

STATES OF JERSEY

Economic Affairs Panel Quarterly Briefing with the Minister for Economic Development

TUESDAY, 14th DECEMBER 2010

Panel:

Deputy M.R. Higgins of St. Helier (Chairman)
Deputy D.J.A. Wimberley of St. Mary
Deputy J.M. Maçon of St. Saviour

Witness:

Senator A.J.H. Maclean (The Minister for Economic Development)
Connétable L. Norman of St. Clement (Assistant Minister for Economic Development)
Senator P.F. Routier (Assistant Minister for Economic Development)
Chief Executive Officer, Economic Development
Deputy Chief Executive Officer, Economic Development
Assistant Director, Economic Development

In Attendance:

Mr. T. Oldham (Scrutiny Officer)

[10:32]

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

Can I welcome you all to the briefing and, again, we have just got to do the usual for the tape and just introduce ourselves. I am Mike Higgins, Chairman of the Panel.

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

I am Deputy Wimberley, member of the Panel.

Deputy J.M. Maçon of St. Saviour:

Deputy Jeremy Maçon of St. Saviour.

The Minister for Economic Development:

Senator Alan Maclean, Minister for Economic Development.

Assistant Minister for Economic Development:

Senator Paul Routier, Economic Development.

Assistant Minister for Economic Development:

Constable Len Norman, Assistant Minister.

Chief Executive Officer, Economic Development:

Mike King, Chief Executive Officer, Economic Development.

Assistant Director, Economic Development:

Kevin Lemasney, Economic Development.

Deputy Chief Executive Officer Economic Development:

Andrew Sugden, Economic Development.

Deputy M.R. Higgins:

Right. Thank you for coming and we will just launch straight in. We are going to start off first of all with the C.S.R. (Comprehensive Spending Review) and we will be asking, first of all, if you can just tell us where you are at the moment. You have identified the stage one C.S.R. task and can you tell us where you are on stage 2 and 3 as well? So just give us an overview of where you are and where you are going, please.

The Minister for Economic Development:

As you are aware, we have got a 10 per cent target for the 3-year period. As you rightly point out, we have already identified and delivered the 2 per cent savings for 2011. For 2012 and 2013 you will have seen the indicative figures in relation to where we are looking to make the changes which have been published. Clearly, the work to underpin that is going start in January for the 2012 period and that will be worked on between January and May when it has to be completed. At the moment it is indicative. By May 2012 actual proposals will be completed and at that stage we will be very keen to look to yourselves if you would like to get some further information on it or provide some input.

Deputy M.R. Higgins:

Definitely. Obviously you have put some things forward in the documentation. Can you just run through those particular items and just tell us where you are at and why you have chosen them as the areas you have identified?

The Minister for Economic Development:

I think probably the most notable area is in relation to tourism because what I have said is for 2012 and for 2013 as part of this process that we will be looking to ring-fence the budget for tourism at the 2011 level. I think that is important. That is recognition of the value and the challenges that the tourism sector is seeing. As part of that, we obviously need to find the additional funding to ensure we hit the overall target. There is going to be some impact on financial services because of that. So some of the funding will come from the grant but, although it was increased in 2011 for Jersey Finance, they will see that reducing on a 3 per cent and 5 per cent basis over 2012 and 2013. Those are probably the main areas. There are some other more minor changes with regard to Jersey Enterprise. We can offset the reduction in budget by work we are looking to do in combining activities. At the moment we provide a grant, for example, to J.B.V. (Jersey Business Venture). We are looking to merge both Jersey Enterprise and Jersey Business Venture

together, both from a premises perspective and also from a functional and operational perspective, and that in itself will drive some efficiency savings; hence allowing us to reduce some of the funding for Jersey Enterprise.

Deputy M.R. Higgins:

Right. Are you coming under any particular pressure from your colleague, the Minister for Treasury and Resources because the other departments are not delivering on their own cuts? So are you going to be expected to deliver over 10 per cent because it is perceived that they will not be able to meet that?

The Minister for Economic Development:

There has certainly been no pressure at all. Clearly, we have a much higher percentage of discretionary spend across the piece so one could argue that it would be in some respects easier. I think I would say that - and I made this point to the Council of Ministers - we are in a very difficult and challenging economic climate. We need to have the necessary resources in order to deliver the key objective, which is returning us to economic growth. So we have got to be very careful. There are areas of fat, if you like, or ways in which we can approach the way we discharge the budget we have across the wide range of areas that we deal with in a more effective way and I think that is driven by the 10 per cent. It may well be that we could possibly, without harming the drive towards economic growth, deliver slightly more but we are not going to fill the gap of any shortfalls that may occur in other large departments; not unless you want to shut down Economic Development, of course.

Deputy M.R. Higgins:

No. Just following on from what you have said though, you have obviously mentioned economic growth there and your department and what you are doing. I would just like to take a step back. It is still part of the C.P.R. but I would like to just see where we are with the economy at the moment. You are obviously the department that is most facing the industry. What feedback are you getting about the current state of the recession? So, in other words, there are no official figures showing that we are even coming out of it yet. What is the feedback you are getting yourselves?

The Minister for Economic Development:

I think it is interesting. First of all, it is worth noting that, historically the States of Jersey had a lack of good statistical data to give.

Deputy M.R. Higgins:

There still is, in my opinion, but anyway. It is getting better but, yes.

The Minister for Economic Development:

You might say that and I think you can never have a shortage. You always need more. I think areas like the introduction of the Business Tendency Survey has been a massive step forward because all our data previously, such as it was, was always backward-looking. It had already occurred by the time you found out about it and that is not good for policy-making. So having the opportunity for the Business Tendency Survey to indicate, as it has, that

there is more confidence returning, for example in financial services, is encouraging. We saw, obviously, the last round of figures that came out where we saw G.V.A. (Gross Value Added) falling by 6 per cent across the board but, in financial services terms, it was significantly more than that, as you noted. But the Business Tendency Survey is indicating that confidence is returning in financial services, which is encouraging. Part of that is underpinned by the industry and led by Jersey Finance looking at other markets and other products.

Deputy M.R. Higgins:

When you say that the confidence is there, is that true across the entire finance industry sector or is it just parts of the sector at the moment?

The Minister for Economic Development:

Well, the survey covers the whole industry but it does not break it down into finite detail. I think there are indications of certain areas within finance - and it is the same for all sectors of the economy - seeing a lower level of impact than others. There are certain levels of uncertainty surrounding things like the A.I.F.M. (Alternative Investment Fund Managers) directive, for example, which has an impact on the trust sector and, clearly, where you have got uncertainty it is not good for business moving forward. So the confidence levels are going to be slightly more impacted by that.

Deputy M.R. Higgins:

I have looked at the Business Tendency Survey, so I have seen what has been said, but I have also been getting information from other sources which seem to indicate that some firms may be expressing confidence but the level of work that they have got is quite substantially down and they are not necessarily wanting to admit it. Do you find there is a reluctance of some people to admit that they are maybe not doing as well? Maybe it could be an industry thing; we have got one firm that may not be doing particularly well or not as well as their competitors, they think, and they do not really want it to be known. Do you find that they are not terribly forthcoming sometimes?

The Minister for Economic Development:

You are always going to get that in business. There is a competitive edge. Clearly, if you look at the retail sector (I can see Senator Routier nodding, he will understand this as much as many people) small to medium-size businesses will not want to let on to their immediate competitors that things are not quite so good. So you have got to, obviously, temper information you get. The Business Tendency Survey though is anonymised; so it is a far better read in terms of accuracy. We obviously speak to a number of other trade bodies. We talk to the Chamber of Commerce. We talk to the Institute of Directors. We talk to Jersey Hospitality Association. I talk to a whole range of people just as a litmus test to corroborate what we are seeing in official statistics like the Business Tendency Survey and you do get a bit of a mixed picture. Clearly, you would expect that. You will get some firms, for example, in one particular sector not performing very well whereas others are performing very well and quite often when economic conditions are difficult, as they are at the moment, the good businesses that are well-run, well-

structured, well-funded, will tend to perform or outperform. Those that are not, have opposite characteristics, will be impacted to a far greater degree in a weak market and those are the ones that we need to certainly try and help as much as we can.

Deputy M.R. Higgins:

You see the word that I am getting from within the industry is the fact that some firms have got a low level of activity, so much so that a lot of people are really worried about their jobs going forward in terms of the amount of business that is going through compared to previous times. Again, it depends on the sector because we know that certain sectors ... in fact, there has been a growth in more fund businesses being registered, I believe, but the banking sector appears to be somewhat down.

Chief Executive Officer, Economic Development:

Banking profitability, which is largely a function of the interest rates, the appetite for lending in the U.K. (United Kingdom) and the liquidity requirements that are related to the appetite for up-streaming, yes, that is going to continue to be challenged until the interest rate environment changes. But apart from, I think, the obvious media interest in certain banks, we are not seeing any fundamental sign of weakness and certainly no move from any of the major banks here to locate their business outside the Island. But again the G.V.A. that is related to that sector, which is largely responsible for the growth: either positive or negative, is going to struggle in the current interest-rate environment. Therefore, there is a nervousness because the banks continue to look at everywhere they can to reduce their cost base and strengthen their balance sheet.

Deputy M.R. Higgins:

That was useful, by the way, the written answer you gave me to a question, because showing again how the quantity of deposits being up-streamed has fallen quite considerably and, again, with the interest rate. So it is going to have an impact on profitability, we know that.

Chief Executive Officer, Economic Development:

But we had an interesting discussion yesterday with the Financial Services Commission and while, as I say, the liquidity requirements of the U.K. operations is somewhat reduced, what is happening - and this is a J.F.S.C. (Jersey Financial Services Commission) term not ours - there is as much what they call "side-streaming" as up-streaming. So, rather than up-stream to the U.K., they are perhaps up-streaming to other elements of their organisation in Hong Kong and elsewhere. So they are taking the deposits and side-streaming them there rather than up-streaming them to the corporate H.Q. (headquarters).

The Minister for Economic Development:

That is to the benefit of Jersey though because it has to come through Jersey. Whether it is up-stream or side-stream, it is still going through Jersey. So there is some mitigating effect on the liquidity requirements.

Deputy M.R. Higgins:

I accept that but are you gathering the data of the side-streaming going to these other places?

The Minister for Economic Development:

That is the purpose of meeting. We have regular meetings with the J.F.S.C. They themselves collect some data on what is happening with regard to up-streaming or side-streaming, as it has been referred to and, of course, what is happening with the liquidity requirements.

Deputy M.R. Higgins:

That is right. That is the next part I was going to come to. So, in other words, the J.F.S.C. is now going to start collecting data on this because obviously it needs to know where the flows are going even to report to the I.M.F. (International Monetary Fund). The other thing is the enhanced liquidity requirements which are being talked about. I know the F.S.A. (Financial Services Authority) has withdrawn its proposals at the moment.

The Minister for Economic Development:

Yes, they have.

Deputy M.R. Higgins:

But obviously the Euro is still being talked about and as we heard today, for example, everybody is still concerned about banks. With the effect it has had on the economies, everybody is going to say there has got to be better regulation. We know that. For example, the Irish Government has just told A.I.B. (Allied Irish Bank): "You give those bonuses out and we are not going to give you any more money." So they are putting pressure on there. So it is happening all over. We know that in the United States they are trying to get tighter regulation and we know in Europe they want to. What is the latest on the enhanced liquidity requirements? That will have an impact in the way it is funded on our up-streaming because they do not want them relying on short-term money any more, to the same extent?

Chief Executive Officer, Economic Development:

I think there were 2 things and this, again, came up in our discussion yesterday. One is that, of course, the F.S.A. has been completely torn apart and all of that regulatory responsibility has been distributed between the Bank of England and other bodies. But you are right, they have pulled away from their 100 per cent requirement for treating it all up-stream as wholesale deposits. It is now, I think, back to 35 per cent. But any change to that, I think, is largely dependent on what Europe decides. So I do not think the U.K. is going to do anything unilaterally.

[10:45]

Deputy M.R. Higgins:

But, again, that is going to have an impact on the industry though, is it not, because ...

Chief Executive Officer, Economic Development:

Depending on where it moves to it could very well have an impact, yes.

The Minister for Economic Development:

Just to revert back, you asked a question about staffing levels and jobs and so on earlier on when we started out and, clearly, in this climate you would expect the uncertainty to lead businesses, particularly in the private sector, to look at their cost base. They have been doing that and that is where the problems arise over jobs. You have seen the unemployment figures rise as businesses have cut their overheads. There are lots of different ways of doing that but obviously manpower is a key one. That, quite naturally, leads to uncertainty within the workforce because, of course, people can see, if there is not a recovery, continued pressure on jobs and so on. But that is the ability that the private sector has to move quite quickly in terms of cutting their overheads and cutting their costs.

Deputy M.R. Higgins:

Are you seeing anything at the moment ... for example the concept of the living will and the idea that because of the financial meltdown they were saying that the banks were too big to fail, they are now insisting that they look at their organisation because even the board of directors did not know what they were operating and what they were doing. They were just so complex and they have basically been told all over, including the U.K., to slim down their operations and have a simple enough structure so that if a bank gets into trouble they can say: "Okay, well, sell off that part of the business," or whatever. One of the consequences of the living will and the idea of winding down organisations is that if you suddenly find you are in 5 or 6 different offshore centres and you are doing similar activities in them, they are going to start rationalising and slimming down. Have you seen any indication yet of this process?

The Minister for Economic Development:

No. You are right; there has been a lot of talk about a lot of different areas in terms of the way that banks are managed but the issue of consolidation was one that we identified as a potential opportunity for Jersey right at the beginning of the crisis. Now, whether it is because they create a smaller entity and hive off various activities or whether quite simply the cost, partly to do with and driven by increased regulation, is such that some banks and other organisations will not want to operate in multiple jurisdictions. We have not really seen a great example of that happening yet. It may well do in the future and we believe that Jersey's position is to perhaps be a net beneficiary of such consolidation.

Deputy M.R. Higgins:

Okay, it is another issue but pretend for a moment we have to work with the Isle of Man and Guernsey because we are all in the same time zone; we are sort of all operating as centres doing similar types of business. If on the one hand we are looking at it from a competitive point of view, we want to consolidate here and they want to consolidate there, how does that bode for co-operation on issues such as dealing with the unhelpful tax situation?

The Minister for Economic Development:

There has been a broad agreement at the outset between the Crown dependencies that this is not a competitive area and should not be seen to be a competitive area. Certainly, the Isle of Man and Jersey have maintained the line on that. Despite comment in the media, Guernsey also initially was of a similar opinion. I do not necessarily believe that that has fundamentally changed, despite some of the other comments that have come out.

Deputy M.R. Higgins:

But, again, in the media though they have taken a totally different line.

The Minister for Economic Development:

The media has chosen to report on some initial comments that were made from Guernsey on this particular subject. Again, there is some degree of uncertainty about that but I think there was a broad agreement right from the beginning, and that is broadly still the case, that Crown dependencies will not see this or should not see this as a competitive issue and indeed, whatever tax solution we have, it is going to have to be similar.

The Deputy of St. Mary:

Can I broaden that a little bit on the same point about the Isle of Man/Guernsey/Jersey? You are saying the response to the Zero/Ten issue should not be a competitive issue and I can go along with that. Is there mileage in stretching that wider and saying: "If dealing with Zero/Ten applies to those 3, what about other jurisdictions that are also dependencies," and saying to Europe: "Come on, you have got to treat everybody the same." What is the range of that directive now or the code of conduct rule?

The Minister for Economic Development:

I think, to be fair, as far as we are concerned, we quite naturally will concentrate on our immediate competing jurisdictions. That is where the relevance is from our perspective, from a competitive point of view. So that is why the Crown dependencies, quite naturally, were talking at some length together on this matter some while ago; as they do indeed on a number of other areas where clearly there is not a case of competition. We have seen benefits of that. Closer co-operation between the Crown dependencies and, indeed, Jersey and Guernsey, for example, opening a joint office in Brussels were another good example of the Islands working together in a non-competitive area, which makes perfect sense.

The Deputy of St. Mary:

It is a bit strange that they have got a joint office in Brussels and yet they took completely different lines on the Zero/Ten, one saying: "We are going to duck out of this, we are not going fight," and Jersey saying, with the Isle of Man: "We are going to fight on the basis that we think we are compliant," and yet it is the same person in Brussels giving the advice.

The Minister for Economic Development:

No. The purpose of the office in Brussels is for lobbying purposes and also being much closer to Europe to have greater understanding of what is happening in Europe, which is clearly a very important trading neighbour. But you have made your comments about Guernsey's position on Zero/Ten. I think it is important that not everything necessarily that is reported is reported as accurately, perhaps, as it could be. I think there is quite a bit of poetic licence that is perhaps used in some of the ways in which this has been published.

Deputy J.M. Maçon:

Yes. Taking about the Brussels office, what mechanisms has the department put in place in order to manage the effectiveness of such an office?

Chief Executive Officer, Economic Development:

It is not ours. It is the Chief Minister's Department, so we do not have any oversight or control of it. So the answer to your question is no. **[Laughter]**

Deputy M.R. Higgins:

But is it not financed through Jersey Finance?

Chief Executive Officer, Economic Development:

No, it is financed from the Chief Minister's Department. It is a Government office.

The Minister for Economic Development:

It is a Government office.

Deputy M.R. Higgins:

All right. So it is the London and Indian office that has Jersey Finance ...

Chief Executive Officer, Economic Development:

No, the London representation now is a government representation. The former Director of International Finance, Martin De Forest-Brown, is now permanently resident in the U.K. and is the only person in London. J.F.L. (Jersey Finance Limited) no longer has a fulltime representation in London but J.F.L.'s offices are currently in Hong Kong, in Shanghai operated by one person, and shortly they will open an office in Abu Dhabi with satellite representation in India, in Mumbai, which is provided by a third party.

Deputy M.R. Higgins:

Right. So for the London office there is no finance coming from Jersey Finance then now?

Chief Executive Officer, Economic Development:

No.

Deputy M.R. Higgins:

It is all the Chief Minister's Department?

Chief Executive Officer, Economic Development:

It is all the Chief Minister's Department.

Deputy M.R. Higgins:

That is interesting. So the only ones they are financing are the ones you mentioned in Hong Kong?

Chief Executive Officer, Economic Development:

Hong Kong at the moment and then shortly Abu Dhabi with a satellite office in Mumbai, which is operated by different parties.

The Minister for Economic Development:

There are different functions, as you would appreciate, between what Government would do and what a promotional agency like Jersey Finance should be doing and hence it is right that Brussels is funded through the Chief Minister's Department, which deals with international affairs; indeed, the same applies to London.

Deputy M.R. Higgins:

Hence the comment by Lord McNally, was it, that: "If you are going international, you had better have the responsibilities of being international." Have you got anything else on the economy? Jeremy?

Deputy J.M. Maçon:

Can we go back to the C.S.R.?

Deputy M.R. Higgins:

That is what I want to do. I just want to see if you have got anything more that you want to say on this one.

The Deputy of St. Mary:

On Jersey Finance?

Deputy M.R. Higgins:

No, just generally on the economy.

The Deputy of St. Mary:

On the finance area. Yes, on the economy, yes. Finance is over 50 per cent of G.V.A. By the way, were the G.V.A. figures, the 6 per cent and 12 per cent - just a detail - is that in real terms or including inflation, the drop?

The Minister for Economic Development:

That is real.

The Deputy of St. Mary:

Real terms. That is what I thought. I just wanted to tidy that up. Yes. I just wonder, in terms of looking at the economy as a whole - and you have the biggest sector and then you have all the other sectors - does the department have a formal process of risk analysis or rise and stem to see where the dangers are coming from? You mentioned it is not good for policy-making to

have backward-looking data. So this is forward-looking data I am taking about.

The Minister for Economic Development:

There has been a fair amount of risk analysis done, not necessarily directly by Economic Development but in areas like ... as you rightly point out, the major contributor to the economy is the finance industry. Back in the end of 2008 when the global financial crisis was starting following Lehman's collapse there was significant work done looking at the risks of the finance industry and that was carried out primarily by Jersey Finance but they got some significant input from organisations that are specifically tasked with looking at the risk analysis.

Chief Executive Officer, Economic Development:

I think it is worth also adding, Minister, that some of the other sectors, for instance Agriculture and the development of the Rural Economy Strategy, which I heard the panel played an important role in ... we are in the process of developing a new tourism strategy and we are also in the process of developing, with an economic adviser, a forward economic growth strategy. All of those have included in them a view, either a developed view or a developing view, of future market conditions and that is largely based on the work of the economic adviser and the Fiscal Policy Panel that consolidate all of those views and put it into their future projections for growth; which, as you know, are for return to modest levels of real growth across the whole economy in 2011, which of course will not be reported until the third quarter of 2012.

The Minister for Economic Development:

In terms of risk analysis, that applies to other areas of the portfolio like, for example, the airport and the harbour. A lot of financial modelling has been done taking into consideration the likely impact of lower levels of activity on the budgets at the airport and, indeed, at the harbour. That process started before the global financial crisis kicked off, particularly at the airport. They were quite ahead of the curve, recognising the challenges, particularly through their capital programme, looking forward. I know that is not a particular area that you are looking at. But, to answer the question yes, it is absolutely important that we continually look to assess what the likely outcome is going to be of the changing world that we live in now.

The Deputy of St. Mary:

Right. I think that is all to the good. I am glad to hear about the forward Economic Growth Strategy and looking at developing a view of the future market conditions. If you are assessing risks then the question arises what your sources of information are and whether you have an open view to taking information from wherever, as long as it is valid information, or whether you put certain people into a box called "Critics" and then throw it in the bin.

The Minister for Economic Development:

The latter is no.

The Deputy of St. Mary:

Good. Because sometimes critics - so-called critics I would add - might know a fair bit about future market conditions.

The Minister for Economic Development:

Indeed. I think I alluded at the beginning, when we were discussing who we liaise with in terms of assessing what the economy is looking like, we talk to people within different sectors, as you can imagine, to ensure that those at the frontline can feed back to us what their views are of the changing economic climate that they are having to operate in. No, we listen to a wide range of views, providing they are constructive obviously. There are some that are deemed to be destructive and one has to sift out those that are going to add value to the debate. But I think you can probably see from the roles and the moves that we have taken to date and the way in which we are rolling out, for example, changes that will begin to emerge in 2011 with the new tourism strategy, how tourism is going to be handled; Jersey Enterprise, support for enterprise and business development; the merging J.B.V. (Jersey Business Venture), which is the intention that we have, and the way in which we deliver continuous support to that area. All of it is taking into consideration a very changing market condition that we are in now and the impact that is going to have on future business.

Deputy M.R. Higgins:

Okay. Going back to the Economic Growth Plan on which you are working with the economic adviser and so on, where are you at the moment with it and where do you see the growth coming from in particular?

Chief Executive Officer, Economic Development:

If I could just add one thing to what the Minister says, the fact that we do take into account both what you might call pessimistic and optimistic forecasts of the future growth or contraction of the economy I think is reflected in the very broad range of outcomes, particularly 2012/2013, that you saw from the Fiscal Policy Panel and others. The one thing that is certain is that you cannot be certain as you go out. This plays out, you will remember in some of the Budget briefings, to the potential range around the deficit. It is very large as you move up, the level of uncertainty. But certainly the view that is taken is not that everything is based on a forecast and everything could be better than that. There is central forecast and the range around that predicts the fact that some could be considerably worse or indeed it could be considerably better.

Deputy M.R. Higgins:

Can you then go on to where you are with the Economic Growth Plan at the moment?

Chief Executive Officer, Economic Development:

The Economic Growth Plan as a whole has got 4 major components and the plan is to publish the majority of this certainly in the first half of next year. Those 4 components are: the macroeconomic policy, competition policy, enterprise and business development policy and I think Andrew can expand on the work that we are doing on that at the moment as he can expand on the

Skills Development. Those are the 4 building blocks that make up what is an overall Economic Growth Strategy. But the 2 things that are very clear in all of this. That strategy is going to be very much led by increases in productivity, both in specific sectors and across the economy as a whole because we have a very high-productivity sector in finance through market and product development and continued operation. There is a well-regulated jurisdiction. Its productivity can be improved even further.

[11:00]

But the legacy sectors of tourism and agriculture: again, both of those have potential to increase their productivity and profitability and we are working with them on that basis, and that is what the new tourism strategy will lead on. Then all of the new companies - and I hesitate to say new sectors because I think, as I always try and say in each of these meetings, there is no magic bullet of a new sector that will develop - again, we are looking at that from a productivity perspective. All that work is going on as we speak and will be published and will be available for review by you, I should imagine, towards the end of the first quarter or the beginning of the second quarter of next year. In fact, I think the Minister for Treasury and Resources mentioned that in his budget speech, if I remember rightly.

The Deputy of St. Mary:

You have rightly said that one thing that is certain is uncertainty; so if you are looking at an economic growth plan you need to build in resilience. Is that a category that you are looking at formally?

Chief Executive Officer, Economic Development:

You said resilience?

The Deputy of St. Mary:

Resilience, yes, to future ...

Chief Executive Officer, Economic Development:

Yes. I think the overarching policy envelope, for want of a better word, that will sit over the top of all these 4 has to be able to cope, regardless of where we land up on the forward projection in terms of growth. So the type of interventions that one would make - a classic example of that was fiscal stimulus in a time of economic downturns - if the forecasts were more negative than we think, would be very different to those if we do have a return to growth, particularly if the interest rate environment changes and we get quite significant growth in the financial services sector. Yes, the one thing we cannot be is rigid in the way we approach the delivery of this policy because we do not know what market conditions are going to be at the time. So the policy has got to comprehend a very broad range of outcomes.

The Deputy of St. Mary:

Does productivity include and go beyond labour productivity?

Chief Executive Officer, Economic Development:

Yes. It has to cover all aspects of productivity because what we want - and this is where I think there is a common objective between ourselves and business - is more profitable and more productive enterprises that provide employment opportunities, because by definition they do. So it is about the productivity of the business as well as the labour that sits within it as well as the market conditions.

The Minister for Economic Development:

That is why skills and training are so important to the whole equation, an area that Andrew has been working quite closely on.

The Deputy of St. Mary:

That is why I asked about other forms of productivity because I think in a sense that base is covered, the training and the skills and the capturing is a box that you handle but in terms of using resources as efficiently as possible, I am not sure that that is built in absolutely as part of the D.N.A. (deoxyribonucleic acid) of the core thinking but that is where another area of uncertainty and tightness is going to come from.

The Minister for Economic Development:

Historically, you are absolutely right. Succession planning and appropriate training to ensure that we do not need to bring as many people into the Island as we have done historically are absolutely the right way to go and that is why the role of the Skills Board/Skills Executive is so important and why we put quite a significant amount of budget into it.

Deputy M.R. Higgins:

But does that relate also back to Education because their budget is going to be cut quite substantially? If we are wanting a well-trained workforce and everything else but there is also quite a chunk going to come out of the Education budget, one way or another, and so therefore ... are you all working together on this, let me put it that way, because you cannot have cutbacks in the one department and trying to be encouraging growth on the other?

The Deputy of St. Mary:

The F.P.P. (Fiscal Policy Panel) pointed that out before. It is in their report.

The Minister for Economic Development:

Yes, that is right. But I think it is important to recognise that every department has an opportunity to save costs and be more efficient. They have to ring-fence in that process, as we have had to do here, the key services that need to be protected. In the case of Education they have got to make sure that they deliver the right level of education to the numbers of people that there are in the Island in terms of children coming up through the educational process.

Deputy M.R. Higgins:

It is not a quick fix though. That is the thing. Education has a lead time and there are a lot of things in place before you get the end result.

The Minister for Economic Development:

Indeed, it is. We are probably straying into an area that is not specifically relevant to the ...

Deputy M.R. Higgins:

No. I am just trying to relate it to the economic growth and just seeing if we ...

Chief Executive Officer, Economic Development:

I think obviously where they meet, where ourselves, Education and indeed Social Security meet is in the Skills Executive and that does work. Again, it is a personal opinion, but I think it works very well at a political level because it feeds back into the policies of the individual departments and it works extremely well at an officer level. I think the Skills Executive has delivered some material benefit and that is where it does work together. But, as Alan has rightly said, it has to compensate for changes in any individual department.

Deputy Chief Executive Officer, Economic Development:

I think also it is moving from a model where it has been supply-led to, in terms of working with business and education, becoming demand-led. So finding out more about what future employers want - their changing workforce, changing productivity models - and being able to adapt that over a reasonable period of time.

Deputy M.R. Higgins:

We are going to come back to some of these.

Chief Executive Officer, Economic Development:

Can I just say one thing? If you are wanting a clear example of where this does work and where we overcame budgetary constraints in one department, that is in the establishment of the Careers Jersey Centre up at La Motte Street. That was paid for by E.D.D. (Economic Development Department), located in the Social Security building and staffed by Education and Social Security staff. So in bringing all of that together we managed to solve what, if you had looked at it for any single department, would have been a budgetary brick wall. We got past that and the services they are delivering it continues to be funded on that basis.

Deputy M.R. Higgins:

I want to move on to the C.S.R. but just before we do I want to just clarify. You mentioned the Economic Growth Plan. If I can just go through each of those headings: you have got Macroeconomic, you have got Competition, you have got Enterprise and Business, and the Skills Policy. They are the 4 that you have mentioned.

Chief Executive Officer, Economic Development:

The macroeconomic policy, I think you have seen the current macroeconomic policy. Effectively it was captured in the recent budget debate because that is, effectively, the tax and spending balance.

Deputy M.R. Higgins:

But it is also relates, as well, to the environment that we are operating in in terms of finance, looking at our markets - whether it be in Europe, the States or wherever - and the fact that, by and large, the Americans say they are looking at other quantitative easing, by the look of it, again because the last one has not particularly worked. We have got austerity in Europe. You have got the O.E.C.D. (Organisation for Economic Co-operation and Development) telling them to take a bit more out, which seems crazy, and then you have got the Far East where you have got China cutting back as well. So the overall outlook, the environment we are working in, is not all that brilliant, in one sense.

Chief Executive Officer, Economic Development:

No, but this is macroeconomic policy. The macroeconomic environment has to inform the policy.

Deputy M.R. Higgins:

But the policy comes from ...

Chief Executive Officer, Economic Development:

Yes, absolutely. So obviously that will take into account what the current macroeconomic environment is or, indeed, what the forecasts are going to be going forward for the period of this plan, because this is a plan that has to be a 10-year plan not a 2-year plan. You cannot really look at economic growth over 2 years. The range of outcomes, even 5 years out let alone 10 years out, are very broad and I think that the bottom line here is that we have to comprehend what the macroeconomic environment is and be prepared to modify policy and strategy to comprehend that. If we just set it now and just assume that we knew what the future shape of the global economy was going to be, I think we would be shooting ourselves in the foot.

Deputy M.R. Higgins:

Yes, and the back and everywhere else.

Chief Executive Officer, Economic Development:

Yes. Competition Policy, again, from our perspective I do not think that, as officers working with the economic adviser, there is going to be a significant change in the approach to competition policy in that, based on an absolute level playing field, there should be no artificial barriers put in place to the development of a competitive marketplace regardless of what area of the economy we are in. We need to make sure that any barriers that may exist are addressed to underpin that policy.

The Minister for Economic Development:

I think probably what you might see - subtle in some respects - is that the J.C.R.A. (Jersey Competition Regulatory Authority) will focus more on issues that relate to Islanders, to consumers, than perhaps they have done in the past. It is going to be a significant aim by them to concentrate and you have seen, for example, the attention they paid to the cost of school uniforms.

There are a lot of other areas that they will be focusing on when they work on that programme for the coming year.

Deputy M.R. Higgins:

I see the damage they have done, as I perceive it anyway, to Post and some of the others ... I know that Post has got issues but the point is we have seen these big sort of issues. Are there any other main areas that they are looking at or planning on bringing competition in which is going to have an impact on major business one way or another or employment in the Island?

Chief Executive Officer, Economic Development:

Can I just comment on that? There are only 2 areas which the J.C.R.A. regulate and that is postal and telecoms and under the law, which was approved by the States, the licensing system is there. They regulate the licensing system. So it is not the J.C.R.A. bringing in competition. The States provided the framework within which the J.C.R.A. is operating within the law and a competitive marketplace develops because, if you look at both the postal and telecoms law, that is exactly what they were established to do, which is consistent with the telecoms. So the J.C.R.A. have no role in introducing additional competition in other sectors. The market will deliver that and, in fact, where the J.C.R.A. intervene is if they believe there is anti-competitive behaviour or indeed there is a piece of M. and A. (merger and acquisition) activity that will result in the marketplace becoming less competitive.

Deputy M.R. Higgins:

What about its role in regulation, for a joint title, competition regulatory ...

Chief Executive Officer, Economic Development:

That is what I am trying to explain. The regulatory role is purely for the regulation of the 2 laws: the Postal Law and the Telecoms Law. That is it.

The Minister for Economic Development:

Sorry. It is quite interesting because you made the comment about: "And more job losses as a result of regulation." In fact in the telecoms market, despite the fact there is more competition, you have got the consumers who have benefited with lower costs. You have also got more people working in the telecoms industry in Jersey now than there was when there was a single operator. They are just spread around a multitude of other organisations.

The Deputy of St. Mary:

I was just going to mention that they have done a piece of work on the taxi service, which is interesting, which I think the Minister for Transport and Technical Services should be acting upon. There has been a concern for a number of years of the way the taxi service is provided to the public and now they have made comments which, I think, could be looked at. I think it is a valuable piece of work.

The Minister for Economic Development:

I did make the comment in the budget debate that areas like the Jersey New Post, Fair Play, play a vitally important role in terms of alerting consumers to the value and cost of items. The Consumer Council, which we fund, does a similar thing and the J.C.R.A. also has a role to play in this. As I said right at the beginning, you are going to see a lot more attention from the J.C.R.A. on matters that will benefit and continue to benefit consumers. Food may well be an area, for example, domestic heating oil; there is a whole range of different areas.

The Deputy of St. Mary:

Would the J.C.R.A. be interested in looking at something that does affect all Islanders and every shopping basket, which is the cost of importing into the Island? You know we get this thing that: "Living in Jersey costs 30 per cent more than living in the U.K.," and it is all to do with the stretch of water. So clearly how much it costs to get from Southampton to a lorry that is heading for Rue des Prés is pretty important and I wonder whether the J.C.R.A. would look at that?

The Minister for Economic Development:

The J.C.R.A. is prepared to look at a number of areas and, as I have said, I have a regular meeting with them and I have said that I would hope that, in their plan for 2011, they will focus on issues that matter and impact upon consumers. At a time when G.S.T. (Goods and Services Tax) has had to rise, costs are having to rise, salaries are flat or falling and consumers are being pinched we need to make certain that the best possible value is available for consumers in retail and all sorts of other sectors and it is areas that the J.C.R.A. can turn their attention to. Part of that, you are absolutely right, is potentially shipping costs. That is not necessarily the only reason that costs are higher in the Island. There are a number of different reasons.

The Deputy of St. Mary:

The question is in people's minds. It does not just affect consumers. It affects everyone: it affects businesses, consumers, the lot. So it is pretty strategic.

The Minister for Economic Development:

Absolutely, yes.

Assistant Minister for Economic Development:

You make a fair point but, as the Minister said, it is only one aspect of life and how big it is, is doubtful. I mean the labour costs, the rental costs, the land costs, economies of scale; we are a very small community. Things are going to be more expensive here and the freights costs, of course, are part of the picture. There would be no point ... well, there might be a point but it would not be a complete picture if they just did one little bit of that, just dealing with the freight costs. You have got to look at everything else. That happened when they did the fuel oil inquiry some years ago. Freight costs were part of it but the majority of it was ... **[Laughter]** There are economies of scale, levels of services, the number of petrol stations; we have retailers' margins and the freight costs were a very small proportion.

Chief Executive Officer, Economic Development:

3 pence a litre, that was the differential freight component.

Assistant Minister for Economic Development:

Yes. It was a very small proportion of the price differential. If you are going to do it, do the whole thing.

The Deputy of St. Mary:

Did anything happen with the costs of fuel on the Island?

Chief Executive Officer, Economic Development:

Yes it has. There is a very active market. As a matter of fact, there is something like a 15 pence a litre differential between different outlets in the Island. So it is a competitive marketplace whereas before it was not.

Assistant Minister for Economic Development:

That is what has made a significant difference but I think, Danny you are old enough to remember, because I am, when the Jersey Motor Traders Federation was changing fuel prices they used to circulate all of the garages as to what they were going to charge and if anybody tried to break ranks they would be in a lot of trouble.

[11:15]

The Minister for Economic Development:

That is why the *Fair Play* column that I keep going on about of in *J.E.P.* (*Jersey Evening Post*) I think it is with significant regret they are paying ...

Deputy M.R. Higgins:

They are paying no attention. We have been appealing to them ...
[Laughter]

The Minister for Economic Development:

They are completely ignoring the comments that have been made in all respects and it is disappointing because it did have a material impact on ensuring that we now have a 12 to 15 pence choice for consumers, if they know where to look. But that pressure needs to continue and that is why, very shortly into the new year, we will be lodging a proposition for the Consumer Council to improve the Consumer Council to give it the opportunity to move to another level.

Deputy M.R. Higgins:

Does that include increased funding for the Consumer Council?

The Minister for Economic Development:

Not necessarily but we need to look at ensuring that the way in which they operate allows them the opportunity to generate some additional funding and to ensure that they are more effective than perhaps they are at the moment and it is going to change the structure.

Deputy M.R. Higgins:

Will there still be political involvement or not?

The Minister for Economic Development:

No. That is probably going to change over a period of time. That is certainly the recommendation. It will be a matter for the States because the States will have to decide but I think the general view from the reviews that have been undertaken is that ultimately there should not be direct political involvement.

Deputy M.R. Higgins:

I want to race on. This is interesting but ...

The Deputy of St. Mary:

The Economic Growth Plan, we had got as far as Enterprise and Business.

Deputy M.R. Higgins:

Yes. Enterprise and Business was the next one. Can you just update us there? What have you got in mind?

Deputy Chief Executive Officer, Economic Development:

Yes. Sure. The Enterprise Strategy dates back to 2005. I think as we all know at this table, the world and indeed Jersey has moved on considerably since then. So we have now started the process of updating the strategy. We have run now a couple of consultation workshops, which the Chairman I know attended the first of. We need to establish: what are the priorities in terms of businesses, that is in terms of enterprise support and delivery from the Department and from the States generally. As a result of that we have now identified 8 priority areas and we are beginning to look at those policy actions required to address the areas of interest by companies but, equally, to look at how we deliver the service to the companies themselves. So we are beginning to question Jersey Enterprise, the model we have now, the combined model with J.B.V. and how, in partnership, we can better deliver business support services to companies. I think one of the things you will see is probably a move away from giving grants in favour of looking at other forms of support to companies.

Deputy M.R. Higgins:

Yes. Because on grants, I was amazed by the written question I asked about how many grants have been given. This is the guarantee of loans from banks. I was amazed at how few had been granted and I think there was, what, 750,000 outstanding at the moment?

The Minister for Economic Development:

The Small Loan Guarantee Scheme I think you were referring to, were you not, if I remember correctly?

Deputy M.R. Higgins:

That is right. I was amazed at the number of hairdressers and beauticians or whatever and there was only one firm that perhaps you would think of as

going forward in terms of ... I forget what it was. Not biotechnical, it was some technology-type ...

The Minister for Economic Development:

I am tempted to say there is growth in hair but perhaps I ... **[Laughter]** I know, I know.

The Deputy of St. Mary:

For some people in the market, certainly not me.

Deputy M.R. Higgins:

I just hope it has in the transcript "grown" ...

Deputy Chief Executive Officer, Economic Development:

There is a technology company. I think the most successful one is a client who took over a care home and is now doing very well, running the business very successfully. That was a case of succession planning. The people were selling the business. The business was in decline. They have turned the business around and moved it into new areas. I think that is an area where the States needs to look at more carefully, in terms of the ageing economy: what opportunities there are for local businesses. So I was talking more about grants, looking at the smaller grants that we give to companies which are effectively free money. It is about how we can use the budget we have more sensibly and hopefully generate more success in other ways.

Deputy M.R. Higgins:

One of the criticisms that we hear occasionally - and we are going to be looking at Jersey Enterprise as a project going forward - it has been commented that you are very good at helping people get started but we have heard comments that some people think of the Jersey Business Venture more highly than they think of Jersey Enterprise, surprisingly enough. What is your view on that and, by swallowing Jersey Business Venture, are you going to take away the good, in a sense? That is one of the criticisms that we are hearing?

The Minister for Economic Development:

Just very briefly, I would just add a quick comment on that. I think that Jersey Business Venture and Jersey Enterprise attract different markets, first of all, and I do not think you should compare the 2 of them in a competitive sense, which perhaps some certainly might have done in the past. The discussions that we have been having with Jersey Business Venture board have been constructive discussions and it is not a question of taking over. It is a question of agreeing to merge the 2 organisations to create a better, more effective and targeted organisation, which I think will ensure that it covers the full gambit of small to medium-sized businesses that operate in the Island. It is positive and the Jersey Business Venture board has contributed significantly to the discussions.

Deputy M.R. Higgins:

I might add we are not levelling the criticism. This is a comment that has been made to us.

The Minister for Economic Development:

No, I have heard it.

The Deputy of St. Mary:

Will they be keeping the separate identity or will it be a complete merge; if you try and find J.B.V. you cannot find them?

Deputy Chief Executive Officer, Economic Development:

I think the discussion with the board is still ongoing. That is one issue that we need to resolve and certainly the intention short term is to co-locate and then, after the economic strategy is published and we know what it is we are going to be delivering, we will look at what is the best model to ensure that that is delivered most cost effectively.

The Deputy of St. Mary:

I am always concerned with mergers; there are obvious advantages but there are also obvious disadvantages in terms of losing identities and losing a different style that might be appropriate.

Chief Executive Officer, Economic Development:

But can I just comment. I think in the discussions we have had with Jersey Business Venture, the merged organisation will have as many characteristics of Jersey Business Venture as it does have characteristics of Jersey Enterprise. But we started off this conversation talking about the Comprehensive Spending Review. At the moment what E.D.D. does is it pays Jersey Business Venture £130,000 a year to deliver what, in large part, is a duplicate service to that delivered by Jersey Enterprise. What we are saying is, by co-locating and integrating those services, we will deliver exactly the same if not a better service to the customer base at a lower cost and the overhead goes down.

The Minister for Economic Development:

You might notice - sorry Mike - there was, I think, a circular that came round to all States Members about the cost of work being undertaken at Jubilee Wharf which is where the Jersey Enterprise facility is housed. We are spending about £19,000, I think, Andrew?

Deputy Chief Executive Officer, Economic Development:

Yes.

The Minister for Economic Development:

On allowing us to be able accommodate Jersey Business Venture within that structure. So not only is it losing a premises; it is ensuring that we better utilise the space in the existing space. So that is more cost effective.

Deputy M.R. Higgins:

How many people are employed by Jersey Business Venture and how many of them will remain after the merging?

Deputy Chief Executive Officer, Economic Development:

It is about 2.5 full-time employees and hopefully as many as we can retain. Obviously, it is a choice for them whether they want to become part of the new organisation. If we are just co-locating then that is not a decision they need to make straightaway. Equally, then we have to look at terms and conditions of all staff, including Jersey Enterprise staff, as to the future direction of Jersey Enterprise. It may well be at some point in the future Jersey Enterprise itself becomes more of an arms-length organisation from the department. So, again, terms and conditions come into that and at this stage it is not really possible to say what is going to happen. But we would like to retain the core staff and the expertise that J.B.V. has.

The Minister for Economic Development:

That is an important point to make because you have been asking the question about the future, looking at the risks and looking at the opportunities. The way in which we deliver the services of Economic Development and the arms-length, as Andrew rightly described it, is something we have discussed before and we are still looking very closely at Jersey Tourism for example. Jersey Enterprise/Jersey Business Venture we are looking at in a similar way and that is absolutely right that these opportunities are thoroughly assessed as perhaps, and I suspect from a personal point of view, the best way of delivering appropriate support.

Deputy M.R. Higgins:

I want to move on to the skills just for the moment and then we will go straight back to where we started. Skills Policy: we know that you have had the various courses at Highlands which have largely taken school-leavers, by and large, who would have been unemployed and given them some training. A number of them, we have read in the press, have managed to get jobs with some of the firms they have been placed with. Where are you going at the moment? You have mentioned the high priority and I know you are trying to identify which areas and so on, but what sort of courses and what sort of training are you envisaging that you are going forward on in the next, say, 2 years?

Deputy Chief Executive Officer, Economic Development:

On industry we have carried out and had delivered 4 sector surveys. So we have done the hospitality and tourism sector, we have done retail, we have done construction. We are about to receive tomorrow the report on the rural economy. Each of those studies has highlighted the demands from the individual employers and the intention is to work with those employers and their industry bodies to come up with individual plans for the sectors in terms of developing people's skills going forward. How we deliver that: again, we are looking at at the moment obviously there is a reliance upon Highlands College, which in fairness only has a limited capacity. As I mentioned before, education takes a long time to turn around. So we are looking at all suppliers of training for those individual sectors. The intention is to come up with

individual strategies for the different sectors; working with employers then to put in place the right kinds of training at the different levels that they need for continued sustainability.

Deputy M.R. Higgins:

The ones you have mentioned, for example if we look at tourism - and we have had this discussion before - you do not particularly see tourism as a high-productivity high-value industry; construction, not necessarily so. When you talk about high-productivity you tend to think of finance. We have had this discussion before.

The Chief Executive Officer, Economic Development:

I do not think I was very clear. We have a high-productivity sector but all of the other sectors - tourism, agriculture, construction - the objective has to be to increase the productivity. Will they ever be as productive across the piece as finance? Well, no, they will not but that does not mean that we cannot, by increasing the skill levels and working with the businesses, make them more productive of and by themselves.

The Minister for Economic Development:

Not everybody can or would want to work, for example, in finance and you have got to have a mixed economy. I think we agree with you and you agree with us about diversification and that means all sorts of different sectors. But however low the productivity may be in a particular sector, our aim is to improve it.

Deputy M.R. Higgins:

Yes. I noticed the absence of, for example, the really high-productivity industry like finance. Is the skills body not looking at the finance industry? Are you assuming it is going to be catered for by private industry, some of the firms that are coming forward? For example, when you look at intellectual property rights going forward; a lot of that is high level rather than sort of administration. You are talking about people who have got a legal background or an understanding of these things. What sort of training are you doing in these areas that you think the new growth is going to be in?

Deputy Chief Executive Officer, Economic Development:

Obviously, Jersey Finance does have a separate committee that looks at employment and training. So we are in close liaison with them. By and large the finance sector does finance and provide, even in these bad economic times, a level of training for its own staff. So that investment is still going in there despite the recent economic downturn. I think the Skills Executive role is to look at that and to look at whether there are areas where we can assist rather than funding the training itself. That is slightly different from the other areas where we might have to seed-corn fund individual courses or individual qualifications that are required by the employers.

Deputy M.R. Higgins:

The training that the employers are doing at the present, is that in-house or are they ... I think day release died years ago. Evening classes, I am not sure

how much is being done, finance-related, in the evenings these days. I do not think there is very much.

The Minister for Economic Development:

You have got the new Jersey International Business School. It is a private-sector venture down at the Weighbridge, which is concentrating on those particular areas. You have obviously got the Law Institute which is targeted in that particular area and this is private-sector investment, which is encouraging.

Deputy M.R. Higgins:

I was just going to say that, yes.

The Chief Executive Officer, Economic Development:

There is the Foundation Degree for Finance at Highlands which, of course, we funded the start-up costs for that way before all of the current issues. So that continues.

The Minister for Economic Development:

Highlands needs to continue to adapt their programmes as opportunities present themselves. I think one of the differences with what we have here with the Skills Board/Skills Executive, you have got with the Board a particular group of private-sector individuals and they were very keen at the beginning, and absolutely right, to make sure they engaged with business and industry to find out what industry and business wanted. But in the past there was some argument brought forward that courses were created and there was no output from it at the end of the day. There were no job opportunities. So it is very much a joined-up approach now; more so than it has ever been, which has been the right approach.

Deputy Chief Executive Officer, Economic Development:

I think one of the interesting things now is that a lot of the finance companies are bringing back this year the graduate programmes. So, for example, you might have seen Ogier advertising in the *J.E.P.*, a couple of nights last week. That shows, I think, a degree of confidence coming back into the marketplace. Talking to recruitment companies and employers, most of them are now saying in the finance sector they are beginning to recruit again at the senior level. So hopefully that will then filter through to the rest of the sector.

Deputy J.M. Maçon:

Just hearing what has been said, is it correct to understand that the courses at Highlands have, indeed, been very valuable?

Deputy Chief Executive Officer, Economic Development:

I think they have, yes. I think if you look at what has been achieved by Highlands, we have got some figures going to the Skills Executive tomorrow that show, despite taking up to 300 extra students, the pass rates and the quality rates are at or above what they were back in 2008, so the retention rates are good, the pass rates are good and the level of qualifications is

increasing. So they are going towards level 2 and 3 and beyond into the higher education sector.

Deputy J.M. Maçon:

Many places at Highlands were funded through the fiscal stimulus which will not be carrying on. How does that fit into what has just been said?

Deputy Chief Executive Officer, Economic Development:

There is a paper being prepared by the Skills Board which will go to the Skills Executive in early 2011 which looks at that particular issue and there is a need then for the Skills Executive probably to talk to the Council of Ministers to look at how some of the more successful schemes are continued going forward. I think the report quotes a figure of up to 300 people may be looking for work in about 12 months' time if that funding is not continued. So, it is important that there is a decision to make some additional investment, I think, in skills and training.

[11:30]

Chief Executive Officer, Economic Development:

Is it worth mentioning the apprenticeship scheme as well, that we are running, in terms of development of skills? Forty-five new apprentices enrolled on that scheme in 2010. We had one of the States of Jersey apprentices working with us for the last couple of weeks, just a superb individual; young girl, did a tremendous job going round different parts of the States on her programme. Again, somebody I think who was unsure as to what they were going to do, as part of that apprenticeship scheme now has exposure to the States to work and is now well set on her course.

Deputy J.M. Maçon:

When you say 45, how many of those are public sector related or private sector?

Deputy Chief Executive Officer, Economic Development:

I think they are traditional trades, so the 8 trades that the Jersey Apprenticeship Scheme had. I think we have 21 States apprentices at the moment, paid for by stimulus funding. What we are looking at and probably going to introduce in September 2012 is a revised apprenticeship scheme. So instead of taking 4 years or 3 years, we are looking to see whether we can speed that up to 2 years; so at least people can then have an economic value for employers a lot more quickly than they do at the moment. So we have got the approval of the Skills Jersey Board. Again that is going to the Skills Executive, the Ministers, early next year. Hopefully, if that is approved, that will then give us the time to make the changes to Highlands and other suppliers to allow the apprenticeship scheme to roll out to nearer 16 trades, rather than the 8 it is at the moment, and to shorten the courses.

Deputy M.R. Higgins:

I must say I do welcome the apprenticeship scheme.

The Deputy of St. Mary:

How do you include with your capturing demand via the sector plans, which is fine ... again, if you look at States policies like on energy and you look at the construction industry and you know there is going to be a drive to reduce the carbon footprint of buildings, how do you factor that into the skills that you are delivering, the skills training, so that we do in 2 years' time have enough people who can engineer entire buildings in terms of heat retention and then also people who can build things physically?

Deputy Chief Executive Officer, Economic Development:

I think that is through working with the employers and the employer organisations. It is finding out where regulation is going. So, for example, there are some new bylaws coming into planning from January next year. So their people have been trained up. That training then needs to continue with private sector employers to take place. We need to know in advance from P. and E. (Planning and Environment) whatever legislative changes there are going to be in terms of buildings and building buildings. It is all, at the end of the day, trying to minimise the number of contractors we bring into the Island. We need to get our own people up to skill and up to date as quickly as we can so we can maintain as much of the work in the Island as possible.

The Deputy of St. Mary:

Where regulation is going but also my fear is that the sector ... and there are examples of sectors being a bit slow on the uptake frankly and then being caught. For instance with self-catering and tourism we did not spot what was going on and with regulation that might be too late. What about policy? We are looking at where, for instance, the energy policy is going and saying: "No, in 2 years' time that will be through the States and things will be happening." We need bodies now to be training for that eventuality so that we are ready and that will not necessarily come from the sector. It will probably come from the ...

Deputy Chief Executive Officer, Economic Development:

As I said before we can work with P. and E. and other States departments to know where the policy needs changing.

The Deputy of St. Mary:

Yes, and you build that in. How is that factored in in terms of the process?

Deputy Chief Executive Officer, Economic Development:

I think at the moment we are probably a little bit behind in that area. That is something we can raise with the Skills Executive and the Skills Board.

Chief Executive Officer, Economic Development:

I think the type of skills you are talking about here are graduate skills and I think the courses that Jersey people come out of school going to university in the U.K. and elsewhere increasingly are driven by the likelihood of people being able to get employment both in the Island and outside the Island when they come out. You are absolutely right that this a sector - the sector you are talking about, the construction sector - is increasingly driven by regulation

related to energy use and the type of courses that are being undertaken in the U.K. and elsewhere. Those people play into that market. But that market is being delivered here. If you look at our buildings, if you look at the Ogier building, these are B.R.E.E.A.M. (B.R.E. Building Research Establishment) Environmental Assessment Method) very good standard and that is a very high level of attainment in terms of energy efficiency. The sort of skills that are deployed to deliver those buildings: the model for Jersey has to be you import, in the short term, those skills and through them the transfer of knowledge, which is happening with the local architects and the local builders from importing their knowledge and building a building like Ogier, is then embedded in the local skills base and that is what happens.

The Minister for Economic Development:

I think that is a little bit optimistic, Mike, is it not, that if you build Ogier ... I am just looking for ways of building this into the D.N.A.

Chief Executive Officer, Economic Development:

I think you are right; it is a little optimistic. I think optimism is the wrong thing in terms of managing expectations. Is it going to happen overnight and are we going to get a large group of people who all have that? No, but it is happening. Skills transfer happens over a relatively long period and it happens relatively slowly. But the fact is that buildings of that quality are the norm now in Jersey and, therefore, the number of buildings for want of a better word, is there to drive those skills transfer in a way that it was not before.

The Minister for Economic Development:

I think you also have to be a little careful and continually sense-check the level of regulation that is applied and make sure that it is appropriate. I think that is an ongoing process. But I would just comment on one thing and that is there has been quite an increase in regulations in lots of different sectors. That in itself has created job opportunities in compliance. There has been a significant increase and there has been quite a lot of work in applying appropriate job opportunities for people who want to go into that area.

Chief Executive Officer, Economic Development:

That is exactly it. The skills have to be lined up.

The Minister for Economic Development:

But I do think it is important we continue to sense-check the regulation that we are importing or delivering in the Island.

Chief Executive Officer, Economic Development:

The classic example is the E.F.W. (Energy from Waste) is being built by basically foreign labour. Okay, building the E.F.W. is not something you do every day of the week but the fact is that the skills that we need for a green building sector we need to be training people.

Deputy M.R. Higgins:

We are going to move on, but what I would say is to make one comment here. Highlands and the Department of Construction and Engineering, I think, have always done an excellent job and I know from the architects and architectural students who have gone through and some of the building ones on some of the courses there and they have been up to date and I really recommend them.

Assistant Minister for Economic Development

Can I just go on? I was involved with the construction awards. I went along and certainly the people I spoke to within the industry are really up to speed with the latest technologies and environmental issues. They are really majoring on it and I was really, really impressed. So I think it will come from the industry as well. It need not necessarily come from Government. The industry are up for it as well.

Chief Executive Officer, Economic Development:

Incidentally, as one example of stimulus funding and the success of the construction industry, if you look at the statistics, demonstrate that obviously that was where the advice was that the money could most effectively be put into the economy. If you look at the jobs and the way in which the construction industry has been sustained during this difficult trading period, it does demonstrate that the stimulus funding has been effective.

Deputy M.R. Higgins:

I have to say on that though if you also look at the unemployment figures and the numbers for the construction industry ... and, again, I believe Corporate Services are going to be looking at the value for money obtained so far and there are some question marks on construction. Positive benefits yes; but equally there are some question marks in that area. Anyway, I want to go back to the Comprehensive Spending Review. Again, we know that you have met your 2 per cent. Just refresh our memories where the 2 per cent came from and again where you are going forward on these cuts?

Chief Executive Officer, Economic Development:

Well, the 2 per cent, which equates to at £346,000, largely from efficiency savings. There was about £200,000 of efficiency savings and the rest was split across the board.

Deputy M.R. Higgins:

Okay, the efficiency savings, what sort of efficiencies for example?

Chief Executive Officer, Economic Development:

One example that springs immediately to mind was down in the Visitor Centre on the ground floor. I do not know if you can recall, coming in there was a greeting desk on the left hand side and we had an employee on that particular desk. Then you had in front of you a range of about 4 or 5. There was clear duplication. People come in and they go straight to the desk. So that was a role that was lost. That was one saving that was created by rearranging the way in which we deliver the service.

The Minister for Economic Development:

I think the other thing worth saying is that in saving the £346,000 what we actually did is we changed the balance of spending across the whole portfolio. So we increased the spending in certain areas by about £1.3 million and decreased the level of spending in other areas by about £1.6 million. We increased the level of spending in financial services because we made a commitment when the fiscal stimulus monies were awarded that we would sustain that spending through 2011, which we have. This is the Jersey Finance side. We also were obliged to make a £313,000 annual contribution to the J.F.S.C.'s A.M.L.C.F.T. (Anti Money Laundering Combating the Financing of Terrorism) unit for its oversight of non-financial services sector industries. E.D.D. makes a 42.5 per cent contribution to the total cost of that, which is the £313,000.

Deputy M.R. Higgins:

This is covering estate agents and others?

Chief Executive Officer, Economic Development:

Exactly, and other small reductions in the rural economy and a reduction in tourism spend, which is again relatively modest. So that is what is being deployed in 2011. I think the Minister has already described 2012 and 2013; that process starts on 9th January to finish in May 2012. At the moment the only policy decision that the Minister has announced is that for 2012 and 2013 the tourism spend will be maintained at, at least, the level it is in 2011. But, other than that, we will operate our regular - I would not say normal, because I do not think it is particularly normal across the States - zero-based budgeting process which prioritises our activity based on current need and current opportunity, current market conditions, and that is what we will do.

The Minister for Economic Development:

It is important to focus on the fact that our requirement for savings was £346,000 in terms of 2 per cent but, like most departments of course, other risks and opportunities present themselves. Mike has described the anti-money laundering for example we had to deal with; the opportunity with Jersey Finance in the current circumstances to ensure we could compete with Guernsey and other jurisdictions. So we are going for the business opportunities in India and Asia, Asia-Pacific areas, hence the representative offices. So we had to find another £1.3 million on top of the £346,000, all from within the constraints. We did not, like a lot of other departments, make bids for additional funding to deal with these things. We did it ourselves within our existing envelope. So the 2 per cent was, in real terms, significantly more. Answering, Chairman, your question before - could we do more and are we put under pressure - we have done a tremendous amount more than we were asked to do from within our existing envelope.

Deputy M.R. Higgins:

But do you not think you are also going to come under additional pressure because I know that Health, Education, Social Security are ones where it is going to be exceptionally difficult to find, without major political decisions,

savings and, therefore, because you have so much discretion in your budget you may be coming under increased pressure?

The Minister for Economic Development:

We have got discretion but, as I said at the beginning, it is absolutely important that we do not prevent our ability to be able to deliver the economic growth which is part of the package of the solution as we move forward. We have to return the economy to economic growth over a cycle. We have a relatively modest target but nevertheless, from where we are at the moment, that is going to require investment and we have to set our investment funding at a level to be able to deliver that.

Deputy M.R. Higgins:

Going forward, for example, we have passed the first part of the intellectual property rights laws. Where are we with the others? If this is going to be the sector one that we are going to go for, how quickly can we expect the rest of the legislation going forward?

The Minister for Economic Development:

I think the important thing to remember, what we have actually passed is the unregistered rights. That was the most, as you will recall from the debate, out-of-date part of the legislation: about 100 years old. That is the trigger that will allow us now to optimise some of the opportunities. It will remove one of the barriers to inward investment from a number of businesses that are showing interest. We have already started the work on registered rights and that will be rolled out over the next 12 months or so. That work will continue from a law-drafting perspective. We have removed one of the major barriers to investment, particularly inward investment.

Deputy M.R. Higgins:

So you are expecting then a rush of firms coming in to take advantage of our updated law?

The Minister for Economic Development:

I am not sure about a rush because what we are targeting to do, and this is the whole ethos of what we are about, is low footprint/high value. We are not expecting huge numbers but what we want is high value and I think you can see that by, for example - I used this in the debate - we have in Jersey the creator of content for *X-Factor* and *Britain's Got Talent*. It is these types of individual that we want to do their business in Jersey and to utilise the Island and attract more people of that ilk. It is not huge numbers but the actual value is significant.

Chief Executive Officer, Economic Development:

I think the other thing that is worth mentioning is, as the Minister said, we have to completely rewrite from a blank sheet of paper the unregistered rights legislation, which was 1911 I think. We are amending the existing registered rights on trademarks and patents and plant varieties. That process will be somewhat swifter, hopefully; although we will be amending them in such a way that they can operate, as the unregistered rights do, in a world where e-

commerce is dominant. I think the other thing that is vitally important that we will be doing during the course of next year, hopefully, is signing up to some of the major intellectual property conventions, such as the Paris convention and the Berne convention, which gives Jersey's legislation extra-jurisdictional reach. I think when you bring all of that together and some of the other commercialisation activity around that we become a jurisdiction, which is what we have not been in the past, that people can both register I.P. (Intellectual Property) and they can hold I.P.s within structures and that is where the economic value will be generated.

Deputy M.R. Higgins:

What about the risks?

Deputy J.M. Maçon:

Yes. We passed the budget but if you could tell us what are the department's top legislative priorities for the first quarter of next year?

[11:45]

The Minister for Economic Development:

Just before I do that - I will come straight on to it - I did not want to miss the opportunity when we were talking about intellectual property just to make a comment that we were very grateful for the input from your Scrutiny Panel in the process, your expert and the report he did. I personally thought it was a very effective way and a good demonstration of how scrutiny functions. It was a very good report he delivered, your chap, and we are just very thankful for that. While on the subject, I know it is the season of goodwill so I will chuck a bit more over the table. **[Laughter]** You do as you wish but I also just wanted to mention the Rural Economy Strategy, which obviously Daniel and Carolyn were involved with. I think your review came up, if I remember correctly, with 29 or so recommendations of which 28 we have ended up adopting. Again, I know the Constable worked very closely with your subpanel on this and the outcome was very good; again, another good demonstration.

Deputy M.R. Higgins:

Thank you for that.

Assistant Minister for Economic Development:

The trick was they came on at an early stage and were able to put in a lot of input which was positive and that was so helpful.

Deputy M.R. Higgins:

We do not aim to be negative. We report as we see it.

Assistant Minister for Economic Development:

Exactly, and it gave us encouragement because we felt, because of the response of your subpanel, that we had done a good job; but it was even better because they have seen it with fresh eyes as well, which was good.

The Minister for Economic Development:

The absolute top priority, as far as I am concerned as we sit here now, is the lodging of the e-gaming legislation which we will be doing, hopefully, pre-Christmas for debate in the early part of next year. We had an in-principle debate, you will recall, earlier this year about e-gaming and it has been going through the process. We are just waiting for the final sign-off from the Law Officer's Department but we hope to lodge very soon. That is clearly important to be able to leverage the opportunities in that particular space of gaming.

The Deputy of St. Mary:

Just going back to I.P., which is obviously on the programme but further down the track; again, risk analysis because some aspects of I.P. may be benign and seen as benign and others are not. We have seen Ireland's economy just vanish and I am not saying we are in the same boat but I am saying that I.P. was part of that. So how are you going to screen out the risks?

The Minister for Economic Development:

I am not entirely sure why you think that the problems of Ireland ...

The Deputy of St. Mary:

Microsoft had their I.P. As I understand it, they had their ...

Chief Executive Officer, Economic Development:

Microsoft's I.P. was lodged in Ireland as was Dell's and Pfizer and just about everybody else because of the C.T. (Corporation Tax) rate of 12.5 per cent within the E.U. (European Union.) It was nothing to do, to be frank, with their intellectual property legislation. They have fit-for-purpose intellectual property legislation. It was one of the other factors that allowed those companies to be domiciled there but they were domiciled there because of the C.T. rate, not because of the I.P. legislation.

The Minister for Economic Development:

I agree with that.

The Deputy of St. Mary:

So what is the specific advantage? I mean I.P., I just find a little bit nebulous. You put in an I.P. law and then lots of people are going to benefit from placing their I.P. here and that gives me a kind of anxiety.

The Minister for Economic Development:

I do not know why it creates an anxiety necessarily, but ...

The Deputy of St. Mary:

Why would they put it here and not London?

The Minister for Economic Development:

What?

The Deputy of St. Mary:

Why would they put their I.P. here? Why would they hold their I.P. here?

The Minister for Economic Development:

Well, the tax neutrality; the attraction of the professional services that we have here: the lawyers, the accountants; all the infrastructure that many of these type of people who create high quality, valuable content. They can outsource virtually every function of an organisation now to wherever. The one area, the management and development of the I.P., again, fits the profile: low footprint/high value. So it fits the model but what we have effectively got here is good communications, easy access, high quality professional services and an attractive element that they can structure and protect their intellectual property.

The Deputy of St. Mary:

What you have just described ...

Chief Executive Officer, Economic Development:

I think the way to look at intellectual property is it is another asset class through which ... I mean we currently have the trust law which is the vehicle through which we undertake quite a lot of our wealth management activity and within certain areas of the financial services there are various asset classes which the Island uses as a vehicle to invest in and through. Intellectual property is another similar asset class and what we have not had is the equivalent of, for instance, the trust law to allow that industry to develop. We now have, from an unregistered rights perspective, the I.P. law that will allow I.P. to be held, registered - or will be registered when we get the registry function established - and that drives a lot of associated activity. Are we going to get, as a consequence of putting in place plant varieties, people covering the Island in genetically modified foods? No, we are not because that is not the purpose of the legislation. The purpose of the legislation is to allow commercial activity to be protected by the intellectual property legislation that we have. At the moment if you are asked to tick a box looking at across jurisdictions and one of the boxes that people tick is: to what extent the intellectual property that underpins their commercial activity is protected in Jersey; that has not been the case certainly for unregistered rights because it is not actually protected in a fit-for-purpose way in the current environment.

The Deputy of St. Mary:

That is a new string though, is it not? It has not prevented all the businesses we have had so far in financial services.

Chief Executive Officer, Economic Development:

No, it has not prevented that. As I say, it is another asset class that the financial services sector and the cluster around it can exploit to the benefit of the Island.

The Deputy of St. Mary:

I may just not be able to see it. I am just wondering how risky this new sector is.

Chief Executive Officer, Economic Development:

I will just say one more thing. We are unusual rather than anything else for not having intellectual property legislation which is fit-for-purpose. Almost all other jurisdictions large and small ... if I tell you, for instance, that even Zimbabwe are signatories to the Paris convention and we are not; we simply have not had the level of intellectual property legislation required to allow companies to feel that activity that is based here, I.P. that is registered here, is protected by the laws in Jersey. We now have that.

The Minister for Economic Development:

We have one example of an international company that has multiple brand names that it owns that would like to and is in discussions about relocating to the Island its H.Q. and so on. It has not been able to come here simply because its brands are not protected.

Deputy M.R. Higgins:

Okay 2 things, just following on from that. Number one, the registry: is that going to be a co-funded with the financial services registry or are you setting up a separate one? Then I want to move on to e-commerce, e-gaming.

The Minister for Economic Development:

It has not been decided. I mean there is no registry requirement above and beyond where we are at the moment because it is unregistered rights that we have obviously passed. Moving forward when we get to the stage of registered rights then, of course, there will be a requirement for a registry. There is a possibility that that could be co-funded as part of the J.F.S.C.

Chief Executive Officer, Economic Development:

We have had detailed discussions with the J.F.S.C. about the nature of the registry and the cost of the registry. I think it is fair to say as we sit here today the J.F.S.C. solution is not necessarily the lowest cost registry solution for intellectual property. So we are in dialogue with them.

Deputy M.R. Higgins:

I can also see them asking for a new building because I think they have outgrown their new building as well.

The Minister for Economic Development:

Well, that is certainly not on our funding.

Deputy M.R. Higgins:

E-commerce then. You mentioned e-gaming. Where are we and what else are you trying to develop?

Chief Executive Officer, Economic Development:

I think the key to e-commerce development is the e-gaming industry which, as the Minister said, I think after amending the existing D.R. (Disaster Recovery) regulation we should be able to allow full e-gaming licenses to be issued, subject to States approval. I think that will drive a lot of the increases in traffic and connectivity that underpins the e-commerce sector. But there seems to

be a view that there is not much of an e-commerce sector in Jersey at the moment. Well, there is. In fact with Foreshore and J.T. (Jersey Telecom) and the data centres that exist here, a lot of those host e-commerce activity; not just in the Island but from around the world, either as direct operations or from a disaster recovery perspective. All of our fulfilment sector is a component of e-commerce and, again, it is a valuable component of e-commerce simply because it provides up to 1,000 relatively low-skilled jobs for locally qualified people in the main. So, there are all sorts of components. The trigger though, I think, to enable us to attract even higher levels of e-commerce, which is low-footprint, is the level of increased connectivity that we believe the e-gaming industry will deliver - as it has delivered in Alderney and Guernsey - purely through private sector investment without any requirement for public sector intervention. Then you have got a level of connectivity that allows e-commerce to flourish much more openly and the beauty of e-commerce is it totally divorces where the business is being undertaken versus where the customer is. So we do not need the customer to be here. In fact we do not even need the product to be here. What we need is the transaction and the e-commerce activity to be here.

The Minister for Economic Development:

What has been a bit frustrating to date is the fact that we have not had the legislation to allow e-gaming has meant that business has been lost to the Island, for example in areas like data centres. We have Jersey businesses that have set up and developed and built data centres in Guernsey because the cost is lower in terms of broadband and so on, because of the volume that is driven through the system by the huge e-gaming volumes that go through Alderney from the e-gaming sector. We certainly hope that by introducing it, should the States agree to do so when we bring it, it will open up the opportunity for further investment in data centres.

Deputy M.R. Higgins:

By having all these intellectual property rights, the bandwidth and all the rest of it, the whole idea of the knowledge economy, of bringing in new business ... I mentioned in the States, for example, about bio-technology. If you go to Cambridge and places like that they have their little science park and all the rest of it. They are not tremendously large footprints because it is very much knowledge-based and so on. I know there are tax incentives and all sorts but even ...

Chief Executive Officer, Economic Development:

It is not that. It is the proximity to Cambridge University ...

Deputy M.R. Higgins:

The universities as well.

Chief Executive Officer, Economic Development:

... and the research capability.

Deputy M.R. Higgins:

Some of it comes away though, does it not? It does not have to be based at the university itself. The other thing too is that we have got an awful lot of graduates. This is something that really gets me. We have got a lot of graduates who have got all these skills and either do not come back or they come back and they go into finance and they would rather be in their first love, the first thing they did the research on.

The Minister for Economic Development:

You might be interested to know, and I think I mentioned this in the debate, that we attracted as a 1.1(k) to Jersey an individual who has research laboratories around the world and has set up a small biochemistry laboratory in Jersey. We have had some ongoing discussions with this particular individual about creating exactly what you are talking about. He made the point, which I thought was fascinating, that he advertised for staff and part of the regulation of undertaking, clearly we pointed out that you have to advertise locally. Neither we nor he thought he would get any responses at all locally but he did. He got a number of local people who had been away to university, had the necessary qualifications. He said they were not perfect but he said: "I was able to work with them," and he said: "I have got some very good quality young people now working in my small laboratory here." His view is that Jersey has a niche opportunity to create some form of small technology park or similar.

The Deputy of St. Mary:

In areas that would match Jersey's ...

The Minister for Economic Development:

Absolutely right. This is just one example of areas that we are looking at, we are in active discussion on and I think ...

Deputy J.M. Maçon:

This is certainly one thing I certainly encourage because I think it is ...

The Minister for Economic Development:

But he came in as a 1.1(i).

The Deputy of St. Mary:

That is interesting. Did he advertise only in Jersey or did he use the mechanisms for reaching graduates who are ...

The Minister for Economic Development:

Yes. He advertised in the U.K. and he advertised in Jersey but the response he got locally was so good that he was able to employ people that had experience in the U.K., had been through university and got degrees. He wanted fairly specialist, as you might imagine, but he was not too worried about what the degree was provided they had the right aptitude in the areas that he is interested in.

[12:00]

Assistant Director, Economic Development:

You also have the undergraduate scheme which is proving very successful in advertising to undergraduates in the U.K., bringing them back to Jersey for the summer holidays.

The Deputy of St. Mary:

Yes, that is what I meant. The ability is there to reach these people.

Assistant Director, Economic Development:

It is and that is proving extremely successful.

The Deputy of St. Mary:

I think that is very interesting.

Deputy M.R. Higgins:

Okay. I just want to move on to one other thing for we move on to some of the other headings we have here and this is the idea of almost like ethical finance. When I say "ethical finance" I am not saying that everything we do here is unethical but I was thinking of the article in the *Daily Telegraph* last week, Tuesday or Wednesday, about pension funds and they were talking about how people are being ripped off on pension funds. I am not saying Jersey, I am talking about globally. Sorry, it is not globally, in fact; this is Britain, the U.K. in particular, because fees were much less in Europe. They were saying, for example, you had the 3 per cent upfront fee which people thought they were paying and they were building up their pension over 10-20 years and they found out that 75 per cent of the value of the pension had gone in fees because there were so many hidden charges and so on. Again, trying to get away from the image we have of being the offshore centre where there are ...

The Minister for Economic Development:

I do not think we have that image, actually.

Deputy M.R. Higgins:

Some people think we have. I am just saying, the image some people think we have got. Why could not the industry be promoting, for example, something where they do away with these trends. There is a real positive though - it would be a positive publicity for Jersey as well - you to say: "These are our fees. With your pensioners, we are invested through here. You are going to get a much better return. You are going to get a return on par with Europe or even better than Europe rather than what you are actually getting the U.K." Because they can be extremely generous in the U.K. because there was a damning report that came out in that ...

The Deputy of St. Mary:

They were fees, not the pension funds.

Deputy M.R. Higgins:

Well, we have got investment managers here that are investing the stuff as well and a lot of the charges are in the investment management side of it in terms of what they are taking going through.

The Minister for Economic Development:

I mean, clearly, the Jersey Financial Services Commission's role is to protect the reputation of the Island to ensure that businesses are operating within the strict compliance of the law. As far as the commercial aspects, businesses will seek to charge fees that they believe are going to allow them to attract the business within a capacity of an increasingly competitive marketplace.

Deputy J.M. Maçon:

I just think it would give them a definite plus though. There would be an awful lot of people if they thought that they were charged, and it was clearly transparent, considerably less than they were in the U.K., there could be tremendous growth in business in that area. But we do not do pensions here because ... I know there was talk at one point about the Financial Services Commission regulating pensions, I think, but it does not.

Deputy M.R. Higgins:

All I can say is that my pension scheme is ... well, all the old business is administered in Jersey.

Assistant Director, Economic Development:

Have you checked your charges?

Deputy M.R. Higgins:

Yes. I certainly have.

Assistant Director, Economic Development:

Because it is certainly going to be in Jersey for some considerable time, frankly.

Assistant Minister for Economic Development:

You know, when you think about it as a consumer, it is not only the fees that are relevant to those vehicles. It is the performance and the return you get from your investment. Sometimes it is worth paying a higher fee for a quality manager and getting that return than paying a low fee and getting a lower return. You take all those things into consideration when buying your product.

Deputy M.R. Higgins:

I can accept that but sometimes you can find the actual tracker ones are performing better than some of the specialist advisers.

Assistant Minister for Economic Development:

In that case you are in the wrong pension scheme, Mike.

Deputy M.R. Higgins:

I am in P.E.C.R.S. (Public Employees Contributory Retirement Scheme).

Assistant Minister for Economic Development:

You are in the wrong pension scheme.

The Deputy of St. Mary:

He should be so lucky.

Deputy M.R. Higgins:

Anyway, let us just move on then. Okay, Jersey Enterprise; we have gone through a number of points.

The Deputy of St. Mary:

Regulation of undertakings.

Deputy M.R. Higgins:

Yes. I just want to ask, first of all, if we just have one and then we come straight on to that. Genuine Jersey: you mentioned that one. What was it that you wanted to ask about Genuine Jersey?

Deputy J.M. Maçon:

Yes. Was that being merged in with Jersey Business Venture as well or was that being kept separate? What was that relationship there?

The Minister for Economic Development:

Separate.

Deputy M.R. Higgins:

Let us get into regulation of undertaking.

The Deputy of St. Mary:

Well, it was just a short one, really. We were sent some details of recent decisions and the issue here is making sure that local employment is supported by these decisions and I suppose you would say that the policy is doing just that. On the detail here, the renewal of existing seasonal provision of 220 staff: can you elaborate on that? Is that local staff or is that ...

The Minister for Economic Development:

I will defer to the Connétable who sits as my representative on regulations of undertakings for a specific comment.

The Deputy of St. Mary:

Yes, "other retail".

The Minister for Economic Development:

Sorry?

The Deputy of St. Mary:

It is down as "other retail": sale of new goods and specialised stores. Renewal of existing seasonal Christmas provision of 220 staff approved.

Assistant Minister for Economic Development:

I cannot remember that particular one but clearly ...

The Deputy of St. Mary:

But the figures is quite a ...

Assistant Minister for Economic Development:

But clearly there are a number of businesses in Jersey which have high demand for staff over the Christmas period. I think the fulfilment businesses in particular, their business trebles, quadruples, in November and December and it would be unreasonable for us to deny them the labour that they need. But, again, the majority of the people that they employ would be locally qualified in the labour sense, qualified to work there. But I asked this in questions in the States the other day and we do look very critically at the renewal of licences - what the demand is, what the supply is for Social Security and other sources - and adjust the licences accordingly. It is not only what their current licence is. We take into consideration what they are employing. I mean, a firm could have licence, for example, for 200 local and 100 non-local but it might only have 100 of each. That immediately sets the alarm bells ringing and their licence is adjusted. What we have to take into account is the demands on the resources of the Island, the reputation of the Island and, of course, the employment opportunities as well. But you do not want to discourage businesses. You have to help them as much as we can because we are the ones who are going to stimulate the economy and create jobs for local people in the future as well. But it is a big balancing act to take place but we react to the economic conditions as they prevail at any given time.

Assistant Minister for Economic Development

Len has answered that because he has responsibility for Economic Development but I chair for the Chief Minister on migration and certainly when we are discussing these matters, it is a joint decision. We have to take the overall benefits of the Island not just the economic development view. We take the Housing Department's view and, between the 3 of us, we consider these applications and we try and advise each other, although Len has the final say. But we all try and ensure that we taking ...

The Minister for Economic Development:

I thought it was all about economic development.

Assistant Minister for Economic Development

Not when we are in the Migration Advisory Unit. [Laughter]

The Deputy of St. Mary:

So to bring it down to a very basic level I have found myself being served in a shop in St. Helier by 2 people from Romania, which was quite surprising. But how does that happen? What is the process? How do they get here? How do they arrive?

Assistant Minister for Economic Development

Most businesses put an application in for a certain number of staff. Some put in for, for example, a certain number of local people and a certain number of non-locally qualified and there is a judgment which is made on each application. I have to say over the last year or so, or longer than that, we have been tightening up and cutting back on the non-locally qualified. That has happened as a gradual process as the market has changed but you have to think back a few years ago when the economy was more buoyant, there were licences given probably for more non-locally qualified people.

The Deputy of St. Mary:

How long were those licences in a retail context?

Assistant Minister for Economic Development

Three years.

The Deputy of St. Mary:

As long as that?

Assistant Minister for Economic Development

Three-year licences, yes. So each new licence that comes up now, we look at each one and adjust it to what we think is appropriate for these current conditions.

The Deputy of St. Mary:

Is it wise to have a 3-year licensing period? I mean, in jobs like that. Obviously certain sectors might be different.

Assistant Minister for Economic Development:

This is an uncertainty.

Assistant Minister for Economic Development

They need to be able to plan.

Assistant Minister for Economic Development:

They do need to certainty. They need to know if they can run their business effectively, they know they can expand their business and the Government is not going to come down with a heavy hand and start cutting down their staff. You mentioned Romania. I mean, I think I should make it clear that we do not discriminate on any grounds of race, creed or ...

The Deputy of St. Mary:

I am just putting it on the table for the answers.

Assistant Minister for Economic Development:

Yes, but I mean, it is up ... we do not tell employers what nationality their staff have to be. That would be going a little bit too far and businesses would like longer licences to be able to plan but we have maintained it at 3 years. We could not possibly, I think, consider to do it over a shorter period.

Assistant Minister for Economic Development

But the new legislation which we are bringing forward will allow us to review licences mid-term or at a time when the business is changing. That has been written into the law so although there will be 3-year licences, the legislation is written in a way that would be able to review a licence mid-term.

Assistant Minister for Economic Development:

I did say ...

The Deputy of St. Mary:

Due to changing technology conditions.

Assistant Minister for Economic Development:

Sorry to interrupt but we do, on occasions, give short-term licences, provisional licences, to examine what happens when they are given a business case, people buy a new business. We need to have some sort of indication of what is going to happen. We can give a 6-month, 12-month, or 18-month licence to see how things develop; to see if what happens is what they told us would happen.

The Deputy of St. Mary:

That seems reasonable.

Assistant Minister for Economic Development

In other words, if a case looks marginal or possibly beneficial but it needs to prove itself over a passage of time so it gets a shorter licence.

The Deputy of St. Mary:

The reason I mentioned the nationality, though, was because the reality is there is a lot of Polish people and so on and they are becoming Jersey in a sense and Romania is like a new catchment and they are not the only ones by any means. Clearly they are getting licences or their employers are getting licences and that is odd when there are over 1,000 unemployed Jersey people. Presumably some of them could ...

Assistant Minister for Economic Development:

You say over 1,000. You have to remember that Social Security figures do include people who have not been here for 5 years. So then the, what was it, 1,290 in the last count will include a significant number of people who are not qualified to work for the 5-year period. So the 1,290 are not all locally qualified to work.

The Minister for Economic Development:

You have to understand as well the difficulty that certain sectors - like retail, for example, like agriculture - have in attracting local people to work in those particular trades. A lot of local people do not want to, regardless of the level of unemployment. There are examples, for example, down at the cinema a while ago where they were advertising for posts for people to fill down there and, despite the fact there is a large unemployment list, they could not get people to go down there and work in the cinema. It is a problem.

Chief Executive Officer, Economic Development:

I think there is one thing that is worth mentioning, very notable, is that the largest licence that we have granted for some considerable time was to Waitrose which, if you had a straight numerical number, would take about one in 5 of the people who are currently on the Actively Seeking Work Register in terms of the additional employment they are creating. It is very significant and the majority of it is locally qualified.

Assistant Minister for Economic Development:

Yes, I think it is also worth looking at the Advance to Retail Scheme which started in September this year. Of that scheme, already 6 people are now in retail employment. These are local people who were unemployed. It is just an addition to Advance to Work. So there is a specific programme to try and tackle this long-term issue and I think Social Security will be becoming a lot more proactive in 2011 in terms of getting people off the Actively Seeking Work Register and into employment and this is one of the channels they can use do to do that.

Deputy M.R. Higgins:

Okay, just moving forward on some of these things now.

The Deputy of St. Mary:

We have already commented about the ...

Deputy M.R. Higgins:

We have also the tourism and we ought to have a look at Jersey Finance.

The Minister for Economic Development:

I am afraid I am going to have to leave at 12.30 but ...

Deputy J.M. Maçon:

In fact, we do as well. I am supposed to be in P.P.C (Privileges and Procedures Committee) on the other side, as well. I am double booked.

Deputy M.R. Higgins:

If I can just ask you 2 things: (1) ombudsman. Where are we with the ombudsman?

Chief Executive Officer, Economic Development:

We should have law drafting instructions by, I believe, the end of March or at least an initial view of the law drafting instructions by the end of March. We have employed the lady whose name escapes me at the moment.

Deputy Chief Executive, Economic Development:

Sophie Watkins.

Chief Executive, Economic Development:

Sophie Watkins, who did the ombudsman scheme in the Isle of Man. She is doing the work for us. So that is moving ahead and I think we have law drafting time allocated for 2011 to undertake that.

The Minister for Economic Development:

I probably ought to make a statement about that though.

Chief Executive Officer, Economic Development:

Sorry, just separately.

The Minister for Economic Development:

We will talk about it afterwards.

Chief Executive Officer, Economic Development:

Okay.

Deputy J.M. Maçon:

It is all right. We will get the transcript and we will be able to check it. Consumer protection legislation: you mentioned in the States are going to be bringing in some laws, or did I mishear you?

The Minister for Economic Development:

I think it is the Consumer Council Report Proposition which I was referring to earlier on about, just a change to the way in which the Consumer Council, following various reviews ... Barbara Saunders, if I remember correctly, was the lady from the U.K. who reviewed it and then we have had Colin Powell working as well on the proposition for, if you like, organising the way in which the Consumer Council is going to operate.

Deputy J.M. Maçon:

What priority are you giving to tourism?

[12:15]

The Minister for Economic Development:

I mean, it is an important part of the overall mix in terms of supporting the tourism industry. We have invested quite a considerable amount of money in supporting a venture within the Island and we will continue to do so.

Assistant Minister for Economic Development

Is it worth mentioning, Minister, that the Tourism Development Fund - Kevin can give us more detail - has just approved 3 grants, the Liberation Festival, Debroncage(?) and to the Fish Festival; so all event-related support coming from T.D.F. (Tourism Development Fund).

Deputy J.M. Maçon:

Do you have any money left over?

Assistant Director, Economic Development:

The present round of funding should enter the coffers but the Minister is in negotiations with the Treasury Minister.

Deputy J.M. Maçon:

Can you give him a big stick?

Deputy J.M. Maçon:

Two big sticks, actually.

Deputy M.R. Higgins:

Do you have anything more on that?

Assistant Director, Economic Development:

No.

Deputy M.R. Higgins:

Okay. All right. The other one, the rural strategy, we have got ...

The Deputy of St. Mary:

Well, it is just the overall thing of looking at the replies and looking at your response. There were a lot of commitments and I am not going to go through those because I think there is probably a letter but, in terms of the overall capacity in the team, are you sure that will be guaranteed going forward; that there will be the capacity to deliver all those reviews? You know: "We are going to look at this. We are going to look at that. We are going to talk to so-and-so. We are going to liaise with so-and-so."

The Minister for Economic Development:

Yes, absolutely. I mean, if we were not confident of being able to deliver we would not have said we would deliver. The strategy will be presented within the next 2 or 3 weeks, I am hopeful. But yes, I mean, I am sure we have the resources. Perhaps it will be tough. There is nothing wrong with that and it is over a 5-year period. Not everything is going to be done at once. We have not made a commitment to do everything at once. That would not be reasonable but over the 5-year period I am satisfied we have the capacity.

The Deputy of St. Mary:

You have made commitments, however, to do some of it by 2011-2012. Not many say 2015, which is good. You are not ...

The Minister for Economic Development:

Absolutely. You know, come to me in 12 months' time and let us see how we are getting on. See whether I have to make excuses or say, "Hey, we are ahead of schedule."

Deputy M.R. Higgins:

Okay. Just one very quick one on rural strategy because it is topical. It was on the news last night about the greenhouses. What is your view about the greenhouses, allowing the farmers to turn it all into housing?

Deputy J.M. Maçon:

I am very interested. I am on the Planning Application Panel on Thursday.

Assistant Minister for Economic Development

Mike, it seems, you know, commercial practices come into play here. I mean, planning are dealing with at least 2 applications for new areas of glasshouses from people who have been unable to purchase or rent from existing glasshouses which they are prepared to distort and to make up, for the obvious reason, I am afraid ... and I do not blame the landowners for this. They have some glasshouse sites which are worth X-thousand pounds. The moment Jeremy gives them permission to put houses on them, they are worth X-million pound. If they rent them out or sell them, that is not going to happen so there is huge hope value and it is a terrible waste. I do not know what the answer is to ensure that they are put back into agriculture. There is a demand for glass. There is a demand for land and there is a demand for glass for flowers, plants, potatoes, exotic fruits and all this sort of thing people want to do and are running successful businesses. The traditional businesses - the tomato and that - that has gone but in the very early 2000 we bundled up a 3-year subsidy package to the glasshouse owners to enable them to diversify and do other things. So it was not the States that decided would stop the subsidy. They decided that they were not going to continue. We rolled up a 3-year subsidy programme to enable them to back out easily and to diversify and to go into other areas and so many of them have seen the opportunity, seen the pound notes, which I do not blame them for. You know, I might well do the same if I had been in that fortunate position. So there is a big dilemma there. A big dilemma.

The Minister for Economic Development:

The answer is a clear policy.

Assistant Minister for Economic Development

A clear policy, yes, from the Planning Minister.

The Minister for Economic Development:

I do not think that Jeremy is going to find it very easy to make his deliberations but that is another matter. Good luck.

Deputy M.R. Higgins:

All right. I just want to come on to Zero/Ten and what now; where we are; where are we going; what is the latest since last week when, obviously, there was the Treasury press statement and, equally, the Minister made it quite clear the U.K. government would expect us to change and would not be supporting our position. I know there was the British Irish Council meeting yesterday. Where are we and what is Plan B?

The Minister for Economic Development:

All I would say on the subject is that, first of all, we met with Lord McNally, as you are well aware, last week. That was not a matter that we discussed at all. We discussed a range of issues with him which was very useful but Zero/Ten was not one of them. As you know, Treasury have been leading on details relating to Zero/Ten and so I do not think at this stage, other than what I have already said earlier on in response to Deputy Wimberley highlighting the position of Zero/Ten and the stance that the Crown dependencies were taken, our position is the same and will remain so at the moment.

Deputy M.R. Higgins:

Do we have a viable Plan B?

The Minister for Economic Development:

Well, there are, as has been put into the media, some potential issues, to be highlighted relating to look-through provisions and deemed distribution which is clearly part of that. Those are the areas that seem to be raising some concern but, clearly, there is a long way to go yet. There are potentially alternatives that could rectify that issue but, indeed, the issue itself has to be properly clarified before that can be worked out.

Deputy M.R. Higgins:

But in terms of the alternative plan, what sort of timescale are we looking at before they even become into being?

The Minister for Economic Development:

Well, again, that, at this stage, is not clear. I mean, it should be made clear here that we are at a position where Zero/Ten is the tax structure that we are operating and we intend to continue to do so for the moment. We do not see at this stage that there is any reason to change but, of course, the position is moving and will continue to be evaluated.

Deputy M.R. Higgins:

Anything else? Jeremy? Well, in that case we have finished. It will give everyone time to get away to their meetings. Thank you very much for coming and for the information you have imparted.

The Deputy of St. Mary:

Have a Merry Christmas.

The Minister for Economic Development:

It is a pleasure and Merry Christmas to you all. I would just say one disappointment that you had not laid on some mince pies for this morning being so close to Christmas.

[12:22]