

There is a difference. All of the major players in the financial services sector independently market their own services, such as Barclays, a few of the trust companies. But they do that primarily in the markets which they currently operate in. What Jersey Finance has done, for instance, it has leveraged their Jersey offering for those businesses in new markets, such as India and China and others. There is no doubt, and this is directly evidenced by feedback that we get from the financial services institutions, that the visits, for instance, that Jersey Finance organised to new markets do result in new business flowing in to Jersey that previously was not there. A very good example of that is the fact that until about 2 years ago all of the Indian companies that floated on AIM exclusively used the Isle of Man as the jurisdiction through which they achieved their listing. Since Jersey Finance and, indeed, I have to say, E.D.D. and the J.F.S.C. have been active in the market in India and that has changed and we have seen the first listings of Indian companies, and the same has happened in China, with listings on the Hong Kong Stock Exchange, we have seen new listings of Indian companies but coming through Jersey so we have benefited from that. Is it the case, and this is always the case with marketing operators, is it the case that you can attribute every single new entrant or every single piece of new business to the activities of Jersey Finance? Well, no, you cannot. But is it having a material benefit and are we making strenuous efforts to measure that benefit? Well, yes, we are. I think one of the things that we have ... I think we have submitted it to the panel before, we certainly submitted it to P.A.C., is the way that Jersey Finance currently measure the return in terms of economic return on their marketing expenditure which is far more sophisticated than it was 2 or 3 years ago, so can they take all the credit for everything? No. But in the absence of that activity would we see less business and less new businesses establishing in the Island? Well, the answer is yes, we would.

Deputy M.R. Higgins:

Just going back to the funding going forward. We know the 2 per cent you said you did it across the board ... I think you said across the board, did you?

The Minister for Economic Development:

We have looked at every area of activity.

Deputy M.R. Higgins:

You have looked at everything across the board but does that mean to say equally that you have taken 2 per cent for each sector or do some sectors put more?

The Minister for Economic Development:

It is not absolutely equal across all sectors, no. But what we have done is we have looked at every activity of the department and made the savings where we think it is appropriate.

Deputy M.R. Higgins:

Can you give us an example of the, sort of, winners and losers in that 2 per cent?

The Minister for Economic Development:

I think it is probably inappropriate to do that at this stage other than to say that we have looked across all activities and we have had to take some difficult decisions, as all departments indeed will have had to have done so.

Deputy M.R. Higgins:

Will we get that information, for example, when the Council of Ministers have met this week so we will know whose benefiting and who has not?

The Minister for Economic Development:

All the information, as I understand it, is going to be released, yes, and of course you will be privy to that, as you would expect.

Deputy D.J.A. Wimberley of St. Mary:

Can I ask on page 1 of the letter you sent to us, it says the ministerial team agreed a high level budget distribution for 2011; that is what we are talking about.

The Minister for Economic Development:

It is, yes.

The Deputy of St. Mary:

The winners and losers. I just wonder what we are talking about here, where we have not seen that.

The Minister for Economic Development:

Sorry?

The Deputy of St. Mary:

What are we talking about here that we have not seen that? If we do not know what you are prioritisation has been within this 2 per cent that you have been demanded to cut, then ...

Deputy M.R. Higgins:

Can I just mention basically before you came in ...

The Deputy of St. Mary:

Yes, you can. Sorry, I was late.

Deputy M.R. Higgins:

We were asking questions like that. There is a delay because obviously the Council of Ministers have not yet decided as a group and they are meeting on the 6th. Until that is out we have not got the detail of what is proposed. We have been talking in general terms.

The Deputy of St. Mary:

Right. The focus of this discussion is for the department to discuss with Scrutiny what their priorities are and how these ups and downs have panned out and now we are saying: "Well, only when they have been agreed can we discuss it."

Deputy M.R. Higgins:

I think ...

The Deputy of St. Mary:

I should not be asking you the questions, I should be asking the Minister.

Deputy M.R. Higgins:

I think, to be honest, the Minister has given us an answer. What I will say there is we will call the Minister back, and I hope you will come back.

The Minister for Economic Development:

Absolutely.

Deputy M.R. Higgins:

And we will deal with comprehensive spending review as a topic which I think is when we will get the answers.

The Minister for Economic Development:

Absolutely. I mean clearly we would be delighted to attend whenever you wish, and as soon as we are in a position to be able to discuss in detail we would obviously like to do so.

Deputy M.R. Higgins:

Can I just move on then? It is still looking at this, sort of looking at the phasing then, 3 per cent, obviously more difficult, 5 per cent even more difficult. The thought of a 10 per cent P.A.C. cut in 2 years is probably even harder. Can you tell us where you are with the 3 per cent? Is this still ongoing or have you identified areas or what? When will you be making decisions on the 3 per cent and when will you be making decisions on the 5 per cent?

The Minister for Economic Development:

We started looking at it, as you would expect, but very much the high level and broadly. I mean clearly it is important to establish first of all 2011 and once that pressure, which is almost complete, is completed then of course we will be in a position to then start moving forward in some detail with the other ones. I mean it is going to be difficult, it is going to be challenging and it is going ... the difficult decisions are going to be outside of just efficiencies and programme but probably involving people as well.

Chief Officer for Economic Development:

I think it is fair to say that it would be ... I mean there has been a delay in terms of 2011 but the idea is to bring everything back on track as per the original schedule, which is attached to the letter that we sent you. So we will be submitting for 2012 and 2013, 16th July, 10 per cent savings by 2013.

Deputy M.R. Higgins:

But that will obviously be during the summer break.

Chief Officer for Economic Development:

Yes.

Deputy J.M. Maçon:

On my birthday, I look forward to it.

Deputy M.R. Higgins:

We are looking at debating that in the States when?

Chief Officer for Economic Development:

This all comes up with the States ... they lodge part 2 of the Business Plan on 22nd October, for debating November/December, early December, with the Budget debate.

The Deputy of St. Mary:

Are we going to see diversification, in particular, I will just name 2: agriculture and the fishing industry in general. It is the wrong term for it, but anyway - living things that come out of the sea immediately - and tourism. How are you going to sustain and improve funding in this kind of environment?

The Minister for Economic Development:

It is clearly going to be difficult but as far as, and this is a general comment, we, like yourselves, are determined and committed to diversification of the economy and as part of this process, the C.S.R. (Comprehensive Spending Review) process, we will be look at every activity of the department. We have also looked at being able to channel some funding from other activities into the diversification programme.

Chief Officer for Economic Development:

Can I just make another comment on this? Two sorts of diversification, I think we need to be absolutely clear about this, is diversification within tourism and agriculture, and I have to say that there are things being done by the department today that were certainly not happening 3 or 4 years ago to diversify those traditional industries. I mean, for instance, the forthcoming appearance of the Real Food Fair for our agriculture industry and everything that is associated with it. The advent of the Tour de Bretagne, those are things that are diversifying and there have been more value in the existing sector. But diversification is more than that. Diversification is introducing new businesses, new sectors, new start-ups, which is the work of Jersey Enterprise, and that work is both established and will continue and will grow. So there is a feeling out there that there is a magic bullet with diversification written on it, that all of a sudden we fire and it happens. Well, that is not the case. It is very hard. The sort of genuine diversification and the legislation programme this year which has intellectual property, eGaming, in it, is again foundations for genuine diversification, which is what Deputy Higgins' amendment called for in the Strategic Plan, so there are many facets to diversification. Not just improving tourism and agriculture.

The Deputy of St. Mary:

You say genuine diversification. What are the criteria, in your view, for good new or even existing industry or sector?

Chief Officer for Economic Development:

I think it increases the employment base. It increases the tax base and it increases the value, the per capita value of employment and economic activity in the Island. There is little point in using up scarce land labour resources on lower productivity sectors because what we will end up with is a bigger hole in the public finances than we have at the moment. So it is about making genuine economic contribution through diversification and better, higher quality, employment opportunities. That is why economies diversify. You do not diversify away from success. You diversify to achieve it.

The Deputy of St. Mary:

I am surprised you do not mention ... I put it to you maybe one of the criteria would be sustainability in the sense that, for instance, if you were to think: "Ooh, that is a good sector" and you put a lot of time and effort and so on chasing that new sector and then, whoops, in 2 years' time it is dead as a Dodo because it had a seed of its own destruction within it in some way or other.

Chief Officer for Economic Development:

I think that, I probably should have said it, you have take for granted that sustainability is one of the things that we factor in. There is no point us investing in diversification. That is one of the reasons that for instance in the Jersey Enterprise work going forward we have put a much greater emphasis on driving renewable energy as another sector in the Island, both in terms of locating it but also developing it as a sector in the Island and increasing the employment opportunities as a consequence of that. That is sustainability which is driven by increasing environmental pressures, increasing legislative pressures as well.

Deputy M.R. Higgins:

In fact, can you explain, just you mentioned again you having talked to the French about renewable energy. Is this the idea of the wind farms off Les Minquiers or whatever? What are you actually talking about?

Chief Officer for Economic Development:

I think the French Government and the French energy companies are very active in their plans to deploy wind farms between France and Jersey and the issue is, is there any potential, is there any benefit for those wind farms either being wholly within French waters or indeed shared with Jersey? Those are discussions that a governmental level are being held obviously, because the French cannot even contemplate an incursion into Jersey waters without talking at a governmental level.

Deputy M.R. Higgins:

What is the department's view regarding wind farms in the gap between here and France?

Chief Officer for Economic Development:

I am very biased because I come from the energy industry and I think the Island has a phenomenal untapped natural resource with wind and tidal. Wind is short term, tidal is much, much longer term. I think there has to be a realism about that but personally if we want to see a higher non-nuclear, non-carbon based energy mix in the Island, in the short term, offshore wind is commercially viable, deliverable and it would be something that, coming with my oil industry hat on, it might surprise you we say this but I would think has the potential to make a contribution.

The Minister for Economic Development:

I mean there are environmental issues and concerns obviously but I think there is significant potential benefit with all these types of renewable energy and I think without doubt we should be moving forward as we are to investigate those technologies improving dramatically and I think, in due course, in the medium to longer term, it represents a significant opportunity.

Deputy M.R. Higgins:

And the possibility of wind farms within eyesight of Jersey?

The Minister for Economic Development:

Well, that is one of the environmental impact issues, I suppose. I think we could potentially have that anyway with the French if they went ahead with some of the schemes they are looking at to the east.

Deputy M.R. Higgins:

That was going to be my next question. They can do it unilaterally, can they?

The Minister for Economic Development:

In their own waters of course they can and we would be able to see them, so the facts and the reality is we would probably have them anyway in due course and they would not be ours, so we are much better to embrace and be in dial-up with the French as indeed we are. I might add, the Chief Officer mentioned the Tour de Bretagne, just going back to the tourism area. That was a hugely successful event, more so because it has put our communications with the French on to a new footing.

Typically we have been dealing at sort of more a parochial level, if you like, in Brittany and we had the pleasure of the President of the region coming over to Jersey who was hugely impressed and also the regional TV of that area which gave us significant coverage. But he is very keen to develop sort of further economic opportunities, educational, and so on, and plans are to have meetings later this year with him and his department. So we have taken great strides and, I think, good opportunities for developing other activities economically with that area is important.

[10:30]

Deputy J.M. Maçon:

Minister, can you explain the rationale behind reducing a budget in a money making department?

The Minister for Economic Development:

Do you want to refer to the department you are talking about? **[Laughter]** You are not talking about a particular sector, you are talking about the department as a whole?

Deputy J.M. Maçon:

Yes.

The Minister for Economic Development:

I do not disagree with you. When one considers that part of the dealing with the budget deficits that we face in the coming years is economic growth you could quite reasonably put an argument forward to suggest that, in fact, Economic Development should have a larger share of the pie, not a smaller one. Nevertheless, I think, all departments, whoever they are, have the ability to deliver efficiencies and I think it is absolutely right, certainly for 2011, that we go through the process, as all other departments are, to find the necessary efficiencies that undoubtedly exist. Once we move into the even more challenging years ahead, the next 2, where we impact to a far greater degree and to programme, then I think that is going to be an interesting debate.

Deputy J.M. Maçon:

I have to see the difference between inefficiency and a cut.

The Minister for Economic Development:

I think you can look very closely at how a particular activity is carried out and whether or not within the department there is duplication, which in some cases there are, I am not talking here just with regard to Economic Development, but any department, so you can remove duplication, you can find a more efficient way of delivering the same service but getting a better return and I think that there is no doubt that we should continue to challenge all the activities that we undertake and ensure that we deliver them in a more efficient way, and that is possible.

Chief Officer for Economic Development:

I think it is fair to say that there is a very simple definition. Efficiency savings, the output is the same for less money and “cut” is what it says. You cut the money, you cut the service. I think that all departments are having to look at both things. One of the fundamental questions in the comprehensive spending review, the first question is should we be doing this at all, across all of our areas, across all departments as well, and if the answer to that question is no, that is a cut. Should we be spending this amount of money doing something that we should still be doing then if the answer to that is no then there is room to make an efficiency saving.

Deputy M.R. Higgins:

The problem with that is though we have all got our own political views.

Chief Officer for Economic Development:

I am not a politician.

Deputy M.R. Higgins:

I know, I am talking about the politicians, have all got a different view about something that should be done or should not be done.

The Deputy of St. Mary:

Going back to talking about sectors ... diversification; urban regeneration is an ideal sector for creating jobs across the board of all kinds. It improves like directly, it is not an export industry, it happens here. What do you think of that per se? The man is shaking his head, but I am asking the Minister. So is urban regeneration a possible sector which would add to the portfolio in terms of adding value, providing jobs and getting things done?

The Minister for Economic Development:

I think it can be seen fairly clearly that during the economic downturn and the basis indeed of the stimulus plans, construction was of the very heart of that because that was an easy way to get funding very quickly into the economy, so certainly at that level the opportunity to provide additional work for the construction industry and regenerate areas that are in desperate need, and there are plenty of examples around St. Helier where urban regeneration would be beneficial in terms of housing, in particular, I think is absolutely clear, so yes, it is an opportunity that is progressing, perhaps not at the pace that some would like to see it progress at, but it is progressing in any event. I think that is absolutely right that it should do so.

The Deputy of St. Mary:

I have seen more than an area wide approach, in the fiscal stimulus package it tends to be, that is stable, get a facelift or that avenue will get resurfaced. I was thinking more about like an area wide in town, process of improvement just happening because the right conditions are in place.

The Minister for Economic Development:

Yes. I mean, urban regeneration is key to the opportunity for additional housing, as I mentioned a second ago, is absolutely clear and better linkage between the waterfront development and St. Helier is also something that has to happen. A clear opportunity for a better and more co-ordinated and more centralised business district is also an opportunity. Again, much discussed and plans were progressing prior to the global financial crisis for that to be delivered, as you would expect. Jersey is an international finance centre, you would expect it to have a centralised and world class business district. Those plans obviously had to be delayed, we will see how they progress. But outside of that, yes, I do not disagree with your principle behind urban regeneration.

The Deputy of St. Mary:

I was thinking of the Millennium Park and the fact that if that comes there will be a ripple effect over decades afterwards as people respond to the new environment.

The Minister for Economic Development:

Yes. I mean, I do not think there is any doubt ...

The Deputy of St. Mary:

That seemed to me to be a new sector effectively.

The Minister for Economic Development:

I do not think there is any doubt that the benefits, for example, for a park of that nature in that area are significant. I think that has been understood by the States and the reason that the decisions that have been taken to date in terms of providing funding for it. I mean, there are clearly many other issues and I think we are straying probably outside of our direct area.

Deputy M.R. Higgins:

I was just going to say ... anyway moving on.

Chief Officer for Economic Development:

Can I just address one issue about economic leakage? Urban regeneration is just a type of business that is undertaken by various sectors, including construction. The economic leakage related to construction is very high. The labour component is not, but the goods and services that flow in from that, particularly anything that we use to build anything is almost totally sourced from outside the Island, so there is a significant element of economic leakage anyway. I think we have to get on the same page, if we can, about sectors. Urban regeneration is a fantastic area of activity, be it public rail, commercial space, residential space, it all drives construction activity and allied activity and there are significant amounts of economic leakage, as well significant amounts of economic value captured in the Island. It often by itself, I think, is difficult to describe it as a sector. It does have a disproportionate benefit on certain sectors in the Island, some of which exists and some of which do not. But when we are talking about diversification sectors it is very difficult to pick a sector and say this is the sector that is the fit for Jersey. This is why the Enterprise and Business Development Director and Jersey Enterprise work with a lot of individual businesses independent of what sector they are in because we are in the business of kissing lots of frogs in the hope that one day we will find a prince. Out of that, in the longer term, may develop a sector but it is very difficult to be very specific.

The Deputy of St. Mary:

Well, I chose that because it has quite a big scale and, okay, bathrooms and trees are sourced off Island, but all the labour, and I am just looking down the bundle, it is pretty bad and we need to get the thing moving.

Chief Officer for Economic Development:

I was just thinking there is leakage, as I said, not related to labour but in terms of everything that is used to build that which is a high proportion of the cost.

Deputy M.R. Higgins:

In terms of the firms that Economic Development is involved with, are any of them foreign firms? So is the profit element leaving the Island?

Chief Officer for Economic Development:

In our inward investment activity obviously the companies that we bring to the Island are, by definition, foreign-owned.

Deputy M.R. Higgins:

I am thinking more in terms of construction, urban renewal and so on. So the construction centre, for example, we know that the labour, we are supposed to be employing local labour; are the firms Jersey firms? Is the money retained within the Island, spent within the Island, or is that part of the leakage that is going to foreign-owned owners?

Chief Officer for Economic Development:

Certainly in terms of stimulus spending I think most of it has gone to companies who are registered in Jersey employing local people. Some of the firms are owned by offshore companies but the bulk of the work is being carried out by local people who are spending money in the local economy.

Deputy M.R. Higgins:

Can I just ask you to submit to the panel a list of who those firms are or percentages? I would like some more information, some more background information.

Chief Officer for Economic Development:

I think the best place for you to seek that is probably from the Treasury and Resources Minister because it is they that administer the fiscal stimulus funding and have an idea of who ...

Deputy M.R. Higgins:

But again, they release it to the department, do they not, on the basis of the work that has been done?

Strategy Development Manager:

To the sponsoring department.

Chief Officer for Economic Development:

To the sponsoring department, not E.D.D.

Deputy M.R. Higgins:

Construction and engineering is not E.D.D.?

Chief Officer for Economic Development:

No it goes through Property Holdings. What we do have, which we are happy to supply to you, is the one major construction project where E.D.D. is the sponsoring department, and that is the work that has been approved up at Durrell. There is a lot of information on that which is in the fiscal stimulus bid, which I think is now available so we can say that, and you will see there what, as I said earlier, we have been absolutely clear, the labour component locally is very high, the materials component is, by definition, relatively low.

The Deputy of Grouville:

I am a bit confused about this. The construction industry surely is an industry so comes under the Economic Development remit, so is ...

Deputy J.M. Maçon:

But the funding is coming from Treasury.

The Deputy of Grouville:

Some of it is under Property Services and some of it is under T.T.S. (Transport and Technical Services), so is there anybody that looks at the construction industry, the building industry as a whole?

Chief Officer for Economic Development:

One of the reasons that there is as much emphasis on fiscal stimulus funding for the construction sector is because E.D.D. work very closely with the Jersey Construction Council to make a very strong case for the impact that the economic downturn was having on that sector and therefore the need to put a disproportionate amount of fiscal stimulus money into the construction sector, so we continue to work with the Jersey Construction Council and take that overview. In fact, we have been having some discussions with them over the last week or so, so yes we do, but the contract value that is released to the construction industry through fiscal stimulus, a small proportion that flows through E.D.D., really just one project, and the vast majority flows through either T.T.S. or through Housing or through Property Holdings. That is where E.D.D. does not pass the money to the contractors. The contracts are led by the departments that are the sponsoring departments in that submission.

The Deputy of Grouville:

Okay, leaving to one side the stimulus money. Looking at the construction building industry as a whole, where would somebody go to have a look at that particular industry if it is on the increase, decrease, how many people it employs, what percentage are residentially qualified, what percentage of the companies are local companies?

Enterprise & Business Development Director:

There is a report published very recently by Third Phase Limited which is looking at the construction sector. They have carried out an in depth survey of the sector in terms of future skills needs. That report was published around 2 weeks ago.

The Deputy of Grouville:

Okay. Do you think we could have a copy?

Enterprise & Business Development Director:

Yes, it is in the public domain.

The Deputy of St. Mary:

Does that report also have what Carolyn was asking for, about the breakdown of the industry itself as opposed to ...?

Enterprise & Business Development Director:

It has a breakdown in terms of size of employers, it does not name the employers. It has links through to construction sector employers, it has links through to job descriptions, the skills needs of particular employers.

The Deputy of Grouville:

Which companies within the sector are Jersey registered?

Enterprise & Business Development Director:

I think most of the companies in the survey were surveyed on Island and are registered Jersey companies.

Deputy M.R. Higgins:

But they may have ultimate firms elsewhere.

Enterprise & Business Development Director:

They may.

The Deputy of Grouville:

So it is just a survey, it is not the industry as a whole?

Enterprise & Business Development Director:

It looks at the impact of the industry, manufacturers is one of the fastest growth industries in the Island over the last 10, 15 years. Growth has been quite positive.

Chief Officer for Economic Development:

But in terms of what you are asking for, there are 2 sources. One is the labour market report which is published and, indeed, Regulation of Undertakings have all of the statistics that you are asking for and we are more than happy to get them to bring all that together for you and, I think, the other source is the Construction Council itself, who very much have their finger on the pulse of the industry. We have a very good relationship with them in terms of the way we monitor the industry and where it is going.

The Deputy of Grouville:

I am just a bit concerned the fact that you have mentioned it has spread across various areas that there is not one particular department that has responsibility for this industry, a very significant industry.

Chief Officer for Economic Development:

We are talking at cross purposes. There are fiscal stimulus contracts that go out into the industry.

The Deputy of Grouville:

I was not necessarily just talking fiscal, but I mentioned before ...

Chief Officer for Economic Development:

But the industry as a whole is something that we have oversight over and we work, I think, far more

closely with the Construction Council than has ever happened in terms of making sure that both the mood of the industry and what has happening is properly captured, and that is evidenced in the fact that the vast majority of fiscal stimulus funds are going to benefit the construction sector and show a positive impact.

The Deputy of Grouville:

Yes, but I would be reassured if I knew there was one particular department rather than Property Holdings, T.T.S., yourselves, Housing. I would be more assured if there was one department that were responsible.

[10:45]

The Minister for Economic Development:

I think it is fair to say that Economic Development is responsibility for businesses and the economy obviously as you are well aware.

The Deputy of Grouville:

That is what I would have thought.

The Minister for Economic Development:

So at that level we are, and we have engaged very closely with the construction industry, and it was due to that engagement when the global financial crisis started that we were able to work with their council to understand the scope of the issues that the industry faced and to help to assist them, and that fell into the fiscal stimulus programme. So, yes, at that level we are. But the actual funding sources, which I think the Chief Officer was referring to, come from other places. But we are responsible for the businesses themselves and ensuring that we understand the dynamics. Just one final point: a lot of the high level data on the construction industry, the employment levels and the value of the industry to the economy is contained within the statistical review that the Stats Unit produce, so there is a lot of data available there.

Deputy M.R. Higgins:

Okay, we better move on, but Daniel you have a question.

The Deputy of Grouville:

I would like another question on this.

Deputy M.R. Higgins:

Yes, but we better move on. Go on.

The Deputy of Grouville:

I was just going to say that if you are responsible for it then do you have any influence then over other departments as to when programmes of work start because at the moment the economic stimulus funding is being used for the construction industry but in 2, 3 years' time if we have got business sectors being built or goodness knows what, that is going to be thriving again. So is your department ... can they influence a programme of work so all the work is not being done at a given time and zapping all the manpower this Island has to provide and more? Then in times, like now, the taxpayer propping it up.

The Minister for Economic Development:

I mean, I think if you are suggesting that obviously when the market gets over heated it creates inflationary pressures, which it clearly does, and you see construction charges rising, margins rising, businesses becoming, I do not like to use the term, over profitable but certainly handsomely profitable, then that in itself creates problems, yes. We certainly have a responsibility to look at all sectors of the economy and see where there are pressures on either side.

The Deputy of Grouville:

So you look at it, but are there talks going on with any particular areas where you can influence this, there is a co-ordinated approach to the construction industry?

The Minister for Economic Development:

I think the best example of that is someone mention a moment ago when we had the effects or the concerns about the global financial crisis and we got together with the Construction Council, we looked at the issues, the audit books of the future and what have and fed that information into the fiscal stimulus and were able to identify the fact there were likely to be job losses in that industry, there was likely to be a significant reduction in activity and therefore tax take, and the additional funding was therefore put into place. So that is an example of us being able to help to assist a particular sector in a difficult downturn.

The Connétable of St. Clement:

It is absolutely right, and where this should happen is when the States capital allocation is made, so I would assume it would be done with the Council of Ministers within their sort of spending departments that the Chief Officer mentioned earlier who are responsible for major capital projects to ensure that those contracts are let in a controlled manner, as you said, rather than all at once as used to happen, years ago certainly when I was involved at Education this is something we used to do, was to plan the projects so they are released, say, in a controlled and ordered manner, so not all States contracts are left at the same time. But we have not got much control over the private sector contracts but the States ones we are a major client. It should be done though.

The Deputy of Grouville:

We should be doing it for States projects undoubtedly but I just wondered if there is any chance of influencing the private sector as to how the work is programmed?

Chief Officer for Economic Development:

The private sector is driven by demand, it is where the demand is. The only way that we have of controlling it is through Regulation of Undertakings, should it be ultimately fuelled by people coming from outside of the Island because ... the problem is if the demand is there and we are not able to deliver more resources to satisfy that demand it introduces inflationary pressure and the price goes up and what it does then is it shuts out affordable services to a lot of people who wish to do particularly private development across the Island.

The Minister for Economic Development:

Len is absolutely right, I mean, there are 2 elements. There is the private sector and public sector and we have a responsibility in terms of capital programme to ensure that if there is overheating in a particular sector of construction, as you have identified, that it is staggered in terms of the capital programmes and projects coming forward.

The Deputy of St. Mary:

What handle is there on who is working in the industry?

The Minister for Economic Development:

In what respect; in terms of numbers?

The Deputy of St. Mary:

No, in terms of where they come from?

The Minister for Economic Development:

Are you talking about the construction industry?

The Deputy of St. Mary:

Yes. How long they have lived on the Island, there is 17 per cent of the Island poll at the moment

doing trades and I just wonder ... the Chief Officer mentioned just now Regulation of Undertakings, I do not know if that is a mechanism for controlling who is working on the building sites, because that is relevant, is it not?

The Minister for Economic Development:

Absolutely, Regulation of Undertakings is an important function and facility that we have to be able to do that. Len, you might like to ... you represent E.D. on Regulation of Undertakings.

The Connétable of St. Clement:

Clearly the information is all there. Every construction company has a licence to operate and it is clear on licence how many locals, how many non-locals, and of course we get the returns from the employers, all employers, which shows how they are working within those limits. Sometimes there will be fewer people employed, sometimes there will be more but they all have a licence with a maximum number of both local and non-local employees.

Deputy M.R. Higgins:

Just a question on that. In terms of people coming to work on the Island, obviously you have got to have a Regulation of Undertakings licence, but are there any restrictions on where they come from. So, in other words, for example, are they U.K. nationals, are they E.U. (European Union) nationals or people from outside the E.U. to come into the Island and work?

The Connétable of St. Clement:

No, it is a matter of whether they have lived in the Island for more than 5 years or less than 5 years. No, we certainly do not ... we do enough, I think, in telling employers the numbers they can employ, how long they must have been here before you are allowed to employ them as to whether what nationality, race or religion they belong to. I do not think we should go that far.

Deputy M.R. Higgins:

We are not going into that, we are assessing by nationality. In terms of ...

The Connétable of St. Clement:

It does not matter.

Deputy M.R. Higgins:

... there is a question in the U.K., for example, on high numbers of illegal immigrants coming into the country and so on, is there any way of stopping them coming to the Island?

The Connétable of St. Clement:

We have similar laws to the United Kingdom as far as illegal immigration is concerned. I mean clearly some will need work permits depending on what nationality they are. Clearly European Union, United Kingdom, there are no restriction. But outside of that there would be work permit situations, which is a matter for the Home Affairs Department rather than us.

Deputy J.M. Maçon:

Can I just ask: how many people do you have dedicated full time as enforcement officers to make sure that businesses are complying?

The Connétable of St. Clement:

Not enough, as any other department which has similar regulations will tell you, Social Security and so on. Yes, we do get returns, we work closely with Social Security so we know what is going on and where things appear to be out of kilter they are dealt with. But we do not have inspectors going round checking on all the building sites.

Deputy J.M. Maçon:

Do you have anyone as the dedicated to it all, if so, how many?

The Connétable of St. Clement:

One, is it not?

Chief Officer for Economic Development:

Within Regulation of Undertakings, one, yes.

The Deputy of St. Mary:

To cover all sectors including construction?

Deputy M.R. Higgins:

But then they dovetail with Social Security as well with their enforcement officers.

Chief Officer for Economic Development:

Remember every 6 months we have a labour market return where every company is obliged to tell us under the law how many people they are employing and how that pertains to the licence that they have been granted.

Deputy M.R. Higgins:

Do they also say how many people have work permits?

Chief Officer for Economic Development:

That would come under their non-locally qualified allocation for work permits.

The Connétable of St. Clement:

It is not separated out. From our perspective clearly, as I say, that would be a matter for Home Affairs.

The Deputy of St. Mary:

Is there any sort of exemption in construction as there is in tourism? You know, there are special rules applying to tourism about seasonals and about how many people you are allowed to employ, it was properly flexible because I know it, but in construction is it much tighter?

The Connétable of St. Clement:

It is tighter than tourism. I mean the construction companies have to operate within their R.U.D.L. (Regulation of Undertakings and Development Law) licence which is very specific to how many local and how many non-local.

Deputy M.R. Higgins:

Let us move on. Can I just ask a quick question and then we will move on to specific areas. Just a question for the Minister really. Have you been part of any ministerial talks with either Guernsey or the Isle of Man regarding capital gains tax and raising it with all those changes moving away from Zero/Ten?

The Minister for Economic Development:

I have not, no.

Deputy M.R. Higgins:

You have not? Are you aware of any talks that have been going on?

The Minister for Economic Development:

There are talks, I believe, between Treasury and other areas on a whole range of topics. I am not aware that this particular subject has been discussed.

The Deputy of St. Mary:

You capture some of your regeneration gains that way if you have capital gains.

Deputy M.R. Higgins:

Certainly you would not have ... this is the crux(?) you are going to have. Anyway, moving on, the first one we have got here is eGaming. Can you give us the latest timetable about eGaming?

The Minister for Economic Development:

Yes. Well, we are hopeful that we will be able to lodge the legislation before the summer recess for debate soon after and, in fact, on that particular timeframe perhaps I could ask you a question, is your intentions for reviewing the said legislation?

Deputy M.R. Higgins:

We have not decided yet. That is why we want to know what your timetable is.

The Minister for Economic Development:

We are moving to progress the lodging of the legislation as quickly as we possibly can and I am hopeful that we will be able to get it in before the summer recess, to be able to lodge it by summer recess.

Deputy M.R. Higgins:

Okay. Has anybody got any other questions on eGaming?

Deputy J.M. Maçon:

Just quickly what stage in the drafting is that legislation at?

The Minister for Economic Development:

The modernisation of the gambling legislation, a lot of the work has been done bar the eGaming elements because that was subject to the debate that we recently had. So I can at least say the majority of the work in all the other areas has been completed and it is just the eGaming element that is now progressing but obviously there are examples of eGaming legislation in other jurisdictions.

As you will recall from the debate, Jersey is about the only place that does not have it so we are hopeful the law officers will be able to get our legislation prepared in time for lodging date I have identified.

Deputy J.M. Maçon:

In order to avoid the race to the bottom, how far you going to have legislation which mirrors places such as Guernsey and Alderney?

The Minister for Economic Development:

I am not sure what you mean by "race to the bottom" but the legislation will understandably be fairly similar to other jurisdictions. However, having come in at the end of the queue there are opportunities as improvements are made to perhaps tailor our particular legislation with improvements that would be beneficial to all concerned, and that would be consideration for the department of the law officers who are preparing the legislation.

The Deputy of St. Mary:

On the question of principle allowance, I suppose, not moral principle, just explain to me because I am still puzzled why an eGaming company like Go To(?) or whoever would want to set up in Jersey.

The Minister for Economic Development:

Why they would want to?

The Deputy of St. Mary:

Yes.

The Minister for Economic Development:

Interesting, I can give you an example of a company called Sportingbet who set up in Guernsey not so long ago. They actually approached us, they wanted to set up here and they were not aware that we did not have the legislation in place to do so. They are one of the largest and they have contributed significantly, not only in terms of licence fee but they have relocated their head office to Guernsey now and they have made contributions in many other areas as well. There is no doubt that from the research we have done that the regulatory reputation that Jersey has, not just in terms of the Gambling Commission that has been put in place and the very strong reputation that the chair, Graham White, has, but also the reputation of the Island as a sound regulatory jurisdiction from a financial services point of view in all different areas, is appealing to companies. They want to be seen to be operating from the top jurisdictions and Jersey certainly sits in that category.

Deputy M.R. Higgins:

Do you think that is enough on its own to get them here?

The Minister for Economic Development:

We certainly know there is at least one significant eGaming organisation that is waiting for this legislation to be passed and there are others indicating that they are keen to come and talk to us, again should it be passed. We are late. There is no doubt about that. We should have probably passed this legislation, in my view, some years ago, and we would have seen the benefits that Guernsey and others are seeing at the moment. But nevertheless there is no doubt there is still significant opportunities.

The Connétable of St. Clement:

One of the points to be made is that if we do not have this legislation there is no chance of them coming. That is the real point. The worst case scenario is we have the legislation and nobody comes, but that is not going to happen. I mean all the indications are very strong.

[11:00]

The Deputy of St. Mary:

My question still has not been answered. You have explained about Sportingbet and they went to Guernsey and now they have got a head office there, and there is a regulatory framework, that still does not explain why they do not operate from Romford.

The Minister for Economic Development:

From where?

The Deputy of St. Mary:

Romford or Liverpool. Two towns at random that popped into my head.

Chief Officer for Economic Development:

Have you been to Romford? [Laughter]

The Minister for Economic Development:

I mean the same question could clearly be asked to all the licences that are now in ... you have got 40, 50 licences in Alderney, they have been operating for 8 or so years now.

The Deputy of St. Mary:

Have they?

The Minister for Economic Development:

Yes. You have got Gibraltar, you have got the Isle of Man, and all the other places that companies are continuing to move to for the fact of ease of communications, quality of services, strong regulation and so on and so forth and the robust nature of the jurisdiction in question and

infrastructure, I suspect.

The Deputy of St. Mary:

Nothing to do with tax?

The Minister for Economic Development:

No, because they get ... well, they get licensed by us, we do not obviously charge a tax under the Zero/Ten regime that that, I think, was alluded to in the debate as irrelevant, so our revenue is purely from a licensing fee.

The Deputy of St. Mary:

But there is no part of the reason why these companies set up in Gibraltar and the Isle of Man, these other funny places, Alderney and Jersey, is nothing to do with tax?

The Minister for Economic Development:

I have no doubt that there are advantages in their structures from a tax neutrality point of view that would be beneficial to the particular organisations. Yes, I am sure that is the case. Can I also, just for our greater understanding, I was curious with the drive towards diversification and I believe we are singing from one hymn sheet in that respect. I know part of the Strategic Plan that you, Chairman, were keen that we include it, why your panel were not supportive of the gaming legislation?

The Deputy of Grouville:

What do you mean the panel? I voted for it.

The Minister for Economic Development:

Sorry, Deputy. Some of the panel.

The Deputy of Grouville:

We did not vote as a panel.

Deputy M.R. Higgins:

I would suggest each individual voted separately, it is not a panel issue. It was not a panel decision.

The Deputy of St. Mary:

The reason I am pressing you on tax as a possible motive, because the other motives frankly do not really stack up, and interesting that I have to sort of go to you and say: "What about tax?" and then you say: "Well, all right, maybe" is I am interested in the sustainability and it is an issue.

The Minister for Economic Development:

Sustainability I think we touched on before. You cannot pick sectors and individual businesses that guarantee to be winners. What you can do is you can assess a particular market, you can see the revenues that are generated by that particular sector and the opportunities that it presents and you estimate the potential value to the economy. I mean clear from the work that has occurred so far in other jurisdictions that it is highly profitable. Will it be here in 50 years' time? I mean, you cannot guarantee that, but if it generates revenues over the next 5 to 10 years, then that is clearly beneficial to the Island.

Chief Officer for Economic Development:

I do not want to harp on about sustainability, but is the eGaming sector a sustainable business worldwide? Well, yes, it is. In terms of sustainability in terms of its operation in the Island, is it low footprint/relatively high value? Yes, it is. It does not have very large ... any demand on land. It has very low footprint/high value labour employment, so from a perspective of in-Island sustainability, then it is one of the more sustainable sectors in that it does not place demands. As Alan said, long term will it be sustainable as a sector as a whole? Well, I believe yes, it will. Will the regulatory framework around it change? Yes, it will internationally. Having a strong regulator here, which the

Gambling Commission will be, is absolutely what we need.

The Minister for Economic Development:

There is something that we need to also focus on. This is not about government trying to pick winners necessarily, but it is the private sector that have been clamouring for eGaming legislation for years. They see the potential to it. Government should be the enabler, and that is what I believe we are in this instance. We have put in place a good Gambling Commission, a solid Gambling Commission, to properly regulate the industry, and we hope to put the legislation in place to enable the private sector to drive economic growth from this particular area.

Deputy M.R. Higgins:

Okay. Just one last question - I think it is the last question - and that is what is your estimate of the employment in this sector? How many people are going to be employed in eGaming in terms of managing all the service and everything else?

The Minister for Economic Development:

There is already employment within the sector. If you talk to Foreshore and ITEX, they ...

Deputy M.R. Higgins:

Yes, but how many additional?

The Minister for Economic Development:

Well, hang on. They already have ... they have capacity. What we want to see happening is the data centres that the likes of ITEX and others are building in Guernsey because they already have the legislation in place. We want to see those built here. If they are built here, then that drives additional private sector employment. To put numbers on it, I could not speculate at this stage.

Deputy M.R. Higgins:

Okay. Let us move on to the next one, then.

The Minister for Economic Development:

Can I just record my apology to Deputy Labey about the fact that I misinterpreted the fact that she voted the other way. [Laughter]

The Deputy of Grouville:

Well, we were not voting as a panel. We are individual members.

The Minister for Economic Development:

Probably because at least 2 members of your panel were so vocal on the subject it gave the impression, so my apologies to the Deputy and any other members of the panel who were supportive.

Deputy M.R. Higgins:

Well, a number of members do not just nod things through, you see. Okay, moving on: intellectual property. Can you tell us what the latest timescale is?

The Minister for Economic Development:

Yes. We hope to be in a position to be able to lodge in a matter of a few weeks the legislation.

Deputy M.R. Higgins:

Okay. You know the panel has appointed ... we have appointed a specialist who is looking at the one you have already given us and will report on that, so if you could work ... you know, keep us very informed because obviously we want to inform the States of what our expert says.

The Deputy of Grouville:

You plan to lodge within a couple of weeks, did you say, a few weeks?

The Minister for Economic Development:

Yes.

The Deputy of Grouville:

Have you built in any time for Scrutiny between your lodging and debating?

The Minister for Economic Development:

Well, scrutiny, clearly you are already looking at one element and if it is decided to look at the rest of it, then that will go through the same process.

Deputy M.R. Higgins:

It is the one element that we are looking at that you are bringing forward, and the others are still both in train, are they?

Chief Officer for Economic Development:

Unregistered rights is what is ... which is a huge piece of law, it is 400 Articles.

The Deputy of Grouville:

It is huge and extremely complex. That is why I ask has any time been built in for scrutiny.

Chief Officer for Economic Development:

Well, I think that we have issued you with the previous drafts and I think the final draft is there ready for lodging. I literally got on Thursday or Friday, I think, the final report that will accompany the proposition. I think one of the things that we mentioned earlier about eGaming is it is important that we know what it is you would like to do so that we can properly reflect that in the timetable.

Deputy M.R. Higgins:

I think we will have to liaise with you a bit more on this anyway, but what is the rest of the timescale for the other pieces of legislation?

Chief Officer for Economic Development:

Well, there are 2 other components, one of which is the plant varieties, which as you know was deferred from 2010 to 2011 to allow the law drafting time for the ombudsman. Then there is the one that follows on from that, which is the registered rights, which is the final one, but both of those we would hope to bring forward in 2011 so we have the full suite of intellectual property legislation that allows us then to become party to the various intellectual property conventions like Berne and Paris and ultimately compliance with T.R.I.P.s (traded-related aspects of international property rights), which is the global intellectual property. But this is the first component that was put forward and that is to all intents and purposes ready to go.

Deputy M.R. Higgins:

Okay. Right, anyone else got anything on I.P. (intellectual property)?

The Deputy of Grouville:

I would just like to ask do you have any plans to give briefings about this when you are lodging it because of the complexity?

The Minister for Economic Development:

Intellectual property?

The Deputy of Grouville:

Yes.

The Minister for Economic Development:

Yes. There will most certainly be.

Chief Officer for Economic Development:

I think that if and when your expert is appointed and in the Island, there has to be a little bit more than a briefing because it is so complex and so long. It almost has to be a 2 or 3-day working session so that everybody can get on the same page. This is incredibly ... it is probably the most complex piece of legislation that we have dealt with for some considerable time, as complex as some elements of financial services legislation.

Deputy M.R. Higgins:

That is one of the reasons why we are bringing in expertise ourselves because we do not have it.

The Connétable of St. Clement:

Do you find these briefings that Ministers have on particular propositions and laws helpful?

Deputy J.M. Maçon:

Once the spin is cut out it can be very helpful when you understand all the basics of it.

The Connétable of St. Clement:

I have always felt that if someone has a particular interest in a particular issue and can ask informally of rapporteurs or politicians or ... the one I am thinking of now where unfortunately not too many people turned up was when the chairman of the gambling control ... Gambling Commission and so on were there and unfortunately a lot of Members who spoke in the debate did not bother to turn up to any of the presentations, which was a bit unfortunate.

Deputy M.R. Higgins:

I think I agree with you the fact that if we can see you privately at various times it is beneficial. I think one of the reasons why States Members do not always show to them is there is so much going on at the moment and it is very, very hard to attend all of them, even the ones you want to be at.

The Connétable of St. Clement:

Could not agree with you more, but it is always disappointing when you have 2 or 3 of these things and then some Members who were speaking at length in the debate have not been able to attend any of them. It is just unfortunate.

Deputy J.M. Maçon:

I think as well, and I would not single out Economic Development at all but just generally across the board ...

The Connétable of St. Clement:

No, I was talking generally.

Deputy J.M. Maçon:

It is just also the period of notice that Members get. Sometimes we do find ourselves where something is coming up and in the next week there is a briefing and then it is in the States and ...

The Connétable of St. Clement:

I am exactly the same.

Deputy J.M. Maçon:

So, I just make that point.

Deputy M.R. Higgins:

Okay, let us move on, then. There are a few questions about the harbour first, then the airport and then we will move on to the next one. Harbour: can you tell us what developments are going on with

the harbour? Do you have any new developments planned for the harbour?

The Minister for Economic Development:

Paul, do you want to ...?

Senator P.F. Routier:

Yes, certainly. You will be aware that we had a project for refurbishing the town marina. That was one which was due to happen this year. We have put that on hold for the present time because there was a bit of reaction from some of the boat owners who have moorings in the old harbour. Although the 2 were totally unrelated, it was thought that we would speak in more depth with the boat owners to see what their needs were. I have to say that the success of what we have experienced over this last weekend of people wanting to buy boats and to have moorings does, to my mind, put a greater emphasis on the need to get more moorings available to people because we do have a waiting list currently with our existing availability. So, we would like to see a way of progressing more moorings for the public who are clamouring for them. But at the present time it is on hold but we would like to at a later stage progress that.

Deputy M.R. Higgins:

Okay. What other developments have you got in train?

Senator P.F. Routier:

With the harbour? Well, there is the major piece of work which is happening with the East of Albert review which we are part of. Obviously, that is a wider thing with regard to further developments with moving the fuel farm and moving the harbour, the commercial harbour, for ... but that is a big piece of work that is being driven by a project team which is led by John Richardson. So, we are feeding in our needs into that to ensure that we have ... that the needs of a commercial port are being recognised.

Deputy M.R. Higgins:

What is happening with the La Folie site? Because you are moving businesses out of the La Folie site further down the harbour, so what do you have planned for ...?

Senator P.F. Routier:

That is all part of the East of Albert review. That is in there. I have to say that the move of the people who were in the back of the La Folie site into their new purpose built or refurbished building has been really positive with them and it has put them all in one place and all marine-related people are all working from one building, which has helped to build a better future.

Deputy M.R. Higgins:

Where is it?

Senator P.F. Routier:

It is what used to be the T.T.S. ... well, Harbour Works ... it was Harbour Works in a shed further down on La Collette.

Deputy M.R. Higgins:

The actual timescale, because if you are moving these people are you just going to leave it vacant or do you have something in mind for that site in the near term?

Senator P.F. Routier:

Well, that is part of the East of Albert work that is going on.

Deputy M.R. Higgins:

But again, you are involved with the East of Albert work anyway. You must have an idea of what is planned for that site.

Senator P.F. Routier:

It is in the melting pot at the present time. That is all part of the major piece of work which is going on. There is no set plan for that particular area at the present time.

The Minister for Economic Development:

I think the key point is to remember that there are a number of small businesses that were located in those facilities behind the La Folie site. There was no point renewing their arrangements when there was a perfectly good site in a more commercial and adaptable and accessible area at Harbour Works.

Deputy M.R. Higgins:

Closer to the fuel farm.

The Minister for Economic Development:

So it made sense to ... well, it is a commercial area utilised by many businesses.

Deputy M.R. Higgins:

La Folie itself, what plans do you have for that?

[11:15]

Senator P.F. Routier:

It is the same answer I gave earlier. **[Laughter]**

Deputy M.R. Higgins:

I am talking about the old public house which is just sitting there, as I understand it.

Senator P.F. Routier:

Yes, well, that is part of the ... being put into the melting pot of all the relevant plans.

Deputy M.R. Higgins:

Can you confirm, for example, if the former Chief Minister is involved with any of these projects?

Senator P.F. Routier:

At present the former Chief Minister has assisted us with the boat show. He has showed a lot of interest which has been very helpful. He is obviously a boating person and he has been very enthusiastic with trying to help us with ...

Deputy M.R. Higgins:

Is he involved in any land deals within the harbour?

Chief Officer for Economic Development:

Can I answer that directly?

Senator P.F. Routier:

Yes, sure.

Chief Officer for Economic Development:

Because I think it is probably better if I do, just to clarify things absolutely. The East of Albert Project Board, which is chaired by John Richardson - of which the chief officers of E.D.D., Planning, T.T.S. W.E.B. (Waterfront Enterprise Board) are represented, as are Property Holdings - is in the process of developing East of Albert. One of the things that this Senator has alluded to is a land use master plan for the whole area which includes La Folie. Now, out with that, there are no specific property deals and certainly none at all with which any individual, let alone the former Chief Minister as far as I know, are involved because there are no deals to be done at the moment. We are

at the stage of land use master planning. There is a lot of dialogue and debate going on between Jersey Harbours because of its requirements from a commercial port and a marine leisure perspective, the broader development value, potential relocation of people who are on New North Quay to the phase 3 warehouse which is adjacent to Harbour Reach. So, you know, I think that it is very much at a scoping stage in terms of land use at the moment rather than any specific property deal.

Deputy M.R. Higgins:

Okay. In terms of, again ... I am pressing you on timescale because I cannot believe ... you have this masterplan that you are working to ... in fact, is it possible for us to have a copy of the masterplan?

Chief Officer for Economic Development:

No, we are working towards; there is not ... a masterplan does not exist. We are developing a land use masterplan for the whole of the East of Albert area. We are more than happy to ... I am sure the East of Albert Project Board, Ministers' approval, would be more than happy to give the panel a briefing on where we are on that.

Deputy M.R. Higgins:

I think I would welcome that.

Chief Officer for Economic Development:

What you will see ...

The Minister for Economic Development:

Very happy for you to have that.

Chief Officer for Economic Development:

I think there is a feeling that it is far more advanced than perhaps it is. We really are at the stage of land use master planning rather than specific proposals for individual pieces of land. La Folie is a very key site that has potentially numerous uses, either for residential or commercial use or leisure use, whatever, but it has to be put in the context of the overall development.

Deputy M.R. Higgins:

Okay. Well, we will take you up on your offer if you could ask them to come and brief us. Just on the last one on the harbour in terms of development, what is the latest on the freight area just near the new Elizabeth Harbour? There was proposals to build warehousing and other things there. It was put on hold, I believe. Is that correct?

Senator P.F. Routier:

There was a planning decision to be made which I have not got the latest on where that is. I know it was being progressed and there was something to do with the façade I think was ... planning were concerned about but I think the process is going ahead.

Deputy M.R. Higgins:

So there were lots of objections from residents?

The Minister for Economic Development:

Phase 3 warehouse where the trailer park is.

Senator P.F. Routier:

Yes.

Deputy M.R. Higgins:

Yes. So, that is just still going through this process?

Senator P.F. Routier:

Yes.

Deputy M.R. Higgins:

Okay. Moving on then to ... sorry, in terms of its budget, how is the harbour doing on its budget? Is it profitable? Is it balancing its books or is it in a loss-making situation?

Senator P.F. Routier:

Currently, it is doing reasonably well. It depends on the demands that are put on us with regard to any infrastructure that needs to be replaced. We are in the process of having to find a mechanism to fund some work that needs to be carried out at St. Aubin which we have to find a mechanism to fund that. So, we will have to resolve that because the work needs to be done and we will be working to ensure that is done as speedily as possible.

Deputy M.R. Higgins:

What about the problem with the harbour cranes and the rail?

Senator P.F. Routier:

I do not ... what are you referring to?

The Minister for Economic Development:

What problem are you referring to?

Deputy M.R. Higgins:

I believe you have problems with the harbour cranes and the rail things breaking up there; you may have to be doing a lot of work down there?

Senator P.F. Routier:

Oh, you must be referring to the report that was done last year which identified that there is ... in the future there will be some work that needs to be done, but the advice I have been given by our engineers only recently is that that work is not urgent, it does not need to be done, you know, it is something that can be planned at a later stage.

Deputy M.R. Higgins:

Okay, the airport then. Tell us about development plans at the airport.

Senator P.F. Routier:

Well, there is ... at the present time, the work that is going to be carried out fairly soon is the taking off the 2 top floors of the 1937 building, taking away the asbestos-clad building. That hopefully will start towards the end of this year. We are going to build firstly a pen for the work to be carried out from so that the public cannot disrupt it by moving in and out of the airport. It should go ahead hopefully fairly smoothly, but it is mainly it will take away those 2 top floors.

Deputy M.R. Higgins:

When is that due to start?

Senator P.F. Routier:

Towards the end of the season. There might be some work done prior to that. It is in the balance about when we start the work on creating the holding areas because of security issues and making sure the security is dealt with, but once that is in place it will be a matter of timing about whether we do it, you know, during the season or ... it is more than likely at the start or the end of the season.

Deputy M.R. Higgins:

Okay. What about, for example, the old hangar, the Jersey Airlines hangar, what is happening on that?

Senator P.F. Routier:

Nothing at the present time, no.

Deputy M.R. Higgins:

Although that was described as a hazard within the 1-7(?) rule.

Senator P.F. Routier:

Yes, but at the present time the D.C.A. (Director of Civil Aviation) is not making any sort of suggestions to us that it needs to be moved, but obviously in the long term and the overall desire to use the area of land within the airport in a more productive way, that will be part of an overall plan to utilise the resources which are open to the airport in a far better way.

Deputy M.R. Higgins:

But that hangar will not be able to be used for anything else because of the height of it and its proximity to the taxiway.

Senator P.F. Routier:

It would be part of redevelopment and obviously it may not be there in the future, perhaps, but it is all in the process of being planned.

Chief Officer for Economic Development:

I think it is worth saying we have constructed now a commercial financial model for the airport going out to 2023 and within that there is a capital programme for demolition of the hangar and straightening of the alpha taxiway. So that is in the longer term capital plan but it is not part of the immediate works.

Senator P.F. Routier:

There is no desire from the D.C.A. to have it moved immediately.

Deputy M.R. Higgins:

Okay. In terms of the other land that the airport has, are you fighting the third supermarket there?

The Minister for Economic Development:

No.

Deputy M.R. Higgins:

Quite definitely?

The Minister for Economic Development:

No. [Laughter]

Deputy M.R. Higgins:

Definitely not ... [Interruption] [Laughter]

The Minister for Economic Development:

There are definitely no plans there.

Chief Officer for Economic Development:

There is a piece as a part of the excellent work that the airport has been doing called Safeguard, about revenue generation and cost reduction. Again, this is a land use master planning exercise but the last time I saw it there was no supermarket anywhere near it. I think the biggest issue with a retail site up there which is often forgotten is the Beaumont roundabout. To move significant volumes back and forth from a location like that, you would have to solve Beaumont and that is a very difficult problem to solve, as I am sure you are all aware. But there are other commercial

opportunities both airport-related and not that do not involve any element of retail.

Deputy M.R. Higgins:

Okay. Can you give us any indication of those development plans you have, then? I have asked some specific ones. Are there others that you are considering or planning that we need to know about?

Chief Officer for Economic Development:

Again, from our perspective there is an overall land use master planning exercise going on, 2 phases of which have been completed by the airport. I am sure they would be more than happy to share that with you to show you ... but it really is very much about land use rather than any specific proposals.

Deputy M.R. Higgins:

Budget, how is the budget doing?

Senator P.F. Routier:

Well, this year obviously the arrivals are down on last year so far, first couple of months, and obviously the volcanic ash will not have helped matters recently. That is on passenger ... you know, obviously income from passengers. I have to say the retail is doing very, very well. It has been a tremendous success. There is one unit still available which is out on the market at the present time, so hopefully it will get somebody into that particular unit. But from the reaction we have had from the people who are operating there, it has been a success. We are sort of treading warily about making forecasts about how the end of the year is going to be with overall passengers. As I say, the first couple of months has ... I think it is about 2.9 per cent down up until the end of March.

Deputy M.R. Higgins:

Am I right in saying also with G.A.A.P. (generally accepted accounting principles) accounting it is going to cause the airport to go into deficit, if it is not already?

Chief Officer for Economic Development:

We have created a very significant number of assets over the course of the last couple of years and there is a depreciation charge associated with that, so yes, but the G.A.A.P. accounting does now accurately reflect and the financial model accurately reflects the situation that prevails. There is no doubt that the response that the airport has put together, which involves reductions in costs, increases in revenue, absolutely minimises any potential downside there. Again, I think it would be useful for the panel to see that work because it is one of the best pieces of work that I have come across in a long time.

The Minister for Economic Development:

It would be useful perhaps to arrange a briefing of both the airport and, separately, the harbour if the panel would be interested. We would be more than happy to share this detail. The airport model in particular would be particularly valuable to you.

Deputy M.R. Higgins:

Yes, we are going to be looking at both. We have a sub-panel that has been created for it, so we will speak to you on that and if the rest of the panel want to join in, they can join in as well. Can I just move on then to J.C.R.A. (Jersey Competition Regulatory Authority). J.C.R.A. has been a hot topic of late in terms of dealing with Jersey Post, et cetera. Can I hear your views about how well J.C.R.A. is doing?

The Minister for Economic Development:

Generally, I think since the J.C.R.A. were introduced they have had a significantly beneficial effect on the overall economy. I am delighted that we were able to put in place a new chair to the J.C.R.A. at the last sitting, Mark Boleat, whose pronunciation of his name I am afraid I got wrong on several occasions during the debate and I have been practising so I was looking for an opportunity where I

could practise. [Laughter]

Deputy M.R. Higgins:

I think had I been doing it I would have got it wrong as well.

The Minister for Economic Development:

Mr. Chairman, you are very gracious. But joking ...

Deputy M.R. Higgins:

You have not heard me trying to speak French, that is why, or even pronounce anything French.

The Minister for Economic Development:

Indeed. I think since the sad loss of Lord Kingsland it was an important role to have filled. But no, overall I am very pleased. Clearly, the J.C.R.A. have a difficult remit in many areas but I think overall I am pleased with what they have done.

Deputy M.R. Higgins:

So you have no problems with the working of the law at the present time and how it is carrying out its functions?

The Minister for Economic Development:

I think there is always room for improvements in certain areas and the mergers thresholds are one example and we are bringing forward an amendment to that effect which will be lodged ... or has been lodged? I cannot remember, about to be lodged, which again is an example of a small amendment but again will make it more realistic in terms of that particular area. So yes, we are continually in dialogue with the J.C.R.A. and we take obviously soundings from industry as to concerns that they may or may not have in different areas.

Deputy M.R. Higgins:

In relation to Jersey Post, what views do you have on that in terms of what it is ... opening up the market to competition?

The Minister for Economic Development:

Well, I think the ... with regard to the J.C.R.A.'s decision, you mean? The J.C.R.A. have gone through a process that they are acting within their remit and that process is now partway through in terms of the consultation which concludes at the end of this month. I think the J.C.R.A. have done exactly as they should have done to date.

Deputy M.R. Higgins:

What is your view about the impact on Jersey Post?

The Minister for Economic Development:

I think you have to look at the impact not only on Jersey Post but also on the rest of the economy and a large number of other companies that are within that particular sector of fulfilment that are going to be impacted. We have had discussions with not only Jersey Post; we have also had discussions with quite a number of fulfilment companies and the harsh reality is whichever way this decision goes there is going to be an impact potentially on the economy and it is a very difficult balance to get right. This is outside of whatever the J.C.R.A. are doing. They are fulfilling their obligations, as indeed they should do, as an independent organisation but we have to realise that in this day and age when postal volumes are dropping dramatically the longer term sustainability of postal services, not just in Jersey but elsewhere, are under some significant threat. I am delighted with the work that Jersey Post have done themselves to date in terms of streamlining their operations, the voluntary redundancy process that they have been through, but I think it is clear that more will have to be done and it is just a question of timetable.

[11:30]

But if, for example, the J.C.R.A. pursue the licensing of additional operators in that particular space, that will add competition and will put at risk some of the revenue that Jersey Post has and possibly the need for them to accelerate their programmes of modernisation. However, if they do not go ahead with it, there is a very real risk that significant sizeable fulfilment companies in Jersey will look elsewhere outside of the Island to fulfil their business because, of course, it is very much cheaper elsewhere. It is a difficult balance.

The Deputy of Grouville:

Do you ever offer J.C.R.A. guidance as to ... or do they just come up with their remit purely on competition or do you ever offer them guidance, sort of: "Make a decision but we do not want this scenario", a particular scenario to develop?

The Minister for Economic Development:

Well, under the postal law the powers of the Minister for Economic Development are somewhat limited. Guidance can be issued under social and environmental areas and, indeed, I have taken and am awaiting advice in that regard. But my powers are somewhat limited and in many respects that is probably just as it should be so that this independent authority are able to carry out their functions as was intended.

The Deputy of Grouville:

But you can give them guidance?

The Minister for Economic Development:

Outside of formal guidance, of course, we do have regular meetings with the J.C.R.A. and obviously one discusses at meetings of that nature wider issues that affect various industries.

Chief Officer for Economic Development:

I just think we need to be absolutely clear, Alan is quite right he has very limited powers. Guidance is that; guidance he can issue in the public interest, which can include economic considerations. The J.C.R.A. are not bound to comply with that guidance. He can only issue directions under social ... for social and environmental reasons under the law. At the moment the J.C.R.A. is acting wholly within the remit that was given to it by the States under the postal law.

The Deputy of Grouville:

Yes, I appreciate that they have a job to do and they are fulfilling that. The ultimate decision when they come back and make recommendations to issue more licences, is that yours or is it theirs?

The Minister for Economic Development:

It is theirs. The way the process works, it is out to consultation at the moment. The consultation closes at the end of this month. The J.C.R.A. will then consider what the position is going to be and one would expect they will take some time to go through that consideration process when they have all the returns they get from the consultation. If they then decide to proceed with their intention to license additional operators, there would then ... as a matter of process under the law they have to issue a further consultation period for a similar period. But it is their decision.

The Deputy of Grouville:

Yes, but when they issue a further licence, for example ...

The Minister for Economic Development:

If.

The Deputy of Grouville:

If, who would be able or is it for them to set down the terms of reference for that licence? For

example, we do not want any small sub-post offices closing, an example like that?

The Minister for Economic Development:

Oh, sorry, we are conflating probably 2 separate issues. That is not directly linked to the U.S.O. (Universal Service Obligation). I know the questions that came during the States debate gave that impression. Jersey Post has an obligation under the law to fulfil a universal service obligation. Within that or under that are the provision of, for example, 6-day postal services, numbers of post offices and so on and so forth. That is a totally separate issue to the licences but obviously the issuing of additional licences puts Jersey Post at a competitive disadvantage because they are carrying the cost of the U.S.O. So, if there was going to be any material change to the U.S.O. that would allow Jersey Post to compete with new licences on a more level playing field, then that would be an issue that they would have to apply to the J.C.R.A. I think what would probably be the outcome of that is that we would need to, from an Economic Development point of view, look at a consultation period from a public perspective just to see ... I mean, this is a public matter as much as it is anything else, as much as it is a commercial matter, and we will probably be looking at a public consultation to discuss the size/shape of a future U.S.O.

Deputy J.M. Maçon:

Do you not think that should happen then in tandem with granting of other licences rather than after a new licence has been granted?

The Minister for Economic Development:

It certainly should happen and that is a matter that we are likely to progress with in any event because I think it is important to understand.

Deputy M.R. Higgins:

At the same time is what the question was.

Deputy J.M. Maçon:

That is the point.

Deputy M.R. Higgins:

Yes, not at some time, meaning the same time.

The Minister for Economic Development:

Yes. It is a matter that we are discussing at the moment and will probably progress with because I think it is important to understand the details of the public view on the U.S.O.

Deputy D.J.A. Wimberley of St. Mary:

Because the U.S.O. is fundamentally part of this whole ... you have just said that the new licences would put Jersey Post at a competitive disadvantage if they came in because of the U.S.O. Clearly, the U.S.O. is part of this equation.

The Minister for Economic Development:

It is not the only factor, but it is a contributing factor because it adds ... well, it adds cost to the operation of Jersey Post. It is not the only factor, though. There are other costs within the operation of Jersey Post that are material in terms of their cost base versus a potential new entrant to the market.

Deputy M.R. Higgins:

Can you elaborate on that a bit more?

The Minister for Economic Development:

I think it is quite simply just looking at the operation and the cost base of Jersey Post as a whole. Putting aside the U.S.O., which is clearly part of it, they are operating in a way in which the market

is ... you are seeing deteriorating volume and consequently, although they have moved to address their cost base with the voluntary redundancies to date, there is probably - and they recognise that - more work to be done in the future.

Deputy M.R. Higgins:

So you think basically it is overmanned and probably overpaid? **[Laughter]** Well, that is the inference in a sense because if you are saying ... if they have to reduce their costs because their cost base is too high, and we know that labour is obviously the highest cost.

Chief Officer for Economic Development:

Minister, could I just add something?

The Minister for Economic Development:

Yes.

Chief Officer for Economic Development:

The broader issue about the U.S.O. is that Jersey Post, either through changes in the market, the overall market, they gain the majority of their revenue from fulfilment business at the moment. In fact, it cross subsidises the delivery of postal services very significantly, and I think that is known to everybody. The quantum is debatable. That fulfilment business is under threat from the revenues that arise from it. They are under threat from 3 areas. One is competition. Another is action by the U.K. Government on low-value consignment relief, which is the thing that drives the location of the fulfilment business in the Island. The third thing is the fact that physical product, D.V.D.s (digital versatile discs) and C.D.s (compact discs), is a declining market. As the U.K. gets ever more connected, the requirement to go and buy a D.V.D. or a C.D. is disappearing. Already retailers that were dominated by their retail sales on the high street are now dominated by their sales on the internet. HMV is a classic example. So, there is a fundamental threat to that fulfilment revenue stream, some of which is totally out with our control. That means that the amount of cross subsidy that that is able to deliver to the U.S.O. is going to reduce either through competition or those other things which are not under our control. It is incumbent upon us as Economic Development to work with Jersey Post and the regulator to look at what changes could be brought about within the U.S.O. to reduce the cost base and, therefore, deal with that risk of reduction in the underlying revenues from fulfilment. So it is not just about competition; there is a broader, longer term sustainability issue in terms of fulfilment as ...

Deputy M.R. Higgins:

But that applies not only just to Jersey Post, it also applies to the competing firms that want to take over their business because 2 out of 3 of those things apply to them as well.

Chief Officer for Economic Development:

That is absolutely right, which is why the whole issue of the U.S.O., the scale, the scope, the funding of it, is something that is ... Deputy Wimberley is absolutely right, is vital to the overall argument. As I think the Minister has indicated, it is something that we intend to look at, probably through consultation I should imagine, in very early course.

The Deputy of Grouville:

But the consultation is going to happen before the licence is issued, surely?

The Minister for Economic Development:

I think that would be a matter of course because, as I have explained, with the process of the first consultation period to the end of the month, if it is then intended by the J.C.R.A. to issue a licence you have a further period and they are not going to determine straight away anyway. This is a matter that I think clearly needs to be addressed and dealt with, so yes, it would obviously happen before this period is concluded.

Chief Officer for Economic Development:

Just to say one other thing, as somebody who has, whether they wanted to or not, read the postal law backwards over the course of the last 2 or 3 weeks, one of the obligations the J.C.R.A. does have is to make sure that any operator, be it Jersey Post, is in a position where its sustainability is not under threat. So, therefore, the sort of thing that we are talking about at the moment has to be taken into consideration in the determination.

The Deputy of Grouville:

The social reasons that you were talking about whereby the Minister can give guidance, surely the social ...

Chief Officer for Economic Development:

Direction.

The Deputy of Grouville:

Sorry, direction.

Deputy J.M. Maçon:

Is that of greater oomph than guidance?

Chief Officer for Economic Development:

Yes, guidance ...

The Minister for Economic Development:

Guidance is what it says.

Chief Officer for Economic Development:

Guidance they are not bound by; direction they are.

Deputy J.M. Maçon:

That is fine.

Deputy M.R. Higgins:

Can I just ask about ...

The Deputy of Grouville:

I had not finished asking my question.

Deputy M.R. Higgins:

Sorry, go on.

The Deputy of Grouville:

So, what I am concerned about is the little sort of sub-post offices ... **[Interruption]** I was thinking St. Ouen.

Chief Officer for Economic Development:

It is a very nice sub-post office in St. Ouen.

The Deputy of Grouville:

How do we go about stopping all these little non-profitable sub-post office closings if extra licences are going to ... that is the key, is it not?

The Minister for Economic Development:

Well, the first question is ... and this is a matter for the public which is why I have referred to the consultation which I think is important to carry out to understand what the public believe is

necessary in a U.S.O., but the question is whether or not the public believe that having a whole range of sub-post offices around the Island, for example, is important or not. That is the purpose of having that particular thing. We cannot influence directly, unless, of course, you provide some form of subsidy and I think the Minister for Treasury and Resources has made it clear that a subsidy to Jersey Post is a non-starter, particularly in the current climate. So, they have to be able to afford it and therein lies the biggest challenge.

Deputy M.R. Higgins:

Going back to the manpower, being either reducing manpower or reducing the cost of manpower?

The Minister for Economic Development:

Well, to have those services like all the sub-post offices and what have you is an overhead in its own right, clearly.

Deputy M.R. Higgins:

But I think you are also saying in terms of having to compete with the other fulfilment providers or postal providers, is that what you are saying, bringing their cost base down to what their level would be?

The Minister for Economic Development:

They need to be able to ... Jersey Post needs to be able to compete in the marketplace as a whole, yes.

The Deputy of Grouville:

So, is there any consideration ...

The Minister for Economic Development:

That is not just ... sorry, Deputy, that is not just internally but externally as well because one of the biggest risks - and I must re-emphasise that - is that the fulfilment companies within the Island could well go elsewhere to get their services fulfilled because it is cheaper elsewhere. These companies employ in many respects many more people than Jersey Post do and contribute significant tax revenues. There is a balancing act here.

Deputy M.R. Higgins:

What sort of percentage do they have to bring their prices down to be competitive then with these other destinations? What sort of savings are we looking at?

Chief Officer for Economic Development:

I think the point is it is not ... the savings would be significant. We do not have an idea, but when your business ... if you take the large fulfilment operators, when you are shipping the volume of units that you are shipping - and we are talking, you know, between 10 and 20 million per year - a penny on every one is a huge bottom line saving. So that is how tight. If somebody can come in with a margin which is a penny less, that is a material benefit to a company that is shipping 10, 15, 20 million units a year. That is how tight the competition is. They are not going to come in and charge half because they have all the costs of getting the stuff to the U.K. and distributing it, but a very, very small margin can make a very big difference. If Jersey Post were to lose one of the major players, that would have a material impact on them, and if the Island were to lose one of the major players that would have a huge impact. The fulfilment industry employs around about 650 people, the majority of them locally qualified, the majority of them are relatively low-skilled, and if we lost that employment base that would be ... So, the Minister has a very difficult tightrope to walk on this one.

The Minister for Economic Development:

Here is an important thing to focus on, and that is that the competition we are talking about is not just about opening this market up and new operators coming in, if that is what the J.C.R.A. decides is what they are going to pursue. It is the fact that these businesses could leave anyway. They could

go elsewhere because it is cheaper, and that is the tightrope that the Chief Officer is referring to.

Deputy M.R. Higgins:

Also depending what government comes in in the U.K. or the shape of the government or ... in fact, are you in the process at the present time? What is happening at the present time in the U.K. Government with regard to fulfilment?

Chief Officer for Economic Development:

Shall I answer that?

The Minister for Economic Development:

Yes, you carry on.

Chief Officer for Economic Development:

I think we have very successfully ... since 2006 when we published the new fulfilment policy we have very successfully managed to manage the relationship related to low-value consignment relief, and today low-value consignment relief is in place at the level it was in 2006. Post the election, regardless of what colour or what mixture of colours the government is, they are going to be looking very long and hard for additional revenue.

[11:45]

The only problem with L.V.C.R. (low-value consignment relief) is the cost of collection, should they remove it, is higher than the benefit, so the net ... unless they can get somebody else to do it for nothing which I think we would be reluctant to do, then the cost of collection is around about £300 or £400 million for a benefit of, let us say, 100, 150. So, we manage the relationship by working with them, working with the players in the Island, to make sure that we are not being used and abused just as a way through the L.V.C.R., which is why the likes of Tesco's are not operating out of Jersey anymore. Regardless of the fact people say they are, they are not because we kicked them and another 16 companies out in 2006. They operate out of Guernsey now but that is an issue for Guernsey.

Deputy M.R. Higgins:

It has been alleged that some of these people may be operating under a new guise or a new name.

Chief Officer for Economic Development:

Their registered company is still, for reasons best known to themselves - we have in the commission looked at this - Tesco Jersey Limited, but they are not operating out of Jersey. All of their activity is fulfilled out of Guernsey and we are ... our hands are absolutely clean and that has been recognised by the Treasury in the U.K. and others as such. So we have no ... well, the only thing we have in the Island is legitimate whole chain companies who own the stock, the customer and trade into the U.K. and elsewhere. We do not have brass plate Tesco's, Sainsbury's, whatever. That is all in ... if it is anywhere in the Channel Islands it is in Guernsey, which is an issue for our colleagues to the north to deal with with the Treasury and I am sure they are having some interesting discussions with them as we speak.

Deputy M.R. Higgins:

Okay. Any more questions on this?

The Deputy of Grouville:

Yes. Senator Ozouf alluded to the fact that the parish halls may be taking on the substations, the post office substations. I just wondered, since we have the Constable here, how far down the line any talks are in that regard.

The Connétable of St. Clement:

First I have heard of it.

The Deputy of Grouville:

Well, he did say it in the last question and answer time in the States.

The Connétable of St. Clement:

Well, it is the first ... I mean, he has not approached certainly St. Clement, but if there is a commercial advantage to the parish then I am sure we would consider it.

Strategy Development Manager:

I think it was mentioned by way of examples of which post offices could be opened and the same service could be delivered rather than that talks had begun to deliver a service like that.

The Deputy of Grouville:

Okay, thank you.

Deputy M.R. Higgins:

Can we move on to confidentiality? Recently, the latest thing we have had is the Jersey Finance business plan; we have been told we have to sign a confidentiality agreement to see that. Is that definite? The business plan is confidential, that we cannot see it without signing the document first?

Chief Officer for Economic Development:

The reason for that is that there are ... in the business plan what we wanted to give you was the full business plan and not a précis version of it. There are areas of activity that are potentially sensitive from a competitive perspective with our fellow jurisdictions, both Guernsey, Isle of Man and outside that, and there is a sensitivity about revealing into the public domain what all of that activity is. So that is why the board of J.F.L. has asked that that could be kept confidential.

Deputy M.R. Higgins:

Well, can I just make a point that obviously we have had our disputes about confidentiality in the past and, to be honest, it is not doing either of us any good. In one sense, we are not going to reveal confidential information like that, for example, that is highly sensitive in that way, and whether you cannot just sort of say: "This is the part that is confidential" and ask us to agree not to release that part, rather than say a blanket coverage which, as I say, does not give government a good name anyway because it just seems to be there is something to hide.

The Minister for Economic Development:

Well, I suppose the answer is in this particular instance to provide a précis form of the business plan which is not confidential and the full version, which has the sensitive data in it, is confidential.

Deputy M.R. Higgins:

Okay. Well, that is what we have been asking for on other things, too. Rather than getting documents that are fully confidential, please weed out what is there so that we can do our preliminary work and if we do want to get into those areas, then yes, we will sign specific confidentiality agreements.

The Minister for Economic Development:

Could I just say that one of the difficulties obviously from our point of view and bearing in mind we are in this world of cost savings and what have you, if a request comes through for large amounts of information and data where there is parts of it which are going to be confidential, it would be much easier to reverse the process and to give you everything under confidentiality, look at it and then if there are areas of stuff you ask us whether or not this can be released.

Deputy M.R. Higgins:

The problem with that is we know it has been abused in the past, not necessarily by your department

but it has been abused in the past. A Scrutiny Panel, certainly one, could not release certain things that they wanted to, things they had found, because the Minister was not prepared even to open up things that were less sensitive. So, we have a problem with this. It is a bit of a ...

The Minister for Economic Development:

No, I accept there is a problem here but it is very much a ... if you can accept the position we are in as well. So we need to try and find an acceptable compromise that allows you to have ... I mean, we are not trying to prevent you having any information at all. I hope that is absolutely clear. We do not want to prevent you or clip your wings in terms of going about your set process, but obviously with Economic Development, with some of the businesses we deal with, some of the areas like J.F.S.C., there is sensitive commercial information and sometimes you ask for large quantum of data which would take a long time to break down.

The Deputy of Grouville:

But, Minister, why do you think that we, all States Members, would want to reveal this kind of information to our competitors?

The Minister for Economic Development:

I do not think, I have to say, that certainly this current panel is likely to do that, but there has been history in the past where information, sensitive information, has unfortunately found its way into the public domain which has not been, shall we say, very helpful. I think if we can just arrive at a sensible accommodation here where we can get you the information that you require then we would be more than willing to do that. I think perhaps that is something we need to take away and just have a think because clearly it is not working from your point of view, I understand that, but I think we need to try and reach some sort of accommodation which is going to allow us to do it which is not going to take an inordinate amount of our officer time in order to fulfil it. I am sure you can appreciate that as well.

Deputy M.R. Higgins:

No, I am sure that we do not want to give you extra work, but equally we do not want to be impeded in doing what we are supposed to be doing. So it is really finding that balance.

Strategy Development Manager:

Can we try and understand what the actual problem is? Because the information has been given.

The Deputy of Grouville:

But then we cannot use any of this in a report because we have signed a confidentiality agreement.

Deputy M.R. Higgins:

Not everything in the documents that we are given, for example, should be subject to confidentiality. We can understand where there is sensitive commercial information in that way and we would not reveal that, but there are other elements that we may wish to include in our report which the Minister can say: "Well, you find the document. I am not prepared to release it." That is going too far. What we have had to date is the vast majority of the reports we receive or the information we receive has been subject to a blanket folder, yes, so it is the file is totally covered by confidentiality and we know darn well ... it is like even the D.C.S (Depositor Compensation Scheme). There was only one part of the D.C.S. that I would have considered confidential and there was no way we would reveal that, and that was where you had, even though it was anonymised, the actual bank deposits of banks. Probably through aggregation you could probably figure out which group they were. There was no way that we were going to reveal anything like that, but most of the rest of it was not even sensitive.

The Minister for Economic Development:

We do not want to go over old ground, but I think one of the problems with the D.C.S. stuff, there was a request for all emails and what have you and there were files of stuff and obviously for officers

to go through all of those ... some of those were sensitive; some of them did have confidential information in. I grant it was probably a small amount but nevertheless it was still there.

Deputy M.R. Higgins:

Yes, and despite the fact that we agreed that we would try and sift through it together - because remember I signed the confidentiality agreement and the panel did not at that point, to enable us to see what was confidential - it never was resolved, though. So, I would hope going forward anyway we can resolve these before they become issues.

The Minister for Economic Development:

I would agree with that.

Deputy M.R. Higgins:

Does anybody have anything else? Okay. Can we come on to something else that does cause us concern, and obviously we are very concerned about timing of the comprehensive spending review. We have found with some of the topics we are looking at there is not sufficient time for scrutiny because scrutiny, as we have found out, takes much longer than we thought by the time you get advisers and you have your hearings and so on. I know generally on the Scrutiny Panels as a whole we are not happy about the timing for the comprehensive spending review and our ability to look at it and see what is being done and the amount of information we are going to get on that. So, can we ask you then if you could try and give us more time than you are giving us and certainly not try to plan things in July during the summer break. We do not want to have a repeat of last year where we did work through the entire summer. We need a break as well.

The Minister for Economic Development:

No, that is fine. As far as the C.S.R. is concerned, as soon as it is agreed with the Council of Ministers then we are more than happy to share with you the details.

Deputy J.M. Maçon:

Perhaps if we could phrase that question slightly differently, when you put something, a policy or legislation, to the States, what process is done to take into account the scrutiny process?

The Minister for Economic Development:

Well, I think again it is a 2-way street here, which is one of the reasons ... one of the important pieces of legislation we are wanting to bring forward is the gambling legislation, as you know. That is just one example, which is why I asked whether or not you were intending to scrutinise it.

Deputy M.R. Higgins:

We have not discussed that yet so ...

The Minister for Economic Development:

Because, for example, if we have legislation that we are bringing forward that you are not going to seek to scrutinise, then there is no debate but it is helpful for us to know and then we can plan it into our programme. You know, we need to understand both ways.

Deputy M.R. Higgins:

I can understand that, but you also have to bear in mind, too, that once we get the legislation and suddenly we spot something, we may have to pull it then. So it is not always helpful either.

The Minister for Economic Development:

No, I understand that, but just from an indicative point of view it is helpful to understand what your thoughts are.

Deputy M.R. Higgins:

Okay. From our point of view we will try and co-operate in that way. Okay. Has anybody got any

more on that? Okay, let us move on then to legislation. I would like to bring you to separate limited partnerships and incorporated limited partnerships. **[Interruption]** Well, I was hoping the Minister will tell us. **[Laughter]**

The Minister for Economic Development:

No is the short answer. What would you ...?

Deputy M.R. Higgins:

Can you give us a brief overview on what ...?

The Deputy of Grouville:

Some decisions you made.

Deputy M.R. Higgins:

I know about limited partnerships, okay. Now, these are different. Why are they different and why do you want to bring them in?

Chief Officer for Economic Development:

You are quite right, they are effectively an extension or development of limited partnerships, and primarily it means that the type of assets that can be held are ... the range of assets, particularly property assets, are somewhat broader than they are. I think the other issue is one of ... we had an issue with the law officers about the issue of legal identity, and there is a distinction within the legislation now between managing partner and the liabilities that he or she faces and actual partners who are purely investors, and this legislation makes a discrimination in terms of the liability between those 2. So, it is an evolution of the product.

Deputy M.R. Higgins:

Well, a standard limited partnership, you have a general partner who has unlimited liability, and then you have the limited partners who are only limited to the extent of whatever it is that is in the partnership agreement. Now, how is this different from the standard limited partnership, then?

Chief Officer for Economic Development:

It differs from only 2 areas, as I said. One is that the existing limited partnership does not allow ownership of certain asset classes to be captured with that discrimination; and secondly, it clarifies the issue of what liabilities the managing partner has from the other partners.

Deputy M.R. Higgins:

So will that mean that he will no longer be subject to unlimited liability?

Chief Officer for Economic Development:

No, it does not. It means that they are subject to both unlimited liability and legal sanction.

Deputy M.R. Higgins:

Right. I think we may have to have a briefing on this because I cannot necessarily see ...

Chief Officer for Economic Development:

We can give you a separate briefing on it, but as I say, it is an evolution of an L.L.P. (limited liability partnership) product that mirrors that which is available in Guernsey and Scotland, for instance, and it does address the issue of legal personality and it does address the issue of liability and it does address the issue of classes of assets that can be administered by the partnership.

The Deputy of Grouville:

Are you confident there will be more take-up with this than the L.L.P.?

Chief Officer for Economic Development:

Well, one of the reasons ... one of the things that has burdened the take-up of the L.L.P. is the fact that there is a requirement for a bond to be lodged, which has been a significant barrier to people establishing L.L.P.s in Jersey. The L.L.P. law itself or the L.L.P. product is also the subject of review and may be the subject of legislation coming forward probably in the early part of next year rather than this year to clarify that. So, yes, the answer is that we are expecting a greater take-up simply because it does not have the upfront financial burden that currently exists with an L.L.P.

Deputy M.R. Higgins:

Can I ask also does this incorporate elements of protected cells?

Chief Officer for Economic Development:

No, I do not believe it does.

Deputy M.R. Higgins:

For the assets or anything like that?

Chief Officer for Economic Development:

This is different to protected cells.

Deputy M.R. Higgins:

Okay. Can I ask you if you could provide us with a briefing paper on ...

Chief Officer for Economic Development:

I will do. I should have brought it with me. We have a very good one-page briefing on L.L.P.

Deputy M.R. Higgins:

Okay. I think the last thing I have here before I go to the panel for anything else, we did ask the department for a list of the survey recipients for the small business thing on D.C.S. In other words, we wanted to know which companies had been approached and who responded, and we have been told that for confidentiality and data protection reasons we cannot have it. Why? That seems crazy. All we are asking to do ... we just want to see who they sent it to so we can see the range of people and see the numbers and just be satisfied with that. We are not going to be putting out, for example, the names of all the people you have spoken to in any way whatsoever, but it does seem a rather sort of blanket approach again just for getting that information.

[12:00]

The Minister for Economic Development:

Well, the survey was carried out by the Statistics Unit and under data protection there is the issue that that particular information cannot apparently be released. Did you have some background on that?

Strategy Development Manager:

This is correct. Exactly as you say, when we approached Duncan Gibaut and the team at the Statistics Unit that is the answer we were given. In any survey like that, those carrying out the survey will have to be registered with the data protection officers and will have to go through that process for each and every one. We have to comply or they have to comply with those regulations. Sometimes, of course, if you start to take some of the information with other little bits of the information, one can start to make summations that may or may not be accurate. We can certainly go back again and ask if your officers could approach the Statistics Unit officers and see if that can be ...

Deputy M.R. Higgins:

I would like to follow up on this and see if we can because it does seem crazy.

The Deputy of St. Mary:

It is gross information and not ... you know, gross information [Laughter] in the political sense rather than the detail ...

Strategy Development Manager:

It could sometimes be the way in which you word your question. If you clearly want to know something that reassures you and you phrase the question in that way, they should be able to give you the reassurance you are looking for without necessarily giving you the data that you need. In the same way when you needed it for the P.P.P. (Public Private Partnership) to get information out, tourism could not have provided you with the names and addresses but the department were certainly able to help you to get the information you wanted to those people.

Chief Officer for Economic Development:

It is worth adding that we do not know who the companies that were sent the questionnaire were and we do not know who responded. We have a breakdown that was provided to us at the end of last week, which I am sure we can share with you, but it is totally anonymised because it was undertaken by the Statistics Unit following their normal rules and their analysis is absolutely anonymised. So, I do not know which thousand companies were sent it and I do not know which 420 responded, but I do know it is ...

Deputy M.R. Higgins:

420, was it, out of how many?

Chief Officer for Economic Development:

I do know what the distribution is of the respondents by number of employees and that is factored into the analysis that has been undertaken, but I have no names at all and would not wish to have any.

Strategy Development Manager:

Unless it stands up to scrutiny as to being statistically robust, they would not use those kind of figures anyway.

Deputy M.R. Higgins:

Can I ask if you could supply us with what you have and then we will think on this and decide where we are going to go from there. Okay, anybody have any more questions?

The Deputy of Grouville:

On something completely different, on P.P.P., are we moving to that now?

Deputy M.R. Higgins:

Yes, anything now. We are wrapping up.

The Deputy of Grouville:

Okay. I was just a little bit concerned with some of the information received in the Jersey Hospitality press release. When they talk about the board, they said that they would have responsibility for approving plans for all aspects of policy, financial planning and operations, which I am a little concerned about.

Chief Officer for Economic Development:

So were we. [Laughter]

The Deputy of Grouville:

Then they went on to say: "The Minister for Economic Development will not be in charge of the purse strings."

The Minister for Economic Development:

Well, I think ... [Laughter]

The Deputy of Grouville:

It was something that concerned me a little.

Chief Officer for Economic Development:

I will just respond and then I will let the Minister respond to you, if that might be useful. I am sure we will have a discussion but I am quite happy to send you the email that I sent to the Hospitality Association after that. The point we are making quite clearly is that the P.P.P. would be a grant-funded body of Economic Development. Both its business plan and its marketing plan would have to be approved by the Minister before any funding was advanced. If that is the definition of who controls the purse strings, then we certainly do, and by definition if you are approving the marketing plan and the business plan, as we do with J.F.L., you are approving the activity, not just the headline sum of money. So, this is not a total abrogation of responsibility, I think that is fair to say, Minister?

The Minister for Economic Development:

Yes, absolutely right.

The Deputy of Grouville:

So you wrote to Jersey Hospitality because ...

Strategy Development Manager:

A copy of that letter was sent to you within 24 hours as well so you then have a very robust answer.

Chief Officer for Economic Development:

Yes. We were most unhappy with that.

Deputy M.R. Higgins:

Can I just ask one other thing, too? There obviously was a difference of opinion between the 2 about the staffing because at the last briefing we talked about secondment. Is that the current position as well?

Chief Officer for Economic Development:

That remains the position, yes. The point that we made is that people who wish to move over should be able to do so on the same terms and conditions. We would retain within the department an element of expertise, just as we do for Financial Services, to manage the relationship between the body and ... as we do with J.F.L.

Deputy M.R. Higgins:

Can I clarify that? Because at the last meeting you said that the existing staff would be seconded to them rather than transferred.

Chief Officer for Economic Development:

Yes, secondment is what I meant, sorry. What I meant is that there would be an element of the current staffing that would be seconded into the organisation. We as Economic Development would still retain a small number of people to manage that relationship such that we can monitor the performance against the business plan and the marketing plan. But no, the idea is that people would be seconded. The thing is preserving terms and conditions, which is key to the staff, should we go down that route.

Deputy M.R. Higgins:

Okay. Can I just take it then, just following on that, in terms of numbers there is no reduction in numbers; they will either be retained within the department or seconded to ...?

Chief Officer for Economic Development:

Version 7 of the Business Plan indicates that all staff, the funding for all staff, makes up a component of the P.P.P. budget.

Deputy M.R. Higgins:

That is fine, because again that was one area where the J.H.A. (Jersey Hospitality Association) seemed to have a totally different view and did make us wonder whether you were all singing from the same hymn sheet.

The Minister for Economic Development:

Well, I think we are singing from the same hymn sheet in the broadest terms.

The Deputy of St. Mary:

It is printed in different languages. [Laughter]

The Minister for Economic Development:

Well, certainly when you refer to the letters there, that clearly was not properly articulated.

Chief Officer for Economic Development:

It is very clear in versions 4, 5, 6 and 7, whichever version you wish to look at, that the underlying financial assumptions and the narrative both reflect the position that we have outlined.

Deputy M.R. Higgins:

Okay. Has anybody got any more?

The Deputy of Grouville:

On something completely different again, sorry, the Depositor Compensation Scheme, just to ask when the small businesses are going to be included, because that was a States decision. So, how long before that States decision is going to be implemented?

The Minister for Economic Development:

Well, that was the purpose of the survey. What we said as part of the States debate on this, which was part of ... I think it was an amendment, was it not, but in any event we said we would look at whether or not there was justification for including small businesses, not that it was definitely going to happen but that we would report back when we had been able to assess it properly. Part of that is the work that has been undertaken with surveying small businesses we were discussing a moment ago.

Deputy M.R. Higgins:

When will you be able to report back?

The Minister for Economic Development:

Well, that information is being collated at the moment. Obviously the consultation period has now ended. We unfortunately were delayed because we had difficulty getting enough businesses to respond to the survey initially. Now we have had the survey back and the Statistics Unit are going through the details of it. I hope that we will be able to come back relatively soon and give a view to the States. I would not want to pin an exact date on it, but certainly prior to the summer recess.

Deputy M.R. Higgins:

Well, it was 4 months I think in Hansard.

The Deputy of Grouville:

Yes, I thought there was a time limit.

Deputy M.R. Higgins:

I think there was.

The Minister for Economic Development:

Which is why I gave a statement. I gave a statement to give an update and explained one of the reasons that it had been delayed slightly longer than we had expected was because we could not get small businesses to respond to the survey.

Chief Officer for Economic Development:

It is just worth saying, Minister, that we had a meeting of the Depositor Compensation Scheme Steering Group on Friday, which is E.D.D., the Commission and others, and I think we will be in a position to make a recommendation to Ministers on S.M.E.s (small to medium enterprises) in fairly early course.

Deputy M.R. Higgins:

What is the latest on the appointment of the board?

Chief Officer for Economic Development:

We held the interviews on Thursday and I have not yet heard the outcome, but we got very broad, very good quality applications and I think they were confident that we would be able to appoint a very good chair and board members as a consequence.

Deputy M.R. Higgins:

Okay. Daniel, do you have ...?

The Deputy of St. Mary:

Yes, just a timetable for the P.P.P., what you are running on at the moment.

The Minister for Economic Development:

You are scrutinising it, are you not?

The Deputy of St. Mary:

Yes, that is right.

Deputy M.R. Higgins:

Well, we are starting drafting. We are not having any more hearings, we are now just drafting the report.

The Deputy of St. Mary:

So we just wondered whether you had a timetable in mind.

The Minister for Economic Development:

Well, we were basically in your hands waiting for you to conclude your report.

Deputy M.R. Higgins:

Well, we are going to be as quick as we can so ... yes. There will not be any delays on that.

The Minister for Economic Development:

So you expect to have your report out ...?

Deputy M.R. Higgins:

It depends on how quickly the officers can turn it round. [Laughter]

The Deputy of St. Mary:

End of the month.

Deputy M.R. Higgins:

Well, aiming for that anyway, aiming for the end of the month.

The Minister for Economic Development:

Fine, okay.

Deputy M.R. Higgins:

Right. So, if nobody has any more questions, I will just say thank you very much for coming and for the information you gave us.

The Minister for Economic Development:

Thank you.