



Economic Affairs Scrutiny Panel

Quarterly Hearing with the Minister for Economic Development

MONDAY, 16th NOVEMBER 2015

Panel:

Deputy S.M. Brée of St. Clement (Chairman)

Deputy D. Johnson of St. Mary (Vice-Chairman)

Witnesses:

Senator L. J. Farnham, Minister for Economic Development

Senator P.F.C. Ozouf, Assistant Minister

Connétable S.W. Pallett of St. Brelade, Assistant Minister

Deputy M.J. Norton of St. Brelade, Assistant Minister

Chief Officer

Deputy Chief Officer

Assistant Director

Topics discussed:

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[14:32]

Deputy S.M. Brée of St. Clement (Chairman):

Right. Good afternoon, Minister and gentlemen.

The Minister for Economic Development:

Good afternoon, Chairman.

Deputy S.M. Brée:

Thank you for coming along to this quarterly public hearing. Obviously you are fully aware of the rules and procedures surrounding a public hearing. I refer you to the notice in front of you, which I should just ask you to ensure that you are fully aware of. Good afternoon, members of the press and public. Once again, welcome. If I could ask you to ensure that any mobile phones or devices are set to silent mode if you could and, please, could you refrain from making any comments or gestures during this hearing, it will be much appreciated. We have quite a lot of areas ...

Deputy D. Johnson of St. Mary (Vice-Chairman):

Do we do introductions?

Deputy S.M. Brée:

Sorry, yes, we do. Thank you very much. For the benefit of the tape, if we can just go round the table and identify ourselves. My name is Deputy Simon Brée. I am the Chairman of this panel.

Deputy S.M. Brée:

Thank you. As I was about to say, we have quite a number of areas that we wish to cover this afternoon. The purpose of this afternoon's public hearing is to get a better understanding of where Economic Development, as a department, is on various areas, some of which we have discussed before, some of which we have not. If I may start, the first area we really wanted to talk about was the Rural Economy Strategy. Following the recent farming in Jersey conference ...

The Minister for Economic Development:

Chairman, I beg your pardon, I crave your indulgence and want to let you know that Senator Ozouf is limited by time this afternoon.

Senator P.F.C. Ozouf:

Because of the Oxera thing and your officials have received in a note that I am only here for the innovation bit; it is the only thing I am responsible for. If you would like to take that in the order in which you take it or first, it is completely up to you, Chairman. I am happy to come back, whatever is more convenient to you.

Deputy S.M. Brée:

Okay, for the sake of expediency and to obviously be as flexible as we can ...

Senator P.F.C. Ozouf:

Thank you very much.

Deputy S.M. Brée:

... if we turn to the Innovation Fund first and obviously there has been a major review of the whole innovation strategy. I would just like to go back, if I may, and just ask the Minister about the Innovation Fund itself and if you can succinctly remind us of what the aims of the Innovation Fund are.

Senator P.F.C. Ozouf:

The Minister has delegated the matters of Innovation Fund to me, so do you wish me to answer?

Deputy S.M. Brée:

No, that is fine, that is fine.

Senator P.F.C. Ozouf:

Is that okay?

Deputy S.M. Brée:

Yes.

Senator P.F.C. Ozouf:

Fine, because obviously I am basically an Assistant Minister. I do not have the actual Innovation Fund that was taken by the Minister for Treasury and Resources in front of me but, effectively, it was in order to provide funding that would be conducive to projects that would be benefiting jobs and growth in Jersey in the longer term. The corollary of that is that it would be, effectively, projects that would not be able to be funded by private sector funding but the experience of other jurisdictions in setting up innovation funds and fully accepting, which was very clearly articulated in

the States at the time ... forgive me, Chairman, I do not think you were elected then, so it was very clearly set out and the debate was had. In fact I think there was a very helpful Scrutiny Panel review ... and in fact I took it to the States as Minister for Treasury and Resources because a special fund needs to be, as Minister for Treasury and Resources, although it was then delegated to the former Minister for Economic Development, effectively, projects that would be boosting jobs and growth that otherwise would need funding by the private sector.

Deputy S.M. Brée:

Okay. The clarity I think is required on whether the Innovation Fund provides loans and has provided loans or whether it provides grants or has provided grants because I believe there is a little bit of confusion over to the way in which innovative businesses are funded, could you clarify that?

Senator P.F.C. Ozouf:

The Chief Officer of Economic Development sits on the Innovation Board and, effectively, what happens is that, just for the avoidance of doubt so you are clear on the process, applications are made, advice is then given by the Economic Adviser and indeed the Assistant Economic Adviser who primarily discharges that function. The board then receives those applications with advice and opines on them. There has been £2.46 million that has been awarded in repayable loans from the fund and I think the information that I have is that there were 2 further applications of about 2 loans, each £250,000, which would bring then the total amount of the fund, originally £5 million, so it would be £3 million by the end of the year and ...

Deputy S.M. Brée:

Just to clarify, the fund has made no grants whatsoever.

Chief Officer:

No, not at all.

Senator P.F.C. Ozouf:

No, although it has to be said, and let us be clear that when I say the word "loan" because of the nature of these applications, not all of them will succeed. They are ...

Deputy S.M. Brée:

It is the basis of the lending that I am looking at, whether it be a grant or whether it be a loan.

Senator P.F.C. Ozouf:

Fine, okay, yes. No, I understand and you are perfectly right, I know.

Deputy S.M. Brée:

Irrespective of whether or not it is repaid in full at the end of the term.

Senator P.F.C. Ozouf:

Indeed, yes.

Deputy S.M. Brée:

It was just trying to understand what basis it was done.

Senator P.F.C. Ozouf:

No, no, that is right, yes.

Deputy S.M. Brée:

According to you there is approximately £3 million remaining in the fund, is that correct?

Senator P.F.C. Ozouf:

There will be £2 million after these ...

The Minister for Economic Development:

Yes, £2.5 million been given and about £500,000 in the pipeline.

Senator P.F.C. Ozouf:

Yes, so about £2 million left.

Deputy S.M. Brée:

Okay, so about £2 million left. Is there an intention to reseed the fund with capital or not?

Senator P.F.C. Ozouf:

I totally understand if you have not had a chance to read it but what I thought would be helpful in answering your questions was to send you, for your panel's review, the action plan of each one of the recommendations for the innovation ...

Deputy S.M. Brée:

We have received it, unfortunately we only received it, I believe, this lunchtime.

Senator P.F.C. Ozouf:

It was only finished this morning.

Deputy S.M. Brée:

The panel has not had the opportunity to review it.

Senator P.F.C. Ozouf:

Totally understand but what I would ...

Deputy S.M. Brée:

I would prefer to put it to one side for the moment ...

Senator P.F.C. Ozouf:

No problem.

Deputy S.M. Brée:

... so that we can review it properly and ask sensible questions of you when the time arrives.

Senator P.F.C. Ozouf:

Indeed. I would just draw your attention, if I may, then to the recommendation that was set out in the report, which was that the fund itself would be reviewed I think it was by the end of the second quarter of next year and that work, of course, will be done. It is only then that we will make any recommendations about whether or not the fund would be reseeded, as you say, or I think what would be more likely is that we would seek, based upon what I think was an excellent report by Tera Allas, whether or not the scope could be changed, extended, focused in different ways. I have met with the Chairman of the Innovation Fund, most recently I think 2 weeks ago, and he is certainly of the view that there is a possibility of the fund morphing into something different and also to see whether or not ... he certainly has views, I offer no view of whether this is right or not, for example, whether or not it should be leveraged by some private capital and basically extended in scope. What we do have is the possibility of doing, of course, making an application ... which I am sure the Minister and his 2 very able Assistant Ministers and other Ministers would also be wanting to do, is, of course, we have the £5 million allocated per year for the overall jobs and growth productivity. That would be one source, potentially, of additional funds for the innovation but, again, I offer no view as to whether or not that would be the case. But I think that nobody is in any doubt about the need to demonstrate very visibly the Island's willingness to be as innovative in the current and in the future, as we have in the past. We have to take some risks and when you have a world that certainly celebrates failure, and there will be failures when you are trying to break new ground into diversifying our economy, looking at new digital or complimentary sectors to the financial services sector, there will be some things that will work. The amazing thing is and I would be willing in a private session to ... because obviously there is commercial confidentiality

associated with the individual businesses because they will all have business plans that are highly innovative and very interesting. I followed with interest, as I know the Minister has and officials in E.D. (Economic Development), of exactly how successful some of these businesses that have been supported have been and so far ...

Deputy S.M. Brée:

That was one question that we did have and you have moved us very nicely on to it, is about the way in which the businesses that are provided funding through the Innovation Fund are benchmarked as successful or not. That brings me on to the question that I then wanted to move on, of the £2.64 million that is currently being paid out of the fund, how much has been written off so far?

Senator P.F.C. Ozouf:

None.

Deputy S.M. Brée:

None at all.

Senator P.F.C. Ozouf:

None at all.

Deputy S.M. Brée:

All of the money that you have loaned out of the Innovation Fund you are, how can I put it, hopeful that it will be repaid? Is it due for repayment at a particular date or ...

Senator P.F.C. Ozouf:

There are a number. Mike, do you want to come in?

Chief Officer:

I was just going to say, as Senator Ozouf said, of course we are hopeful but it is innovative and there could be failures but there has been no loss so far, although one of the businesses has had a deferral for payment of 6 months for a valid reason, which, again, I would be prepared to explain in a private session because it is commercially sensitive.

Deputy S.M. Brée:

At what point do you write off a bad debt then within the fund structure?

Chief Officer:

You would only write off a bad debt and, as the Assistant Chief Minister has said, there are absolutely no grounds to suggest that we will be writing off any of the debt at the moment because all repayments that are due are being made. Each of the businesses that we have advanced a loan to are monitored and report back to the Innovation Fund and Innovation Fund Board and the Treasury on a quarterly basis. We have a very good handle on their trading performance against the business plan that they submitted to secure the loan that they have secured from the Innovation Fund.

Deputy S.M. Brée:

When you use the word “secured” though normally one expects a tangible asset to be used as security, in this sense it is purely a business plan, is that correct?

The Minister for Economic Development:

May I come in here? I am sure Senator Ozouf will not mind me saying because we will continue to work closely together on this.

[14:45]

I think one of the prohibitive aspects of the Innovation Fund could be termed as not being very innovative because it can only give loans, it cannot make grants, it cannot take holdings or shares or be innovative in the way to invest in these businesses. Of course, that not only has a potential to prohibit the possibilities in getting its investment back but also prohibits getting much larger returns on its capital that it has lent out or invested to recycle in the fund in future terms and I believe that it needs to be a lot more innovative.

Deputy S.M. Brée:

On that front, obviously the Innovation Fund, and you mentioned the Innovation Board, obviously who make the decisions ultimately as to where the funds are going ...

Senator P.F.C. Ozouf:

The ultimate decision is the Minister’s decision but which is delegated to me, so I am ultimately accountable. I have been out of the Island and the Minister himself has signed a couple of them. I have exchanged emails with him and taken full responsibility for the decisions themselves. The accountability, Chairman, is the politician who signs.

The Minister for Economic Development:

The Innovation Fund Board makes a recommendation to the Minister.

Deputy S.M. Brée:

Right, so the board makes the recommendation ...

Chief Officer:

It is advisory.

Deputy S.M. Brée:

Okay, so who sits on the board?

Chief Officer:

The Chairman is Tim Herbert and then there is Aaron Chatterley, who is the founder of Feelunique. There is Tim Ringsdore, who is the Chief Relationship Manager of Jersey Telecom, shortly to step off.

Deputy S.M. Brée:

Shortly to leave.

Chief Officer:

Yes, and will be replaced. There is Peter Shirreffs, who has got a long history, as you know, with R.B.S.I. (Royal Bank of Scotland International). There is Dave Allen, who was one of the founders of an organisation in Jersey called ICECAP, who are a carbon-trading business and that is about it I think. That is it and then there is sitting as non-voting members, myself as Chief Officer, the Chief Economist and his assistant and a representative from the Treasury.

Senator P.F.C. Ozouf:

I have been discussing with the Chairman the nature and makeup of the board because one of those members is shortly, as you know, leaving the Island into a new opportunity and just to consider how best that this board ... I have to say, one gets a sense when one is having to make decisions and one's signature is on a piece of paper and the buck stops with you, and there were some boards that I would think very, very, very carefully and read every single document and comma over. But the quality of the work that is done by the board and their advisers with Mike and Dougie Peedle and the Assistant Economist, I have to say is some of the best work I have seen. They are really, really first class and I think they have done a really excellent job. It took some time to get going but they are up and running and some of the stuff that they have supported is really quite interesting. It is interesting because it is pushing the boundaries of the kind of businesses in different sectors in ways that otherwise would not have happened and that is benefiting jobs and growth. That will benefit jobs and growth in Jersey.

Deputy S.M. Brée:

Very interesting because that brings me on to my next question which is, how do you measure the economic benefits to the Island from the loans you make out of the Innovation Fund?

Senator P.F.C. Ozouf:

I think probably the best way to explain that is to give the panel the pro forma of an example and maybe if we could give it immediately and if we take out the names of the actual company. You can see an actual application about the way it is judged, the way it is documented and exactly what that opportunity is. It has got to benefit jobs and growth in Jersey and you will see that in the criteria. It will just scream out on the page to you and each one of them are very different in the way that they are doing it. One example is one of the companies supported has been providing the intellectual property for a growth sector in Jersey that otherwise has not been in Jersey before. Another one has provided a FinTech opportunity dealing with an expertise in Jersey's financial services sector and really taking that forward and really creating quite a name of it. They are there to benefit Jersey. It is not an end or a last resort.

Deputy S.M. Brée:

The point I am trying to get to is the Innovation Fund has provided so far £2.64 million in loans to start a business or innovative businesses. How do you, as a department, measure the direct economic benefit to the Island of that level of funding?

The Minister for Economic Development:

First of all, how many jobs have been created? I think that is probably a good place to start because that is a very tangible benefit.

Chief Officer:

Yes, I think what the Ministers have said is true. This is not like a normal commercial loan, so we do not just look at it on pure commercial terms. Complete, and it is complete, and I think the Assistant Chief Minister has referred to this, a very thorough economic impact analysis is undertaken by the Economic Adviser and his team. That looks at exactly what you are saying, that quantifies the economic impact of the proposal to Jersey.

Deputy S.M. Brée:

It quantifies the potential.

Chief Officer:

The potential economic impact.

Deputy S.M. Brée:

What we are asking you is real terms, not potential.

Chief Officer:

In terms of what is real, as I said earlier, what each of the businesses then do, post the loan being granted, is they report to the Innovation Fund on progress against the plan and that, in broad terms, is around employment that has been created and trading performance and that is how it is measured.

Deputy S.M. Brée:

When you measure employment, do you measure new jobs or net new jobs, i.e. if they are employing somebody from another company then that is zero new jobs?

Senator P.F.C. Ozouf:

It is jobs overall, is it not? I am just looking up, while you are speaking, one of the actual economic impact assessments that has been done from a loan that was just given previously. It has got set out in the pro forma incremental employment, in other words, incremental employment, whether or not they are locally qualified or not. It has got a productivity assessment of the value of each of F.T.E.s (full-time equivalents) that a new job has created, the wages of the jobs concerned, the skills level - they are rated with a number on it - the total impact essentially on public revenues, in other words, income directly to the Treasury because obviously there would be other income tax or G.S.T. (Goods and Services Tax) ...

Deputy S.M. Brée:

Not if that person that they are employing is already employed elsewhere. The point I am trying to get to is additional economic benefit to the Island, how is it measured?

Senator P.F.C. Ozouf:

Right, but this is what this is saying though, we are trying to create an environment which is ... this is not just substitution, Chairman. This is new jobs in new sectors that are likely to be the jobs of the future. If I may say, and I know that this is not what you mean, but your question could be questioned by somebody that would be believing that the world is going to stay the same and I know it is not because you do not think that way, certainly from our conversations. What I am trying to say is that if we take our financial services sector we have 12,700 people currently employed, a third in banking, a third in trust, 1,000 in funds, et cetera. If we look in our crystal balls to the extent that there is evidence of the future, and that is difficult, we know that there is going to be a massively different makeup of employment in financial services. The technological

revolution that has attacked the physical construction sectors is attacking the service sectors and technology is going to simply move into the ether jobs in the service sector. What our challenge is, is going to be to create jobs as fast as they are effectively being moved into the ether or because the world has changed and this is the sector that we can no longer compete in because somebody else is doing it better or some or other regulatory rule. What we are trying to do is we are trying to create, literally, some innovative diversification and that does not mean in a completely different sector. Diversification can be diversification that is a reinvention of the financial services aspect of the economy and try and create and support businesses that are going to be employing those kind of skills. It is great that we have almost the same number of people working in financial services today as we had at the start of the financial crisis. That is almost unbelievable, compared to what we thought was going to happen. But my warning to the financial services sector and indeed all service sectors is that the world is going to change and it is going to change very quickly and this is what this is all about ...

Deputy S.M. Brée:

Please, we are all aware of your views on how things are going to change. The point I was trying to make was a figure was quoted that last year 400 new jobs were created in the financial services sector, was actually 252 net new jobs. The point I am trying to make is that all we were asking was: how is the economic benefit in real terms measured against the amount of money that is provided to these innovative businesses?

Senator P.F.C. Ozouf:

Okay.

Deputy S.M. Brée:

I would like to now, if I may ...

Senator P.F.C. Ozouf:

I will send you a pro forma and I think when you see this ...

Deputy S.M. Brée:

Yes. No, please, we would be interested to see anything you can put in front of us.

Senator P.F.C. Ozouf:

Yes, I think you will see that the rigour and robustness of that very issue and that very question is set out for each and every one of the applications and set out in very clear terms, with projections, numbers, sensitivity analysis, jobs, the whole lot. This is about as good and as defensible

answers to the questions you are making, and I think if we then set out and gave you a couple immediately, just the pro forma, I think you would be more than satisfied, Chairman, if I may say.

Deputy S.M. Brée:

Right.

Chief Officer:

If I could say one final thing, one of the things that the Innovation Fund Board uses to make its recommendation to the Ministers is the incremental economic impact, I mean taking all of those things into consideration.

Deputy S.M. Brée:

Once again, I say what you recommend is the potential economic benefits, what I am asking is the real.

The Minister for Economic Development:

We need to provide the ... no, there are jobs ...

Deputy S.M. Brée:

But anyhow, we are going around in circles, if we can move on at this point. Is there anything, David, you want to mention on this?

The Deputy of St. Mary:

Nothing at all but the only thing is: what is the average term of a loan, a very basic point?

Senator P.F.C. Ozouf:

Again, I can give you a breakdown, if you like, of it.

The Deputy of St. Mary:

A list.

Senator P.F.C. Ozouf:

I am just looking up the list and I have ... Mike, what would you say the range was? I cannot really ...

Chief Officer:

It is typically around 5 years.

The Deputy of St. Mary:

Is it? Okay.

Senator P.F.C. Ozouf:

Yes. But some of them will be paid more quickly.

Chief Officer:

A bit more quickly, yes.

The Deputy of St. Mary:

Okay.

Senator P.F.C. Ozouf:

One of them I think has been so successful it is going to repay it early, which is great obviously.

Deputy S.M. Brée:

All right, thank ...

Senator P.F.C. Ozouf:

There is one other point I would make is aftercare because that is quite an important issue in working out whether or not what was hoped for is being delivered, and I am very pleased with the joint working that has been offered by Jersey Business, which is under the Minister for Economic Development, whereas, of course, the innovation is planned to move to the Chief Minister's Department. That shows exactly the point that the Minister was making about joint working, is Jersey Business are going to be undertaking some additional monitoring and assistance and aftercare service. The Innovation Board itself really is not equipped to do that but Jersey Business is and provide really quite first-class support. What we can say is that we are working with Jersey Business to put in place a more formal aftercare service for these companies that have been successfully given money. I would say one of my final things is they are not an easy touch ...

Deputy S.M. Brée:

No one was ever suggesting they were.

Senator P.F.C. Ozouf:

They are pretty tough.

Deputy S.M. Brée:

Okay. Thank you very much indeed for your time, Assistant Minister.

Senator P.F.C. Ozouf:

A pleasure.

Deputy S.M. Brée:

We are going to move on to another area now. You are free to leave if you wish because I know you are rather busy.

Senator P.F.C. Ozouf:

Thank you very much indeed, I do appreciate that and look forward to seeing you later. Thanks very much.

Deputy S.M. Brée:

Thank you. If we may now quickly go back to the first topic that we referred to, which was the Rural Economy Strategy. Following the farming in Jersey conference, really what we are after is some update on progress on the strategy. While we are aware that any changes to the strategy have been deferred until next year, despite the Minister's promised continued support to the industry, there does not seem to be much direction coming out of the department, as to what you are looking at, what your plans are, what studies or analysis you have done to support any changes in the Rural Economy Strategy. We rely on, basically, 2 areas of agriculture at the moment, which is the Jersey Royal new potato and the dairy industry, both successful in their own rights but, effectively, things have to change.

[15:00]

We would like an update on where are you going?

The Minister for Economic Development:

Can I just rewind a bit, Chairman, in your opinion do you think there is no direction, because there is direction and we are going to demonstrate there is direction? Not only have we maintained support for agriculture but we have increased it slightly. In this last 2 weeks we have agreed to put more money into supporting the agricultural industry and I hand over now to the Chief Officer to explain exactly where we are with the Rural Economy Strategy, why we have decided with working with the industry to roll it over into 2016. But your opening words, they must be your opinion because I will disagree. There is strong direction coming and there is more support.

Chief Officer:

As the Minister said, in the M.T.F.P. (Medium Term Financial Plan), consistent with the existing Rural Economy Strategy, which has been extended for 2016, we retained the level of funding, we retained the structure of funding that goes to the rural economy. It is currently, largely, a subsidy-based system based on Single Area Payment and Quality Milk Payment that applies to the dairy industry in particular, with a small component of the Rural Initiatives Strategy, which is an enterprise-based grant-funded process. As with all parts of government at the moment we are looking very long and hard at the way that we deliver services to all the sectors and to all parts of government. As a consequence of that review, while we do not believe there should be any changes to the genuine cross-departmental working under a single team that is undertaken at Howard Davis Farm, we do believe that the way that we deliver support to the dairy industry and to the potato industry and other growers needs more fundamental review and that process is ongoing as we speak. Those of you who were at the farming conference on the end of last week would have heard, I think, a very good talk by John Vautier that looked at perhaps a very different way through which the industry could be supported. He was very much promoting support to drive increased levels of export, which is critically important, both to the dairy industry and indeed to the potato industry. The potato industry is obviously entirely export driven, the dairy industry becoming increasingly export driven. Just coming back on the point that you made earlier about a lack of direction, one of the areas I think where we have shown a great deal of direction is in the dairy industry and our support for increased export drive, particularly to long-haul markets in the Far East. The Government, including the Chief Minister, only as recently as last week, is working very, very hard to unlock some doors to allow liquid-milk export to mainland China. Of course, we already export liquid milk to Hong Kong and a number of products, such as ice cream, into mainland China. We are taking this time to make sure that we set a Rural Economy Strategy that will go from 2017 for 5 years, which is truly fit for purpose and we make sure that the level of financial support that we put in, which the Minister is committed to retain, is applied in the best way. The most important thing in that is to engage with the farming community in that debate and that process has already started. As I said, it was very interesting to hear some of that coming through at the end of last week at the farming conference. We are working very hard at it. We spend a great deal of resource, both people and money in this sector, and we are determined to improve it and get it right, as we move forward in the long term.

The Deputy of St. Mary:

Sorry, to get in one point - I mean you touched on it already - you mentioned that your department is working in conjunction with Environment.

Chief Officer:

Yes.

The Deputy of St. Mary:

Is that split, as it were, harming the industry? Are you talking in terms of channelling it through one organisation that might be better suited?

Chief Officer:

What we have at the moment, we have a single fully integrated team up at Howard Davis Farm, mainly people who work and who are on the E.D.D. payroll and people who are on the Environment payroll. The only discrimination at the moment is that some of the budget that they work with is held in the Economic Development Department and some of the budget that they work with is held in the Environment Department but they work as one single team under common leadership, common structure, so they ...

The Deputy of St. Mary:

Which Minister drives it, shall I say?

Chief Officer:

The 2 Ministers, Deputy Luce from the environment perspective and Senator Farnham work collectively. We have a Rural Executive that meets on a regular basis to discuss cross-departmental vertical issues but the team works in a fully integrated way on a day-to-day basis. If you go up to Howard Davis Farm you cannot say that these are the E.D.D. people and these are the Environment people because they are working as a collective.

The Deputy of St. Mary:

I have been up there for consultations, yes.

Deputy S.M. Brée:

Do you, Minister, believe that we need new direction in the way in which government interacts with the farming industry in the form of whatever type of funding, that the Single Area Payment system and indeed the funding from the Environment Department is somewhat out of date and out of touch with reality?

The Minister for Economic Development:

No, I disagree with that comment because when you look at the States, when you think almost 70 per cent of our Island is part of the rural economy, almost 70 per cent of the land area and the budget has increased just to £2 million. We were originally £1.8 million but we have agreed to give it some more. Compared to what the industry will have, I think back in the late 1990s, I think its budget was as much £10 million. I am not saying we should go back to those days. I think what

we are giving it now in terms of financial support is a minimum. When I took over as Minister there was pressure, which we resisted, to reduce that budget even further. There was, if you like, encouragement from other political circles to look at subsidies, subsidies were old hat and they should be abolished. Remember we have all subsidies but, of course, we have to take into consideration the unique aspects of our industry, the fact that we have the Jersey Royal and the Jersey cow too are the most well-known agriculture products in the world. What we have agreed to do at E.D. is hold that budget at around the £2 million mark. That is not saying the new rural economy will not revisit the Single Area Payment or the Quality Milk Payment or the artificial insemination programme or the farm management scheme or other schemes that are supported. We will ask the industry where they think that money should go. If we decide to reduce the Single Area Payment then we are determined to keep that money, to use that money in other parts of the rural economy and that is what I have asked to be at the heart of the new Rural Economy Strategy.

Deputy S.M. Brée:

Effectively, the new Rural Economy Strategy - correct me if I am incorrect here - is basically continuing on as you are with the same sort of payments and the same sort of funding being provided. You are not taking an innovative approach to it.

The Minister for Economic Development:

Yes, I think we are taking an innovative approach in terms of we have resisted the pressure to reduce significantly because if we had not there would have been a lot of ...

Deputy S.M. Brée:

It is an interesting use of the word innovative but ...

The Minister for Economic Development:

We have to agree to disagree, Chairman.

Deputy S.M. Brée:

All right, okay. When will you be able to provide further details to this panel on the new Rural Economy Strategy?

The Minister for Economic Development:

We have set a target for it to be completed and in operation end of the first half of next year, so I would think the next quarterly meeting would be a good opportunity for us to give you a proper update. But, of course, we are happy to keep you updated in between times and I know Mike and

the rural economy team have been working together and planning and putting together the programme. Perhaps, Mike, you would like to elucidate.

Chief Officer:

We hope to have everything done and dusted and completed in full, further consultation with the industry and the new Rural Economy Strategy ready to be published. What happened previously, it was the previous one was laid before the States as an R. There has no decision obviously been made on whether that is going to happen this time around by the end of the third quarter because it has to be ready to go obviously because the current extension is until the end of 2016. It has to be ready to go 1st January 2017, effectively allied to the Budget and M.T.F.P. 2, which will cover the period 2017 to 2019. All of the budgeting, the business planning and the strategic overhead will all come together to define that 3, 4 or 5 year features, as far as the strategy is concerned.

Deputy S.M. Brée:

When will you be able to provide this panel with more detail?

Chief Officer:

I think, as the Minister has just said, we are ...

Deputy S.M. Brée:

Other than the quarterly hearing; I would like us to be able to look at something before we have a quarterly hearing.

The Minister for Economic Development:

The next quarterly hearing, I am suggesting, would be a good time and a lot of work will have been completed by then but we are happy to keep the panel updated as to how we go along between those times, Chairman.

Deputy S.M. Brée:

If you could do that would be much appreciated.

The Minister for Economic Development:

More than happy to do that, yes.

Deputy S.M. Brée:

All right. David.

The Deputy of St. Mary:

Yes, moving on, I am afraid, the Licensing (Jersey) Law, and I look at Connétable Pallett here. I gather the old one has been due for review since 2007 and had a States Assembly meeting on it and I know more work is to take place. Can you update us as to where we are, please?

The Connétable of St. Brelade:

I think it is not just 2007, I think it is much older. The law dates back to 1974, it is 41 years old, coming on to 42, so it clearly needs to be updated.

The Deputy of St. Mary:

That is what I thought. I thought the update was in 2007, okay.

The Connétable of St. Brelade:

Obviously, I went through the past history of it during the debate on fee increases, so I do not know how far you want me to go back. Do you just want me to tell you what ...

The Deputy of St. Mary:

I do not want you to go back, just that I am aware that ...

The Connétable of St. Brelade:

Just want to know where we are now.

The Deputy of St. Mary:

I just want to know where we are now really and ...

The Connétable of St. Brelade:

We are currently putting together a new consultation paper. Obviously some of the advice we got back from the Bailiff's Office obviously revolved around some potential conflict between the Alcohol Licensing Policy Group as the Executive and the Judiciary in regards to the licensing bench. We had to have a rethink about where we were going to move the Licensing (Jersey) Law forward. That piece of consultation is currently in motion. What we would like to do and is imminent now is go and see a working licensing assembly in either England or Wales. That will give us some idea as to how it functions in the U.K. (United Kingdom) in terms of categories, fee structures and things of that nature, after which we will have a policy paper ready, hopefully, to go in the first quarter of next year. Hopefully in January, but you know how things can slide back, but it certainly will be the first quarter.

The Deputy of St. Mary:

We are going to have a busy quarter, are we not? Thanks for that.

The Connétable of St. Brelade:

Obviously once we have got that paper and that consultation paper in together, and it has been agreed by the Shadow Alcohol Licensing Policy Group, that clearly will give you an opportunity to have a look at it at that stage.

The Deputy of St. Mary:

Thanks for that. Before that consultation paper or after, will you be involving other departments who have some input? I am thinking of Health in particular. Or is it entirely down to ...?

The Connétable of St. Brelade:

That is something that we have got to consider with the Shadow Alcohol Licensing Policy Group. Clearly we had a strategy in place which was delivered as a report last year. Part of that strategy I think needs to be reviewed by the Policy Group. I do not think too much of it will change. But clearly in regards to the Licensing Law, and some of those issues I already mentioned, the Policy Group will have to consider whether there needs to be a review of the strategy paper as a whole. But that is work that can be done in conjunction or during the period of time we are going through the consultation process.

The Deputy of St. Mary:

Thanks for the offer of the paper early next year.

The Connétable of St. Brelade:

It is moving forward. I am overly keen to ensure that we get this in front of the States in quick order. It has been a long time in waiting and it is something that needs to be dealt with as a matter of urgency. Not purely because it is old, but because it does not work very well and it needs to be modern and updated so that the industry has got something that we can all be proud of.

The Deputy of St. Mary:

Yes, I am sure we all support that idea.

The Connétable of St. Brelade:

I hope so.

Deputy S.M. Brée:

If I can just ask a couple of questions: politically speaking, is it Economic Development who are responsible for bringing the new Licensing Law to the States or is it another department?

The Connétable of St. Brelade:

No, we are tasked with bringing it, but clearly it is going to have input from other departments, such as Health, Home Affairs, the Chief Minister's Department and the social policy ...

Deputy S.M. Brée:

The responsibility lies very firmly with Economic Development.

The Connétable of St. Brelade:

Absolutely.

Deputy S.M. Brée:

Okay. It was just to ensure that we were clear on that point. One other question, you might find this slightly strange: why are we following the England or the Wales example?

The Connétable of St. Brelade:

We might not necessarily be doing that. But ...

Deputy S.M. Brée:

Then why are you spending States money going to England or Wales to look at how they do it, when we are not part of England nor are we part of Wales? We have a different legal system and a different political structure.

[15:15]

The Connétable of St. Brelade:

Because we clearly need to have a look at how other Assemblies work. Now they have got a fee structure that we might not base ours on, but something that we could at least consider whether we would base ours on. It is the same with the categories. Originally when the law was consulted on it was looking at having only one category. I do not think that was an acceptable approach from licence and ventures point of view. But it is something that works pretty well in the U.K. It certainly works well in England and Wales. I think not to have a look at it, as our ... it is not our closest neighbour. France is our closest neighbour ...

Deputy S.M. Brée:

That was the point I was going to make: if you are looking at European countries, why not look at France?

The Connétable of St. Brelade:

We may well do that. I am sure the policy officer that is in charge of it has had a very close look at it. But I think in terms of jurisdictions that have similar numbers to ours and similar type of demographics and similar type of economy, I think not to look at England would be a mistake. In fact I can tell you, we are not going to have a look at England, we are having a jurisdiction in Wales that have a similar sort of sized jurisdiction as ours. Do you want me to get some feedback from that?

Deputy S.M. Brée:

That was the only criteria you chose Wales?

The Connétable of St. Brelade:

Absolutely not, no. But I think you have to look at all the criteria that are involved, including whether it is economically similar to the sort of Island we have got here. Clearly it will not be in terms of the finance industry. But in terms of a lot of the areas of the hospitality industry, it will have synergies with that.

Deputy S.M. Brée:

So you believe that those areas in Wales closely match the demographic mixes that we find in Jersey, do you?

The Connétable of St. Brelade:

Some of them.

Chief Officer:

Is it worth saying, Assistant Minister, that the system is that ... what we looked at, both in England and Wales, were unitary authorities, where their span of control over legislation and within their jurisdiction is similar to that in Jersey?

Deputy S.M. Brée:

So the areas that you are planning on visiting in Wales, do they have a similar tourist industry?

The Connétable of St. Brelade:

Indeed they do.

Deputy S.M. Brée:

Sourcing tourists from the same areas of the world as Jersey?

The Connétable of St. Brelade:

Almost exactly the same, I should imagine. I think 82 per cent of our tourists come from the U.K. and I think the vast majority of people who holiday in the U.K., particularly in the region that we are talking about, are very similar.

Deputy S.M. Brée:

So they have a similar finance industry, looking at bringing people over from overseas?

The Connétable of St. Brelade:

Like I have just said, that is clearly not the case.

Deputy S.M. Brée:

Therefore, I would then question why you would choose Wales.

The Connétable of St. Brelade:

Well ...

Deputy S.M. Brée:

Anyhow, that is your choice. It will be interesting to see the results.

The Connétable of St. Brelade:

Can I just say: you will not find that in France either. Let us be clear. We have to find somewhere where it has at least some synergies with what we do.

Deputy S.M. Brée:

Okay. Anything else on the Licensing Law?

The Deputy of St. Mary:

No. The only other point would be: I appreciate you need to look at other jurisdictions. You are talking about a physical visit to these parts. I am thinking of using States money for trips away. Could this not all be done on paperwork from within offices?

The Connétable of St. Brelade:

Some of it can and some of it has been. Some of the policy development has been done with excellent discussions with 2 authorities. Not just one but 2 authorities have given us some great feedback. But I think it is important that we go and physically see how an independent licensing assembly works in the U.K. It is something that I have certainly got no experience of and I think if we are going to bring something into the States, I think it is important that politically we have some idea what it looks like. I do not think we are talking about taking half the Assembly.

The Deputy of St. Mary:

I am not challenging you.

The Connétable of St. Brelade:

I think it is important from an officer's point of view to meet people face to face and have those discussions. I think also politically it is important; that there is some contact between political figures here and those in the jurisdiction we are going to meet.

The Deputy of St. Mary:

Okay, thanks.

Deputy S.M. Brée:

We will move on to the next subject matter if we may. I would like to talk to you about Locate Jersey. We hear a lot about the successes of Locate Jersey. I think the question from this panel is how that success is measured, i.e. has any analysis of the direct cost benefit to Jersey been undertaken; laying out, this is the current cost of Locate Jersey versus the direct real known economic benefit?

The Minister for Economic Development:

Yes. The answer to that is yes. I will just give you an example. In relation to high net-worth individuals, in 2014 approximately £18 million worth of property was sold to high net-worth individuals, generating in excess of £4 million in stamp duty. The average over the last 5 years is £1.4 million in stamp duty alone. That is just one tangible example of the benefits. Of course, on top of that, as we know, the high net-worth individuals and families will be paying a minimum amount of income tax. Those are the 2 key areas. Of course, over and above that there are all sorts of other examples. We have some examples again, which I am not going to be indiscreet enough to mention names and examples. But many of these high net-worth individuals are very generous and support the community in many different ways. Locate Jersey continues to have a very successful time. In 2015 they have received 16 high-value applications. There have been 16 approvals. The 5-year average is 12. So we have been approving about 12 a year, but it has

been moving up nicely. There were 119 first-time inquiries. They have had 66 meetings with interested clients or intermediaries and 70 meetings with approved clients, in terms of aftercare. So they do really offer the full package. I think the figures speak for themselves.

Deputy S.M. Brée:

The point I was trying to make was not what are the publicly quoted successes of Locate Jersey, but more trying to look at the cost benefits.

The Minister for Economic Development:

Okay. I will just spell it out for you, Chairman. Registration fee is £80,000. Stamp duty is £4 million ...

Deputy S.M. Brée:

That was a one-off. I am afraid that 2014 figure was a one-off. The average is a lot less.

The Minister for Economic Development:

Okay. The average over the last 5 years, I will repeat, was £1.2 million per year.

Deputy S.M. Brée:

Yes, because you have to take an average figure.

The Minister for Economic Development:

Tax receipts, a minimum recurring annual contribution of £2.6 million. New businesses being created, leading to new jobs ... because a number of these individuals have created new businesses in Jersey with new net jobs. Of course, they spent a huge amount of money in the construction industry, building houses and improving houses, as well as houseboats and planes. The first aircraft registered on the Jersey aircraft registry was the Cessna Citation belonging to a high net-worth individual. So those are just a few of the benefits.

Deputy S.M. Brée:

What are the annual running costs of Locate Jersey, both direct and indirect?

The Minister for Economic Development:

Could you give the exact figures, please?

Chief Officer:

Not off the top of my head, exactly, but it is around about £750,000 to £800,000. In stamp duty alone the activity of Locate Duty was over £4 million.

The Deputy of St. Mary:

Yes. If I may intervene. I mean, the scenario I used to deal with in my former life, high net-worth individuals came to us and went through the various processes. There always has been a set of people coming in any event, who came without the input of Locate Jersey.

Chief Officer:

I think the key here, and it comes back to something the Chairman has just said, 2 maybe 3 years ago we made a conscious decision to both increase and change the way that we approach the potential high net-worth community. As a consequence of that, we have gone from what was at the time an average of about 8 approvals. We now had 20 last year and the same number, if not more, this year. If you ask each and every one of those individuals whether or not the work of Locate Jersey has made a positive impact on their decision to move to Jersey, the answer would be yes.

The Minister for Economic Development:

Can I just add to that? It was a whole new ... Locate Jersey put the business of attracting high net-worth individuals into the premiership. Raising the profile of Jersey was so important, because as we all know, we all promote Jersey wherever we go. Most people know of us, but do not know a lot about us. I think Locate Jersey has done a really, really good job in raising our profile to the point that we now have over 200 interested high-net-worth individuals in the pipeline. Of which 4 pretty much agreed for this year and 5 are pretty much agreed for 2016.

Deputy M.J. Norton:

Can I just add to that, Minister? Job-wise, we mentioned jobs earlier on, 185 locally qualified jobs and 42 non-qualified have come in during that time.

Deputy S.M. Brée:

As a direct result of high net-worth individuals coming into the Island?

Deputy M.J. Norton:

Yes.

Deputy S.M. Brée:

Is that new or net new?

Deputy M.J. Norton:

That, as far as I am aware, are new jobs.

The Minister for Economic Development:

That is net new, because licences have been given.

Deputy S.M. Brée:

Yes. So of those licences, how many have been filled?

Deputy M.J. Norton:

Sorry, of which licences?

Deputy S.M. Brée:

You are saying that licences have been issued. How many have been taken up and used?

Deputy M.J. Norton:

42.

Deputy S.M. Brée:

Out of 185, did you say, licences?

Deputy M.J. Norton:

No, I said 185 were locally qualified jobs created.

Deputy S.M. Brée:

Okay.

Deputy M.J. Norton:

Of non-qualified, with licences given, 42. It is constantly changing. It is a snapshot.

Chief Officer:

I think it is just worth clarifying for the record, what we have talked about up until this point are high net-worth individuals coming into the Island. What Deputy Norton is saying is that that is one element of ...

Deputy S.M. Brée:

It is one aspect of it.

Deputy M.J. Norton:

It is just one aspect.

Chief Officer:

The other element of Locate Jersey work is, which Deputy Norton is referring to, attracting businesses, attracting inward investment to the Island. In 2015, as he quite rightly says, we have attracted 185 new job opportunities. I think perhaps the number you may be as interested in, if you do not mind Deputy...

Deputy M.J. Norton:

No, please.

Chief Officer:

...is that since Locate Jersey started their work they have created 1,881 job opportunities, of which 1,303 have been filled. That is quite a high percentage. The businesses come in with 3 or 4 or 5 year plan and approval. So not only are the level of opportunities created ... I think we have to put this into the context of the fact that we are looking at the moment, in Jersey, at record levels of employment. This has made a positive impact on that.

Deputy M.J. Norton:

I think added to that, finally on this, for me, is that both the Isle of Man and Guernsey see this as such a great thing that they are imitating and doing this. They are doing this for the very reasons that we are doing it.

Deputy S.M. Brée:

Talking one area about the high net-worth individuals coming into the Island and the effective tax thresholds that these individuals are required to undertake to pay, I believe the figure of £125,000 a year minimum. Is that still correct?

Chief Officer:

Yes.

Deputy S.M. Brée:

Is the tax that they undertake to pay ... I believe it is 1 per cent then on their overseas activities as well. When was that £125,000 a year set? When was that agreed upon?

The Minister for Economic Development:

That was before my time as a Minister.

Chief Officer:

Maybe 3 years ago. 2011.

Deputy S.M. Brée:

Right. Why has it not been updated to take account of inflation?

The Minister for Economic Development:

I understand there is due to be a review on this in 2016.

Chief Officer:

It is the Treasury.

The Minister for Economic Development:

It is the tax, it is the Treasury. There is a review scheduled for 2016.

The Deputy of St. Mary:

Sorry, is this review centring on that one set amount of £125,000 or is it looking towards the 1 per cent on overseas or above that or both?

The Minister for Economic Development:

I do not know, is the answer. But I would imagine, and I would hope, the Treasury and all relevant parties would look at the value of the offering and make the appropriate decisions. They may decide to decrease it. They may decide there is an opportunity to obtain more tax from these people.

Deputy S.M. Brée:

Just to correct: it was set in 2011. We appreciate it is the Treasury who will have to review it. It just seems a bit strange that £125,000 a year for a multimillionaire is not a huge amount of money when you compare ordinary residents in Jersey who are having to pay 20 per cent. Anyhow, I think on the tax side of it there is a question that David has about the impacts. That was a comment, not a question, by the way.

The Minister for Economic Development:

I wish my tax bill was £125,000.

Deputy S.M. Brée:

Well you are obviously earning far too much money, Minister.

The Minister for Economic Development:

No, I wish it was £125,000 not reducing it, I wish I had to pay that much.

The Deputy of St. Mary:

Yes, the question I have, as I say it comes with my earlier domain so I have an interest in it, is: do I take it that the focus has been on U.K. immigrants on bringing high net-worth individuals to the Island or is it more global than that?

Chief Officer:

It is more global than that. It has to be said, the majority of the relocations are people who are U.K. resident. But we have also had relocations from other jurisdictions as well. Just to make one other point, the £125,000 threshold is ... we are in a competitive marketplace for high net-worth individuals. They have the ability, if they so choose, to go anywhere. It is already at a very high level compared to competitive jurisdictions.

[15:30]

The Deputy of St. Mary:

Sorry, just clarifying my point really, the general theme I have is that the U.K. are changing their taxation laws and the various suspects which will have some influence on the amount of trade from that. I am requesting to what extent do Treasury update you on taxation legislation which might have an impact on what you do.

The Minister for Economic Development:

I am not sure I understand.

The Deputy of St. Mary:

For one thing, for the moment, the U.K. Government has announced changes as of 2017 ...

The Minister for Economic Development:

That is the recent pronouncement by the U.K. Chancellor of the Exchequer has certainly led to more uncertainty about resident non-doms in the U.K., which has led to more inquiries coming in.

The Deputy of St. Mary:

That is occurring. Your overseas person will ... the traditional way was to hold property through a Jersey company, now it is going to be look-through. So him being in U.K., living in a property owned by a Jersey company is not going to work in the future. So there is scope for him sitting here instead, is there not?

The Minister for Economic Development:

I think it is fair to say that the majority being that individual's net now look ... that mainly people have made their money and are looking for quality of life. I think that is our key selling point.

The Deputy of St. Mary:

Again, on this theme, in earlier years there used to be a limit on the number of persons per year who could come in on that basis. Is there a goal or limit now set? How many people you encourage ...

Deputy M.J. Norton:

I think you have to judge every application as has happened on its individual merit, on its benefit to Jersey. Going back to your previous point about U.K. resident and targeting that, as the officer said, we not only have those coming in from the U.K. but from other jurisdictions, Bermuda, Guernsey, Switzerland and many others, because they are seeing us as attractive, because we are competitive.

Deputy S.M. Brée:

Okay. One final question on the tax thresholds, to pick up on a comment I believe your Chief Officer made: would you, Minister, be in favour of reducing the minimum tax threshold for high net-worth individuals coming into the Island?

The Minister for Economic Development:

I think that is an impossible question to answer without having a lot more facts on which to base my answer. I think it is important that we maintain a healthy flow of high net-worth individuals. They contribute to the Island. They have a very low footprint ...

Deputy S.M. Brée:

So you would not be against reducing the figure? Let us put it that way.

The Minister for Economic Development:

It is a matter for the Treasury. I would not be opposed ... I would not support anything that would be detrimental to the work that Locate Jersey are trying to do, while at the same time seeking to make sure we get the best deal for Jersey.

Deputy S.M. Brée:

Okay. All right.

The Minister for Economic Development:

I would not want to undervalue the Island. I would not want to overvalue it. We need to pitch it at the right place.

Deputy S.M. Brée:

Okay. Shall we move on?

The Deputy of St. Mary:

Yes. Having asked you and your colleague about the success of Locate Jersey, can we ask the same question about Visit Jersey in its new format? How is it faring?

The Minister for Economic Development:

It seems to be faring very well, although it is early days. I think there is a honeymoon period and it is coming to its end. I did say to the Chairman and the Chief Executive: "You have got a bit of a freebie with the Island games in 2015." They were starting from a good place. Now the big challenge is continuing the growth in the years ahead. I have to say, I am very encouraged by their destination plan. I think they have really looked at it from an outside perspective. I think we have always been quite insular with the way we have marketed ourselves as a tourism destination. I am not knocking the excellent work that Jersey Tourism did for decades; it was really superb. But having somebody with the global experience of the new Chief Executive of Visit Jersey and some of the team he is working with. It has been a revelation. They have put in place 21 recommendations and some really good ideas. They have combined that with some excellent statistical work.

The Deputy of St. Mary:

Yes. Putting success to one side for the moment, can you describe the actual structure of Visit Jersey? It is a curious one.

The Minister for Economic Development:

There is a Visit Jersey board. I would hope it is very straightforward. There is a Visit Jersey board working on an annual agreement, with an approved business plan with the Economic Development Department. The board then employs the team at Visit Jersey and manages the team at Visit Jersey. The Chief Officer just wants to put a little more flesh on those bones, in terms of the type of structure.

The Deputy of St. Mary:

Is the board only board of the company, which in turn is owned by a charitable trust?

Chief Officer:

Yes, it is a ...

The Deputy of St. Mary:

What I am trying to get to is the degree of control the States have over tourism that it does not seem to have on the face of it.

Chief Officer:

The Minister retains control through approval of the Annual Business Plan. We operate with a partnership agreement which is consistent with all of our financial directions. The board is effectively a delivery mechanism. They publish and agree with the Minister a business plan for the forthcoming year, with targets that are associated with it, primarily visitor growth and growth expending in the Island. All of that information is obviously collected. They report against that. That is how the Minister has oversight. If there is something in that plan that the Minister does not like or wishes to amend then it is up to him so to do in his approval of the plan. As it is with Jersey Finance, as it is with Jersey Business, as it is with Digital Jersey. It is the same model that we apply across all of our external delivery partners. The thought that the Ministers do not have discretion, well they do, because they are the people providing the funding and they have to approve the plan which allows the organisation to execute that plan in the forthcoming period.

The Deputy of St. Mary:

I was really concentrating on the fact that the Visit Jersey entity is owned by a trust rather than ...

Chief Officer:

Yes.

The Deputy of St. Mary:

... with the Ports and Harbours where we ...

Chief Officer:

It is not. Yes, it is completely different. It is ...

The Deputy of St. Mary:

I realise that, yes.

Chief Officer:

It is not incorporated. It is a grant-funded body, with its own board and its own organisation, independent of the States, but fully funded by the States and subject to a partnership agreement,

which has built into it an annual business plan approval process. The person who approves that is the Minister for Economic ...

The Deputy of St. Mary:

The control exercised by the States is through the partnership agreement, in effect?

Chief Officer:

It is, absolutely.

The Deputy of St. Mary:

Okay.

Chief Officer:

Which I think this panel has copies of, by virtue of ...

The Deputy of St. Mary:

I just wanted to read over it again. Okay.

Deputy S.M. Brée:

Okay. Can I ask a question then? You, Minister, approve a business plan, you then provide funding to Visit Jersey, as a charitable trust, to carry out that business plan. Visit Jersey fail to carry out the business plan. What happens?

The Minister for Economic Development:

Hypothetically?

Deputy S.M. Brée:

No, not really. It is basically saying: where are the controls? You have approved their annual business plan. You have given them the money. What happens?

Assistant Director:

There is not just an annual business plan, there is an overarching 3-year high level business plan, which is approved as well.

Deputy S.M. Brée:

Yes, it is a business plan. It means nothing. It is not a legal document.

Assistant Director:

No. In a hypothetical situation, if there was any sign that there was systemic failure, that Visit Jersey, Digital Jersey, Jersey Finance, et cetera, were failing in their mission, then obviously we would have to investigate how we market and promote the Island of Jersey. We would investigate other options. Essentially a business, Visit Jersey Limited, would be failing ...

Deputy S.M. Brée:

So you allow Visit Jersey to fail ...

Assistant Director:

Clearly that is not what I said.

Deputy S.M. Brée:

Sorry, I do not understand.

Chief Officer:

Let me be very clear here. The Minister approves an annual business plan, within the context of what is put down, quite rightly said, in the business plan. While it is an independent board and it is an independent organisation, in this instance the Chief Officer sits as a non-voting member of that board. By virtue of that relationship, as we have with all the other organisations, has direct and regular information as to the delivery of the business plan. The reason that they submit a business plan, which is done with a great deal of thought and consultation with the industry, with ourselves, is to make sure that we can deliver on the back of it. If there is an issue then that is addressed in real time. So we do not allow an organisation to fail if we think they are diverting from that plan. There is no precedent for that happening. Then obviously we have the ability to intervene, by virtue of our representation as a non-voting member on the board.

Deputy S.M. Brée:

Why was it not set up as an incorporated body? With the shares being owned by the States of Jersey?

Chief Officer:

The reason is that we did not see the requirement to incorporate ...

The Minister for Economic Development:

It was not going to be a commercial sort of money-making entity. It was there to deliver marketing and promoting, not be a business in its own right.

Chief Officer:

We have a successful model with Jersey Finance Limited. To be brutally honest, it is faster, easier and more efficient to move things into the non-charitable purpose trust than it is for us to go through a full incorporation of what is a small part of the Economic Development Department's overall activities.

The Minister for Economic Development:

Darren, just to sort of clarify the powers of the Minister, should we see something going drastically wrong then we can take action just to ...

Assistant Director:

Yes. Also you would withdraw the funding. As you would with Digital Jersey and with anyone else.

The Minister for Economic Development:

We can replace the board.

Deputy S.M. Brée:

You can replace the board?

The Minister for Economic Development:

Yes.

Deputy S.M. Brée:

Through a charitable trust structure, of which there are protectors.

The Minister for Economic Development:

Through the agreement.

Deputy S.M. Brée:

That would be an interesting case to go before the Royal Court.

Chief Officer:

Our recourse is primarily through ... would ultimately be - and it would never come to this - to withdraw the funding.

Deputy S.M. Brée:

Withholding of any further funding.

The Minister for Economic Development:

Yes, withholding of any further funding. We work very closely with these organisations but as I think Visit Jersey has shown, we have transformed or are in the process of transforming the way the Island is marketed and the way that the analysis is provided over those people who do visit the Island, and that is captured very well in the destination plan. This is done to improve the outcomes and outputs, to achieve the targets that are in there and all the evidence so far ...

Deputy S.M. Brée:

We are not questioning the aims of the organisation at all. We are merely asking questions about its structure because it does appear to us to be a somewhat strange structure where there is no legal ownership of the entity itself and if funding is going to be approved by the States Assembly in future M.T.F.P.s ...

The Minister for Economic Development:

As part of the E.D.D. budget through the M.T.F.P. process.

Deputy S.M. Brée:

Yes, then I am concerned that that funding is being given to an organisation which the States of Jersey do not own. We do not own a charitable trust. You cannot claim a charitable trust. All right?

Chief Officer:

Yes, absolutely.

Deputy S.M. Brée:

So do not please suggest otherwise.

The Minister for Economic Development:

I do not think anybody did in fact.

Chief Officer:

Nobody has.

Deputy S.M. Brée:

But the point I am trying to make is that it does seem a little strange when we are going through incorporating various bodies that you should choose to set up this kind of structure. Funding for 2016, which is where this is leading us to in addition to the M.T.F.P., is obviously key. Where do

you think that funding is most appropriately used in your own opinion? I know Visit Jersey have come out with their business plan but we are obviously keen to understand the Minister's view on these matters.

The Minister for Economic Development:

I am sorry, I am not quite sure what you are ... can you just repeat that please?

Deputy S.M. Brée:

Okay, the funding for 2016.

The Minister for Economic Development:

Do you mean what do I want to see from the £5 million?

Deputy S.M. Brée:

What do you want out of this funding being provided to Visit Jersey? What is the ultimate aim behind this?

The Minister for Economic Development:

The ultimate aim is to increase the size and the value of the visitor economy.

Deputy S.M. Brée:

You firmly believe that the business plan, as put forward by Visit Jersey, will deliver that.

[15:45]

The Minister for Economic Development:

Yes, I do.

Deputy S.M. Brée:

Good.

The Minister for Economic Development:

Yes, I have great confidence in this plan and the people running Visit Jersey. I think we have got our best chance for a long time of doing something really good for tourism.

Deputy S.M. Brée:

Okay. All right, we move on to the next topic. David, do you want to ...

The Deputy of St. Mary:

Well, yes, it follows on quite nicely. Events Jersey has been talked about for some time. I am not sure if it is ...

The Minister for Economic Development:

Well, I have been getting a little bit impatient because of course we have got the budget to start it on 1st January 2016 so we are timing our plan appropriately. If it would have been up to me, I would have had it right now.

The Deputy of St. Mary:

Okay, this is kind of still in the embryonic stage. What sort of format is it going to take, the structure again? Is it going to be another Visit Jersey? It is a separate organisation of some kind.

The Minister for Economic Development:

Yes.

The Deputy of St. Mary:

I am just trying work out how it fits in with Visit Jersey and other ...

The Minister for Economic Development:

I think it is important that Events Jersey has a separate identity. It may be that it could be a subdivision of Visit Jersey or administered by Visit Jersey but with, like I say, perhaps a small separate advisory board of volunteers, people who understand events and such forth. I say it could be part of the administration of Visit Jersey simply to save money to make it more productive. There is a lot of synergy there. It is important that we do find the very best structure and I would not think we need a sledgehammer to crack a walnut. This is going to be one, possibly 2 people running Events Jersey.

The Deputy of St. Mary:

Okay.

The Minister for Economic Development:

We have got various meetings over the course of the next couple of weeks just to discuss and decide the best way forward. Mike, did you want to add anything to that?

Chief Officer:

I think that what the Minister has just said is ... well, there is not much to add to it apart from the fact that of the money that has been allocated, £200,000, we want to make sure as much of it as

possible goes to the development and support of events rather than adding significant numbers of additional people or people contributing to this programme.

Deputy S.M. Brée:

The administrative cost, yes.

The Minister for Economic Development:

Yes, absolutely.

Chief Officer:

So one of the models, as the Minister has just said, is that it could become, albeit with its own separate identity, captured within the existing Visit Jersey organisation without any incremental people cost.

Deputy S.M. Brée:

Okay.

Chief Officer:

So the majority of that money would, in that case, go to the programme which is important because there is no doubt that the impact of events and major events - we saw one this year and we are going to see another one next year - is genuinely measurable in things like G.S.T. receipts that we see. So major events and a programme of them are something that then Visit Jersey can use to enhance the marketing of the destination in the U.K. and elsewhere.

Deputy S.M. Brée:

Is it your intention to establish Events Jersey as a separate legal entity in the same way that Visit Jersey is at this point in time?

The Minister for Economic Development:

Not if it is not absolutely necessary. I would rather do it in the simplest way possible.

Deputy S.M. Brée:

So you are not going to set Events Jersey up as a non-profitable charitable trust?

The Minister for Economic Development:

That is not the plan at present.

Deputy S.M. Brée:

Okay. No, just merely asking the question.

The Minister for Economic Development:

Yes.

The Deputy of St. Mary:

Just to finish that off, obviously it is a work in progress to a certain extent.

The Minister for Economic Development:

Yes.

The Deputy of St. Mary:

Could you share your thoughts with the panel as you go along then possibly?

The Minister for Economic Development:

Yes, absolutely. Yes, I will be pleased to that. I would like to announce exactly what we are doing before Christmas and hit the ground running in January. That is the plan.

Deputy S.M. Brée:

Any more on that one?

The Deputy of St. Mary:

No.

Deputy S.M. Brée:

No? Okay, if we move on to the next area which has obviously received some publicity in the past few days and weeks, the Aircraft Registry.

The Minister for Economic Development:

Yes, it is beginning to take off.

Deputy S.M. Brée:

Sorry?

The Minister for Economic Development:

It is beginning to take off.

Deputy S.M. Brée:

It has taken off, yes, well done. We would just like to understand a little bit more about the Aircraft Registry. How much has it cost so far to get to this point in time, i.e. all the costs to date to get the first aircraft on the registry?

The Minister for Economic Development:

Well, since September 2013 I think when the decision was made to pursue a Jersey Aircraft Registry ... and do not forget about 2 years were not used productively because the Channel Islands failed to reach agreement.

Deputy S.M. Brée:

Yes.

The Minister for Economic Development:

£407,000 has been expended on getting it to this stage with the first plane registered.

Deputy S.M. Brée:

Okay, and what are the anticipated running costs?

The Minister for Economic Development:

In the region of £116,000 in 2016 and of course those will depend on the structure of the registry moving forward.

Deputy S.M. Brée:

So what are your targets for 2016 in the area of numbers of aircraft or engines that may be registered?

The Minister for Economic Development:

It is hard to say. No firm targets as such have been set because I am not sure we fully understand the potential size of the market other than there seems to be a lot more interest developing than we expected. I have always, and my officers will say, been not concerned but I have been anxious to make sure that we put the work in - and Deputy Norton is going to be leading on this - to make sure that we promote and market the registry properly because it does make us slightly anxious that if we do not get the number of registrations coming in, it is going to end up, for the first couple of years, having a cost to us in terms of money coming in and out. The idea is not to make a big cash surplus on running the registry. Our ambition is to make it pay for itself and maybe with a little surplus. The benefits are, as you will understand, Chairman, in ancillary benefits in coming across the sector. Yes, so we are just anxious that it ...

Deputy S.M. Brée:

So the aim in the short term is to make sure it pays for itself.

The Minister for Economic Development:

It is to break even. That is our objective.

Deputy S.M. Brée:

Okay. So who is going to be responsible for doing the marketing? Will it be Deputy Norton as your Assistant Minister?

Deputy M.J. Norton:

Chairman, while I have a tad of marketing experience, I think we will leave that to the Aircraft Registry themselves to deal with the marketing.

Deputy S.M. Brée:

Okay.

Deputy M.J. Norton:

It is within their budget.

Deputy S.M. Brée:

So it is within their budget to do the marketing activity.

Deputy M.J. Norton:

It is within the 2016 budget to do so. If I could just add to that, it is not just the number of aircraft, while the number of aircraft is always a good thing. It is also the weight in tonnage that has a great deal to do with what revenue you will get back in.

Deputy S.M. Brée:

Yes.

Deputy M.J. Norton:

Looking at the potential market is what we have been doing, which has been leading the standards and looking at success such as the Isle of Man registry that has done particularly well and they have some 800 aircraft on their registry now. If we look at the first aircraft that is registered just as an example, because that is the first example we have got. We have 2 local pilots involved there, we have a local aviation maintenance company being set up as part of that. All of that ties in,

firstly, with Locate Jersey in terms of the attraction of not only being able to come here but to have your plane here, to have it maintained here and to have the local pilots here. It is a small side to the industry but then over and above all of that as well, if you look at our law firms and our finance companies that are going out into the global marketplace throughout the world, they now have also the added tag of being able to promote, in some joined-up thinking, everything that we are doing with the Aircraft Registry so the opportunity for people to register their aircraft in Jersey is there as well.

The Deputy of St. Mary:

So going back to the appointment of it, is it Commander ...

Deputy M.J. Norton:

Bob Commander, yes. He is our interim.

The Deputy of St. Mary:

Does he have a registration perhaps with other jurisdictions or is this his sole area, is it?

Deputy M.J. Norton:

This is his sole area.

The Deputy of St. Mary:

He is getting paid by the day.

Deputy M.J. Norton:

He is interim. We had a recruitment process which was unsuccessful and in the interim period for that, we have Bob Commander who is in until such time as we recruit.

The Deputy of St. Mary:

He is responsible for the marketing as well then, is he?

Deputy M.J. Norton:

I think the marketing at the moment is being spread over various areas. I think it is important to say that, both through Locate Jersey and through the finance industry.

Chief Officer:

Yes. A lot of the marketing, I think it is fair to say, we do not have to pay anything for because if you look at what has happened since we launched the registry, many of the major law firms that

have multi-jurisdictional client bases have gone out and prepared factsheets and sent it out to their client base.

The Minister for Economic Development:

I have seen it in at least 2 different glossy brochures already.

Chief Officer:

Yes, so this is not the Aircraft Registry spending money on marketing. This is the intermediaries doing it and the legal ...

The Deputy of St. Mary:

Well, finance really get that but ...

Chief Officer:

Which is what we wish to achieve.

The Deputy of St. Mary:

Yes, fine, and therefore these intermediaries have the information from Commander or somewhere to produce the fee structure and what have you.

Chief Officer:

Yes, absolutely.

Deputy S.M. Brée:

You mentioned that your recruitment drive was unsuccessful. Why do you think that was?

Deputy M.J. Norton:

We just did not find the right person. I will try and phrase “unsuccessful” in another way. We did not find the person that we were looking for on a recruitment drive. Now without going into the individual people that came forward for that, we did not find the right person while at the same time wishing to get the Aircraft Registry up and running without taking any longer than it has already taken. To do that, we have an interim and now every effort is being made to ensure that that interim is interim and that we have the right person coming forward.

The Minister for Economic Development:

I think it is worth taking the time to get the right person.

Deputy S.M. Brée:

How many applications did you receive?

Deputy M.J. Norton:

I do not have those figures on me, Chairman.

Deputy S.M. Brée:

Anything else on the Aircraft Registry?

The Deputy of St. Mary:

Not on the Aircraft Registry. Okay. Moving very nicely on to another mode of transport, the Shipping Register. Again, I have more experience of this. I note that Jersey participated in the Red Ensign Conference in London and I think you were joint promoters with others but we were the only one holding a category 2 licence and there are moves I think to ...

The Minister for Economic Development:

Yes, expansion to full category 1 remains a goal.

The Deputy of St. Mary:

Pardon?

The Minister for Economic Development:

That remains a goal of the Shipping Registry.

The Deputy of St. Mary:

Remains ...?

The Minister for Economic Development:

The goal.

The Deputy of St. Mary:

A goal.

The Minister for Economic Development:

The objective, yes.

The Deputy of St. Mary:

Are we are nowhere nearer the penalty spot on that?

Chief Officer:

We have expanded category 2 over the last couple of years, not what we describe as leisure vehicles but commercial vehicles so vessels but commercial vessels as well but the move from category 2 to category 1 is really quite a significant move in terms of what capacity and capability you have to have within the registry.

The Deputy of St. Mary:

Yes.

Chief Officer:

We are doing some work at the moment which is hopefully nearing completion around building the business case for that because it could involve quite significant additional expenditure and if it stacks up, then we would make a move to category 1. It is thought that that process could take maybe about 3 years to get to that level.

The Deputy of St. Mary:

Oh, is that the ...?

Chief Officer:

Having said that, the Red Ensign Group are very welcoming of Jersey's move towards category 1. They want to see more category 1 registers within their flags so providing we can make sure it stacks up and at least has the opportunity to wash its face rather like the Aircraft Registry plan, then I think that that is what we will do. We will move towards the cat 1 register which effectively opens up the global shipping market.

The Deputy of St. Mary:

Who approves category 1 then? Is it the Ensign Group itself or who decides what standards we have met or not met?

Chief Officer:

You have to be approved by the Red Ensign Group as a category 1 register and we would have to pass the necessary legislation and regulations to allow that to happen as well.

The Deputy of St. Mary:

In order to have a registration of small yachts, et cetera, does that mean, again, us being responsible for monitoring safety considerations et cetera in the future because of ...

Chief Officer:

Obviously, the level of category that you are in, that is your responsibility to register, absolutely, yes, which is why moving to category 1 can be quite an onerous thing because you are moving to any vessel anywhere in the world and it has to make sure, if you are meeting the appropriate standards, it can be registered on your register.

The Deputy of St. Mary:

So going back to the conference that Jersey attended, we were the only category 2 there. Do we sort of measure up to the small contribution towards the sponsorship given that we only have a ...

Chief Officer:

I am not sure, off the top of my head, what the answer to that question is but we can certainly find out for you. I think that all members of the Red Ensign Group are treated equally. I think that is the case but I will ...

The Deputy of St. Mary:

I do not know much about who attended. Did many professionals from the Island follow in your wake or ...?

Chief Officer:

I am not sure exactly of the attendance. Certainly I think the Chief Minister and the Assistant Chief Minister attended the conference from a political perspective. They happened to be in London at the time, as did representatives from the governments of all of the Red Ensign Group. I am not sure exactly what the makeup of all the parties was. It is primarily a conference for people who are directly involved in the registration of vessels within that group.

[16:00]

The Deputy of St. Mary:

It was a marketing campaign, I thought.

Chief Officer:

Well, there are elements of that within it and raising awareness of Jersey's register. I do not have the information in front of me to tell who attended from Jersey, although we can find that out quite easily from our shipping base.

Deputy S.M. Brée:

All right, I would like to cover the next area, which is the situation regarding the Condor Ferries issues that we have discussed before. Can you bring us up to date on your undertaking to bring forward the Comprehensive Service Review?

The Minister for Economic Development:

Yes, I will ask my Chief Officer to update you but currently terms of reference are being agreed but, Mike, can you just update the latest please?

Chief Officer:

Yes, as far as the Comprehensive Service Review is concerned which, as you know, has been brought forward, it is a facet of the operating agreement between Jersey and Condor which Guernsey are party to and brought forward at the Minister's request by 12 months and we are in the final process of agreeing the terms of reference for that between Condor, ourselves and Guernsey.

Deputy S.M. Brée:

So when you say "brought forward", to what date have you brought it forward?

The Minister for Economic Development:

Well, I have asked, along with my counterparty in Guernsey, Deputy Stewart, who is the Minister for Commerce and Employment, that it be completed as soon as possible and as soon as practical and we have instructed our officers to work with Condor to that end. Now we are both waiting for an update from the officers. We met in Guernsey about 3 weeks ago and I understand that the parties are close to agreeing terms of reference. Once the terms of reference have been agreed and we have agreed them, then we will be in a position to give a good estimate of how long the review will take.

Deputy S.M. Brée:

Are we talking 6 months, 3 months, 9 months?

The Minister for Economic Development:

I would allow 3 to 6 months I think, being realistic.

Chief Officer:

Yes, and I think for the work, at least that time. The implications of the Comprehensive Service Review are quite profound in terms of the requirement for future investment. It looks at what the long-term fleet configuration should be.

The Minister for Economic Development:

I think that has been my concern is the fleet configuration. While I maintain confidence in Condor as a company, I do not believe the fleet is quite robust enough to deal with all of the contingencies that a shipping company gets in operating a fleet of vessels in the Channel Islands north and south. I am on the record for saying it but that is our main concern. It is not over the safety or the suitability of individual vessels. It is making sure the fleet is robust enough to cover the contingencies.

Deputy S.M. Brée:

So the earliest that we can expect any information coming out of this Comprehensive Service Review is probably at minimum 6 months, to be practical about it.

Chief Officer:

I think the second-half of next year.

The Minister for Economic Development:

Can I just say I would be disappointed if it took more than 6 months? If we did not have the review completed by the end of June, I would be disappointed. It is possible it might take longer but Deputy Stewart and I are going to be doing as much as we can without compromising the review of course to make sure it is completed.

Deputy S.M. Brée:

Now a little while ago, you, Minister, made a statement - I believe in the media following, I think it was in September, the problems that Condor had with the Liberation - that you were launching an independent review. Is this Comprehensive Service Review the same as the review you spoke about at that time or are you doing 2 things?

The Minister for Economic Development:

I think you might be referring to the benchmarking review that we asked the Harbourmaster of Jersey to undertake.

Deputy S.M. Brée:

Oh, okay.

The Minister for Economic Development:

That is something else that we have looked at, the agreement, and so we can do and that is a much shorter report but it just benchmarks the service they are providing with what anybody could reasonably expect from a ferry company.

Deputy S.M. Brée:

So what work has been done so far on that?

Chief Officer:

The terms of reference for that have been defined and agreed by the Harbourmaster and that work is ongoing as ...

Deputy S.M. Brée:

So when do you anticipate that will be available for public consumption?

The Minister for Economic Development:

Can we come back to you with that? Rather than guess, let us speak to the Harbourmaster and come back to you with that

Deputy S.M. Brée:

But are we expecting again 3 months, 6 months, one month?

The Minister for Economic Development:

No.

Deputy S.M. Brée:

What are your thoughts?

The Minister for Economic Development:

That will be a much shorter period of time. I would rather not guess but I was hoping to get something this side of Christmas but ...

The Deputy of St. Mary:

But the terms of reference have been agreed on that, have they, between the parties?

Chief Officer:

It is for the Harbourmaster to define what they are.

Deputy S.M. Brée:

Okay, so they have not yet been agreed between yourselves and the Harbourmaster. Is that correct?

Chief Officer:

No, that is not what we are saying, no.

Deputy S.M. Brée:

Right.

Chief Officer:

The only parties involved in it are the parties in Jersey.

The Minister for Economic Development:

We have instructed the Harbourmaster to get on with it and we need to get an update from him and come back to you with the answer.

The Deputy of St. Mary:

So the Harbourmaster does his review and that is it. He does not to consult with anyone else to do his review?

The Minister for Economic Development:

That is pretty much it.

Chief Officer:

It is a benchmarking review and, as the Minister said, the term that is used is it is a review as to whether or not Condor have acted in a way essentially that they can be considered to be a prudent operator. That is the term that is used.

The Deputy of St. Mary:

Okay.

Chief Officer:

It is a prudent operator review.

The Deputy of St. Mary:

Okay, sorry, going back to your public statement, you are not satisfied that the fleet composition is right for us. Condor are obviously aware of that. Are they likely to make any sort of comment on that before any comprehensive review? I thought it might be in their interest to do so.

The Minister for Economic Development:

No, I think it would probably be unwise of them to comment on that before the review. The fact that they are agreeing to the review and prepared to go into that is very positive news. I believe Condor are committed to getting it right, not least because of their longstanding relationship to the Island but of the commercial importance of doing so because it may be very expensive for them if they do not.

Deputy S.M. Brée:

So will Condor be involved in the benchmarking review or are you talking about their involvement in the Comprehensive Service Review?

The Minister for Economic Development:

Yes, of course they are.

Chief Officer:

Well, they are involved in terms of they are obviously asked to provide information to the Harbourmaster for him to conduct his review of them as a prudent operator. In terms of the Comprehensive Service Review, then clearly they will be fully involved because, as the operator, if there is a requirement for further investment in the future, that investment comes from there in vessels. I think that is why it has to be, as is said, comprehensive, it has to be thorough, it has to be done properly because it has profound implications for the potential investment going forward and indeed for some of the investment that they already make and continue to make in the existing fleet.

The Minister for Economic Development:

Chairman, I just wanted to be clear at this point again that, for example, where I think the fleet is lacking is there is one ship, the freight ship which is freight only, and if it was replaced with another clipper style ship, I think that would give a tremendous amount of robustness to the fleet because ...

Deputy S.M. Brée:

So you would recommend, if it were in your power to do so ...

The Minister for Economic Development:

No, I am not recommending. I am suggesting.

Deputy S.M. Brée:

... that there were 2 conventional ferries ...

The Minister for Economic Development:

Running alongside a fast one.

Deputy S.M. Brée:

... as opposed to one conventional ferry and one fast ferry.

Chief Officer:

No.

Deputy S.M. Brée:

No, you would add another conventional ferry.

The Minister for Economic Development:

Yes, I am suggesting that Condor look at replacing the Goodwill which is a freight only ship with another clipper style ship ...

Deputy S.M. Brée:

Oh, okay.

The Minister for Economic Development:

... that is freight and passenger just to give the extra passenger and car carrying capacity because ...

The Deputy of St. Mary:

In all weathers.

The Minister for Economic Development:

The fast ferry service north and south is very important especially for Guernsey with the day trip market and that is vital but there will always be times, especially on the northern route, where however good or bad the fast ferry is, it cannot sail and having 2 clipper style ships that can go back and forwards day and night I think will provide ...

Deputy S.M. Brée:

We recently had a situation where because the clipper was still in dry dock, the Liberation could not sail because of bad weather but the Rapide was moved off the St. Malo route to service the Jersey/Guernsey route. I believe it was last weekend just gone.

The Minister for Economic Development:

Yes.

Deputy S.M. Brée:

Had you had meetings since that happened with the board of Condor to discuss what they are doing?

The Minister for Economic Development:

I am in regular contact with the board. The last meeting we had was in Guernsey but I have had a number of meetings with Condor over the last couple of months.

Deputy S.M. Brée:

When was the last meeting you had with the board of Condor?

The Minister for Economic Development:

I cannot remember the exact date. It was about 3 weeks ago.

Chief Officer:

Mid-October.

The Minister for Economic Development:

Mid-October.

Chief Officer:

It was a Ferry Services Steering Group Meeting in October.

The Minister for Economic Development:

In Guernsey.

Deputy S.M. Brée:

So since October, despite everything that has been happening with Condor and particularly the northern ferry route, you have not physically met with the board of directors since October.

The Minister for Economic Development:

Well, in October. It is the first half of November. I am not going to meet with them on a daily or weekly basis. I am in regular contact with them. I have a direct line to one of their directors who I speak to probably every other day and work with as well as their senior management team and well as the officers working with their senior management team. I think we have an excellent line of communication into Condor and it is not necessary for me to sit down with them on a weekly basis. If the ministerial team feel we need to see Condor, they come in at the drop of a hat at our request. They are very good like that but I will not be criticised for not seeing them since mid-October, with the greatest of respect.

Deputy S.M. Brée:

I was merely trying to clarify the situation. What is the feedback that you are receiving from Condor with regards to the recent issues they have had with the northern ferry route? Are you getting any feedback from them at all?

The Minister for Economic Development:

Yes, we are. We are getting feedback in terms of what their intentions are in relation to improving their levels of customer service. I understand they are replacing their reservation system and making all sorts of improvements to the structure of the customer service side of the business which is something that gave us a great deal of concern. So that is what they are undertaking to do and that is what they are getting on with at the moment. In terms of fleet configuration and future investment, that is something that the review will deal with and we are not really discussing that because as I said before, I think it would be unwise to do that until we got into the review process.

Deputy S.M. Brée:

But as yet - just to confirm the terms of reference - because there is involvement obviously with Guernsey as well on the Comprehensive Service Review, the terms of reference have yet to be signed off by all parties; is that correct?

The Minister for Economic Development:

Have yet to be signed off.

Deputy S.M. Brée:

Have yet to be. Okay, and you are anticipating that happening hopefully when?

The Minister for Economic Development:

As soon as possible. We keep nudging the officers and they are working on it.

Chief Officer:

I think both from a Jersey and a Guernsey perspective, we have now made all the comments we are going to make to that terms of reference. It is sitting with Condor and I think we received an email just before the weekend, saying that they hope to get that back to us probably sometime this week so that we can then move forward and agree, and move on with the work.

The Deputy of St. Mary:

Just going back to the benchmark review because we ... clear that we have seen the whole report on the safety issues. One aspect they highlighted was the timing; is that something that the Harbourmaster's benchmark review will look at or is that the ...

The Minister for Economic Development:

What do you mean; the timing?

The Deputy of St. Mary

Well the schedule of timings of the thing, they are not ...

The Minister for Economic Development:

Oh the timings, yes. The scheduled timings ...

The Deputy of St. Mary:

That they find difficult to meet those timings

The Minister for Economic Development:

The statistics in relation to the timing performance of the boats are not that bad. They are published every month, I believe. Somebody can ... all the time. All the schedules are published and I cannot remember the percentages off the top of my head. They are achieving a ... I would not say it is an excellent level, but the percentages are pretty high on the timing and the times that the boats are achieving. The problem ...

The Deputy of St. Mary:

If you allow an extra half hour, yes.

The Minister for Economic Development:

They are surprisingly within the time slot the vast majority of the time. The problem they face is when a problem does happen it can affect many thousands of people in ... miss one rotation, and of course that has been made worse by the fact that when it happened the clipper was in dry dock

so had there been another clipper available it would not have been so bad. But many thousands of people are inconvenienced. It is not like an aircraft; if you miss an aircraft it is 50 or 100 people and of course with a ship if you miss a rotation it is probably 5 or 6 stops affecting a great deal of people.

The Deputy of St. Mary:

Yes, and just to clarify, and again the Houlder report identified the fact that the - not surprisingly - a greater time was required to complete the circular route; (a) if it had a full load of cars and (b) because of when they took on fuel. So they are suggesting the difficulty in keeping to those times.

The Minister for Economic Development:

The load of the vehicles can affect the timing up to 30 minutes I think on a one-way journey.

Chief Officer:

Loading and unloading is the big issue. The Houlder report also concluded that whether the ... the difference a full load made over the vehicle - partial versus full load - was less than a knot in terms of its sailing speed.

[16:15]

The issues comes when you have to unload and load a larger capacity of vehicles particularly on to the docks.

The Deputy of St. Mary:

Yes, but it obviously affects the arrival time at one end.

Chief Officer:

It does.

The Deputy of St. Mary:

I mean is that that ... again, is the benchmark review going to comment on that? That the vessels are finding it difficult to comply with the published times because of that?

The Minister for Economic Development:

I am expecting the benchmark review to really look at the service that is being provided with what can be reasonably expected. I do not expect it to go into a huge amount of detail but ...

Chief Officer:

I think that the issue is that the benchmark review ... and if they were acting as a prudent operator, a prudent operator would make sure that the published schedule was something ... there was a reasonable expectation of it including ...

The Deputy of St. Mary:

That is what I was driving at, thank you.

Chief Officer:

... not just transit times, but loading and unloading. If there is an issue that flows from the Houlder report, I am sure that will come out in the benchmark review. It would be imprudent of the operator or indeed of us, or the Guernsey authorities, to continue to tolerate a timetable that clearly because of operational issues, not only vessel related issues, was problematic in achieving.

The Deputy of St. Mary:

Thanks for the clarification.

Deputy S.M. Brée:

Okay, do you want to just finish with the Enterprise ...

The Deputy of St. Mary:

Yes, Enterprise Strategy.

Deputy S.M. Brée:

2016; we have I think had delivered to us a document, which we have not yet read, so can you just very briefly - and I am looking at the time when I say this - give us a brief on where we are with it?

The Deputy of St. Mary:

Yes, certainly.

Deputy S.M. Brée:

What is it, I suppose is the ...?

The Minister for Economic Development:

Okay.

Chief Officer:

Do you want to comment on that, Andrew?

Deputy Chief Officer:

Yes, I mean the Enterprise Strategy is more of a priority set out in the Strategic Plan. It will be a high level strategy focused on how Jersey can return to economic growth. I think that the statistics prove that Jersey has not enjoyed any economic growth since 2000. So I think the strategy will concentrate on 3 key areas. Most of them are productivity driven. Productivity as long as it becomes permanent so it can deliver economic growth. The first one would be to look at improving the productivity of existing businesses. So the only sector that will be strategy one, kind of, will be the finance sector. It will be aware of the finance sector and there will be crossovers in some of the activity. So when it comes to inward investment, which is a priority, some of the investment activity, promotional activity will tie in with what Jersey Finance are doing around the world. So there is a combination of the 2. It is not as if we are working in silos. So the productivity of the existing businesses will primarily be driven by Jersey Business. So the activities they have, looking at how they will put in place specific programmes to look at, for example, exporting. So I think they did a survey recently where they asked companies through social media whether they were considering exporting. I believe they have had over 100 companies that said they are interested but none ... there is not a programme in place to support them. So with the Enterprise Strategy that is one of the kind of activities that will be included in that particular product. Other things we will be looking at, things like skills. Skills is an important part of productivity. At the moment skills are transferred to the Education Department and they are looking at an education/business partnership. So it is about how ongoing, continuous learning is provided for people who are working in the industry. The second priority will look at supporting various companies with high growth potential. So it is identifying, if you like, the ones who have potential to grow and create employment. There is a definition that we are using; I do not have with me but it comes from the O.E.C.D. (Organisation for Economic Co-operation and Development) and it is about the ability to create a certain number of jobs within a certain time period through the growth of particular companies. The third area of priority, we will look at things like attracting inward investment and find out whether the individuals ... bringing their businesses together as an international promotion. It is about doing more inward investment but doing it in a smarter way. So rather than doing, for example, lay on lunches, targeting, doing regeneration work, talking to companies who have real prospects of bringing real opportunities, the opportunity to create significant numbers of jobs. Those are the 3 priorities we have got at the moment. The intention is through those 3 priorities, and by talking with the key stakeholder groups, which are currently in the department organisation of the department funds anyway; so there is Digital Jersey, Jersey Business, Locate Jersey and also Visit Jersey. So I mean promotion and branding, the positions, et cetera. It is important we use that expertise in that. It is about how we then task them with delivering their own business plans. So rather than them going away and bringing them in isolation it is about focusing their business plans in the future on delivering the strategic

priorities of the States through the Enterprise Strategy. The Enterprise Strategy will have its own operating group that will include the partner organisations. It will then have a political oversight group, which will then feed into the overall economic policy group, which is chaired by the Chief Minister. The intention is that the work will ... the ground work has been started and the intention is that within the first half of next year the structure will be finished. Obviously we would invite Scrutiny to review that process..

Deputy S.M. Brée:

No, I mean, yes I was getting ... you got there before me. Obviously we would like to be involved at an early stage. It all sounds wonderful but it also sounds very expensive. What are your budgets for delivering the Enterprise Strategy 2016?

Deputy Chief Officer:

Well I mean the Enterprise Strategy, if the Minister will forgive me, I think it should be a key component of the delivery of the department and therefore the budgets that we already have, it is about using those budgets more effectively by driving the right kind of activity through the right kind of department organisation.

Deputy S.M. Brée:

Right. So the cost of delivering it comes out of the current funding going to your department?

The Minister for Economic Development:

Yes absolutely. What we are saying, we are looking across the sector at 5, 6, 7, 8 and Skills Jersey included in the ...

Deputy Chief Officer:

There has to be some doubt about Skills Jersey because of the emergence of ...

The Minister for Economic Development:

There is the best part of somewhere between £8 million and £10 million invested in these bodies to deliver things, so the Enterprise Strategy is to make sure we are getting the very best value for money, productivity and delivery and there will be no extra budget. The cost of doing this is all contained within what we ...

Deputy S.M. Brée:

Now the enterprise ... sorry, just ... go on.

Deputy Chief Officer:

The first activity we have done is we have gone to the partners and said: "Here are the 3 priorities. Can you tell us how much of your budget fits within these 3 priorities?" So we begin to have an overall picture of what is being spent in each individual area.

Deputy S.M. Brée:

The previous Enterprise Strategy, which I believe was called the Enterprise Action Plan 2014 to 2015. How successful was that?

Deputy Chief Officer:

Well again it comes down to how you measure success. The action plan was an interim plan because we knew we had to write a new strategy. So it was a short-term plan of activity to be driven.

Chief Officer:

But I think it is fair to say that the ultimate measure on the Enterprise Action Plan is in jobs and growth. We have record levels of employment and the non-financial services sector economy returned to growth.

Deputy S.M. Brée:

Yes, we have record levels of employment but we also have pretty high levels of unemployment so I would not necessarily ...

Chief Officer:

No. But ...

Deputy S.M. Brée:

It is all very well saying ...

The Minister for Economic Development:

Fortunately it is a lot less than it was. Fortunately ...

Deputy S.M. Brée:

It is but as a percentage of the overall working population it is still considered by many to be far too high, myself included. So really the Enterprise Action Plan was the precursor effectively to this strategy. Is that what you are saying?

Deputy Chief Officer:

Yes, I think some of the activity you will see in the Enterprise Action Plan may well be at a lower level within the strategy itself when it is published.

Deputy S.M. Brée:

Well, if we can ask you to keep us at least involved in this. We will be very interested to see what your initial thoughts are and how you are planning to deliver the plan. Because obviously, I believe firmly that Scrutiny can bring a lot of value to early working with departments. I think that is probably it from our side of things. We have taken up your time. I would like to just say thank you very much indeed for giving us your time. It has been very useful and if we can continue to work closely together, we as a Scrutiny Panel would be very appreciative.

The Minister for Economic Development:

Can I on behalf of all of us in E.D.D. thank you and say we are very prepared to work closely with you and look forward to it. Thank you.

Deputy S.M. Brée:

All right. Thank you, gentlemen. And thank you to members of the public and press as well.

[16:24]