

Economic Affairs Scrutiny Panel

Quarterly Hearing

MONDAY, 4th OCTOBER 2018

Panel:

Deputy K.F. Morel of St. Lawrence (Chairman)
Deputy D. Johnson of St. Mary (Vice-Chairman)
Deputy S.M. Wickenden of St. Helier

Witnesses:

The Minister for Economic Development, Tourism, Sport and Culture
Assistant Minister 1 for Economic Development, Tourism, Sport and Culture
Assistant Minister 2 for Economic Development, Tourism, Sport and Culture
Group Director, Economy and Partnerships
Director, Economic Development, Tourism, Sport and Culture
Interim Private Secretary to Senator Farnham and his Assistant Ministers

[10:03]

Deputy K.F. Morel of St Lawrence (Chairman):

Thank you so much for coming along, it is really kind, for this, our first Economic Affairs public hearing, the first of a new session obviously and a new Scrutiny Panel. I think the best way to start is by stating our names and positions for the record so we know who is here. I will start with you to our right, Scott.

Deputy S.M. Wickenden of St. Helier:

Deputy Scott Wickenden and I am a Panel Member for the Economic Affairs Scrutiny Panel.

Deputy K.F. Morel:

Deputy Kirsten Morel, I am Chairman of the Economic Affairs Scrutiny Panel.

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

Deputy David Johnson, Vice-Chairman of this Panel.

Interim Private Secretary to Senator Farnham:

Ian Clarkson, I am Interim Private Secretary to Senator Farnham and his Assistant Ministers.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

Senator Steve Pallett, Assistant Minister.

Group Director, Economy and Partnerships:

Dan Houseago, I am Group Director for Economy and Partnerships.

The Minister for Economic Development, Tourism, Sport and Culture:

Senator Lyndon Farnham. I am reading it off there. Minister for Economic Development, Tourism, Sport and Culture.

Deputy K.F. Morel:

Is this about right?

The Minister for Economic Development, Tourism, Sport and Culture:

Correct.

Director, Economic Development, Tourism, Sport and Culture:

Darren Scott, Director, Economic Development, Tourism, Sport and Culture.

Assistant Minister 2 for Economic Development, Tourism, Sport and Culture:

I am Deputy Montfort Tadier, I am an Assistant Minister for this department.

Deputy K.F. Morel:

Thank you. This hearing is just a general overview of the Economic Development department so there is no one theme. We are covering a number of themes as we go through the meeting, if that is okay. A while back we kindly met the Assistant Minister who advised us, when asked about priorities for the department, that we would have to wait until we spoke with you, which is absolutely fine so I was wondering if we could start on that, what your priorities are for the years ahead.

The Minister for Economic Development, Tourism, Sport and Culture:

I thought I would like, if it is okay with you, to just start to give an overview and if you obviously wanted to drill down then the Assistant Ministers have various delegated responsibilities that they might like to talk about and their priorities within those delegations.

Deputy K.F. Morel:

Yes, that is fine.

The Minister for Economic Development, Tourism, Sport and Culture:

As you probably would have seen by those figures that were released by the statistics unit yesterday and from the relevant course of action proposals, the strategic plan is improving productivity. That is, the key target has to be connected to population, it is connected to improving the standard 10 05 24 (inaudible) and it has to be at the heart of everything that we do so for me in the department, the high level priority is working on that. We will be addressing that through a new economic framework which our department have been leading on and if I may point to Dan to just add considerably more detail to the economic framework?

Deputy K.F. Morel:

That would be fantastic.

Group Director, Economy and Partnerships:

The productivity figures that were produced yesterday were not all bad. They masked the fact that we have had 4 years of sustained growth in the economy. In fact, our economy has been growing well and doing well for 50 years. Having said all that, we suffer from the same problem that all economies do at the moment, which is that there is a productivity challenge and we need to address that through a bespoke solution for Jersey, not just looking at the standard ways of minimising the challenge of productivity. One of the big issues has been that in the absence of an overarching framework with key principles, it is very difficult to decide where you focus your attention in terms of productivity and I think the other challenge is that productivity gains cannot be done in the short term and they probably transcend political cycles so what we are looking for is a framework that gives us some medium and long terms principles that will allow us to invest in productivity improvements, whatever they are. We need to identify what they are in Jersey. That is the next phase of this work so that we can put in place long term investment plans that require sustained investment to make a difference. I think this is where the new Council of Ministers and the new Commons Chief of Policy have got it right so we are really talking about sowing seeds for productivity improvements that may deliver later in time. The other important point about the economic framework is in the past we may have had big aspirations around dealing with economic issues but we have not properly linked those aspirations to an investment framework that allows us to do stuff in the economy at the right scale so I think this feels like a new and refreshing way of looking at the economy and it is

something that I would strongly advise ministers to consider, that now is the moment of taking that on.

Deputy K.F. Morel:

When you said there had been an absence of an overarching framework, what you are saying is for the last so many years the Economic Development Department has not had an economic framework?

Group Director, Economy and Partnerships:

Yes, but the Island has not had one. What you see from the C.S.P. (Common Strategic Policy) is the breadth of our consideration of the economy has been expanded quite extensively in that it is not just about growth, which is what we have looked at in terms of enterprise policies et cetera. The way we have used our grants to facilitate business development has really primarily been focused around growth but we have not looked at talent so we have not really identified where our future economic drivers are, which bits of our economy are future economic drivers, basically how to enable bits of the economy through digital intervention, through development and skills training, talent, all that sort of stuff, proper infrastructure. We have looked at bits of that but classically, in the old style of doing business, it has been a bit silo-ed and the interconnections in the economy have not been made properly. I think we are trying to address that and I think 10:09:03 (several inaudible words).

The Minister for Economic Development, Tourism, Sport and Culture:

May I add something just on the end of that? While the States has a number of economy plans, the economic performance, or lack of, of the Island has somewhat been driven by treasury and economic development. The budget is one of the levers with which we control the economy to a certain extent but of course without monetary policy, we only have fiscal policy and plans. It has been generally focused on business development, which is good and important as I am sure you all know, but our productivity, our Gross Value Added figures are worked out by the operating surpluses of the business added to the compensation of employees and that creates the value of our economy which has been raised but of course to break that down, G.V.A. (Gross Value Added) per sector of care per capita is divided by the population so we have a double whammy. It has been skewed by the falling banking profits in the financial sector so a small drop in financial performance in the financial services sector has an exponential effect on the productivity of the rest of the economy plus a growing population so as long as our population is growing and we are using that number to produce our productivity figure, it is going to keep falling so there is a huge challenge.

Deputy K.F. Morel:

Of course we have to use that number to work out productivity, we cannot choose a different way.

The Minister for Economic Development, Tourism, Sport and Culture:

I was not suggesting that we find some other way but the hard facts are that we are going to have to make some decisions about business development and how we allow businesses to develop because if we keep allowing businesses to develop without reign ... and this is difficult for me to say because I believe in minimal interference from government in business and I believe in a free market economy but if we allow it to go unchecked, the value of our economy or the productivity of it, in my opinion, will continue to fall unless we start looking more specifically at certain areas.

Deputy K.F. Morel:

Obviously you are the only minister in the Council of Ministers who is not new to their portfolio so you have been in post for 3 years and from what we just heard, without having had an economic framework, it seems to me that you had difficulty understanding the effects of the choices you are making as Minister for the past few years and so perhaps you can help me understand how you can do that without having a framework in which to measure.

The Minister for Economic Development, Tourism, Sport and Culture:

I have been focused completely on developing the areas of the economy that were not taken off me straight after the last election. Financial Services went over to the Chief Minister's department sometime before and then my portfolio was split and I think that might make it a little bit disjointed in terms of working together so I and my department focused, and I think have been successful, on the sectors for which we were responsible. Tourism, I think, is still a big challenge but it is going in the right direction. There are some great opportunities for the agricultural sector. We are working on retail strategy. We are working more closely with retailers to develop other areas of commerce and I think the difference here is now with a new government and restructuring of the ministerial portfolios, quite rightly the majority of the economic responsibility will be back with my department. If I can be so bold, there is a far better dynamic in the Council of Ministers now. The ministers are from a broad church of political views and that appears to have worked well so far. I think everybody is aligned with the best interests of Jersey.

Deputy S.M. Wickenden:

Under productivity, I guess there is a lot you have already answered about what is going on, some of the tools that we put in place after the last assembly. One of them, for instance, was the Economic and Productivity Growth Drawdown Provision. Is that the sort of tool that you will be using going forward?

The Minister for Economic Development, Tourism, Sport and Culture:

The States funding for businesses, whether it be through Jersey Innovation Fund, Economic and Productivity Growth Drawdown Provision, Tourism Development Fund, is all currently under review so there will be significant funds available for investment in the economy. How that will be restructured is undecided but it is imperative we provide financial support.

Deputy S.M. Wickenden:

The fund is still there but is being reviewed so it might not be there in the future.

Group Director, Economy and Partnerships:

I think the problem with the old scheme was, in my view, 2-fold. One was it tended to focus too much on the 41 per cent of the economy that is financial services and not on the 59 per cent that was not but you have to increase productivity across the board if you are going to make an impact on it. There are lots of funds people can bid to for growth and investment and they are not very strategic if they are all over the place, driven by different departments and different silos so I think the direction of travel is that we will establish a new investment appraisal board, which I think will be able to look at the relative priorities across the whole economy and I think that is progress.

Deputy S.M. Wickenden:

How many ministers from the Council of Ministers will be part of that board?

Group Director, Economy and Partnerships:

As I understand it, the board will make a recommendation to Treasury ministers.

The Minister for Economic Development, Tourism, Sport and Culture:

As per the Economic and Productivity Growth Drawdown Provision, a senior officer will filter the applications and make representations to The Minister for Treasury and Resources. I would think the Panel will include The Minister for Treasury and Resources, Chief Minister, myself perhaps and another minister as well.

[10:15]

The Deputy of St. Mary:

Thank you for that. What you are saying touches on other sub-questions you have there but on the funds, how near are we to getting a blueprint of how it is going to go with the appraisal board and that new structure?

The Minister for Economic Development, Tourism, Sport and Culture:

Personally, I think it is pretty much established, as far as I am aware.

Group Director, Economy and Partnerships:

That is right Minister, so the Investment Appraisal Board has been established and it received its first tranche of applications from across the business. These applications have been rightly focused upon base funds that are required to drive the restructuring of government in the first instance but also to drive the priorities in accordance with strategic policies, bearing in mind that we are in an interesting part of the medium term financial plan cycle. We are moving into the last year of that so we are moving into a transitional 2019 period in advance of the government plan that will amalgamate commerce strategic policy in the medium term financial plan in a much more coherent way so this is a little bit of a transition period and I think a lot of the funding that has been requested by the department is to allow them to drive themselves through that transition when, of course, as you are aware, there is a hell of a lot going on in the government and in terms of strategic policy development.

The Deputy of St. Mary:

Just to finish off, the terms of reference of this appraisal board will be to look at all the other funds that were previously available so we are under one roof?

Group Director, Economy and Partnerships:

That is my understanding but it is driven by the Treasury so it is really a question for them.

The Deputy of St. Mary:

Okay.

Deputy S.M. Wickenden:

The E.P.G.D.P. (Economic and Productivity Growth Drawdown Provision) fund was brought to The Assembly and agreed by politicians for a specific reason which was to fund and grow the economy in areas where it needs it. Will these new funds or the use of this money be approved by The Assembly or will it just be dealt with by officers?

Group Director, Economy and Partnerships:

I do not know. I would anticipate, as the Senator has said, that currently the arrangement is that the senior officers group make a recommendation to the Treasury ...

The Minister for Economic Development, Tourism, Sport and Culture:

Final sign-off, I am not sure whether it has to go back to the assembly or whether it stays agreed as part of the M.T.F.P. (Medium Term Financial Plan) programme. I am not sure but it does have to go back to The Assembly.

Deputy S.M. Wickenden:

As long as money is being used for the same purpose the politicians in The Assembly have set it out to be then that should be right.

The Minister for Economic Development, Tourism, Sport and Culture:

Yes, oh yes.

Deputy S.M. Wickenden:

If it gets removed then that is political interference.

The Minister for Economic Development, Tourism, Sport and Culture:

It is my view and my understanding that we need to retain at least that amount of money and preferably get some more to get our economy ... for example, we need to look at maintaining or putting some balance in our State violation fund which I believe is something that is being considered at the moment, so there is some money in the State violation fund to help us on standby from the outset post-Brexit.

Group Director, Economy and Partnerships:

I think it might be worth just saying one thing about the scale of what we are trying to achieve in terms of economic framework. This is not £2 million or £3 million's worth of investment, this is a medium to long term investment at a higher level than that so I think the States and The Assembly and the Government needs to get some time to think about how it delivers that and I think that at the moment we are in this interim phase where things are not as clear as we want them to be in 12 months' time.

The Minister for Economic Development, Tourism, Sport and Culture:

If you remember, in the last Government it took almost a year and a half to finally straighten everything out and I am anticipating the Chief Minister will have everything lined up in the next month or 2 so there is a lot of work going on. As I was saying before, now we have changed the structure of the public sector and I was not convinced at the time that was right but working closely with it now I am becoming more and more reassured and it seems to be much quicker now because you have different ministries and different departments working separately now, it is all being channelled into one place where decisions can be made coherently.

Deputy K.F. Morel:

Yes, excellent, just one more question on productivity. I was wondering, with the specifics that we saw yesterday, we saw Guernsey's figures were a bit better than Jersey's, both in terms of G.V.A.

and in terms of productivity and I was wondering what your thoughts were on that because Guernsey is taking some quite different decisions to Jersey. It has capped its population growth quite dramatically, Jersey has not. I appreciate it does not have the banking sector to the extent that Jersey does so interest rate fluctuations do not affect it in the same way but it was just really your thoughts on why Jersey and Guernsey stand so starkly apart from each other.

The Minister for Economic Development, Tourism, Sport and Culture:

I think we have completely different views on how we want manage our islands. Our economy is considerably bigger than Guernsey's and really I am not sure how ... the G.V.A., these figures, I do not believe are the be all and end all. I think it is a mistake to measure the wellbeing of Islanders purely on a scale of Gross Value Added.

Deputy K.F. Morel:

I have said that many times prior. You would not have known that but I do agree.

The Minister for Economic Development, Tourism, Sport and Culture:

It is really dangerous putting too much emphasis on these figures and I am not trying to ...

Deputy K.F. Morel:

But if you do not mind, this is the Economic Development department, these are the economic figures as opposed to wellbeing figures, we are looking at the economy on this.

The Minister for Economic Development, Tourism, Sport and Culture:

Sure, so the point I am making is our economy continues to grow and that is important. Those previous policies have been to grow the economy and grow, particularly in my instance, a traditional sectional focus on other areas of commerce and we are seeing productivity fairly stable in those areas because ironically as we grow them, we need to bring more people in so if productivity is not changing, we need to grow those sectors.

Deputy K.F. Morel:

That is it, is it not? If efficiency is not improving, productivity is not growing so Jersey is making it up by bringing people in, that is how Jersey created growth. It is through people as opposed to the completely different view Guernsey took. I am just wondering, in your opinion, do you think Guernsey's decision may have forced its businesses to act in a way towards productivity which Jersey businesses have not?

The Minister for Economic Development, Tourism, Sport and Culture:

I am always reluctant to offer advice to our colleagues in Guernsey. I would have to run their economy first.

Deputy K.F. Morel:

No, I am not asking to offer them advice. I wondered if that is what you think.

The Minister for Economic Development, Tourism, Sport and Culture:

Going on the record with you, I think Guernsey have many different challenges to us. We are very close, we are part of the same delegate of islands but the culture is completely different. They are far more constrained by size than we are so I think their policies are more in line with that but I think the big challenge for us is to make sure we can provide a labour force for areas of commerce such as agriculture, tourism, retail, manufacturing and other areas that do not have a long term impact on our population. That is imperative so we are going to have to have a system that allows people to work in Jersey for 9 or 10 months a year, similar to the system we have with Kenya. There is still some legacy from that with Kenyans coming to the Island and working for us for 16 years now, and going backwards and forwards.

Deputy K.F. Morel:

Yes.

The Minister for Economic Development, Tourism, Sport and Culture:

That is in my opinion. I think that we are going to have to do that but of course because of our border arrangements with the U.K. (United Kingdom) we have to work very closely with the U.K. because if we let people in here, it is very easy for them to disappear into the U.K.

Deputy K.F. Morel:

Yes, I appreciate that.

The Minister for Economic Development, Tourism, Sport and Culture:

We are in communication with the U.K. government who are at this moment in time thinking of a similar policy change for the U.K. because believe it or not, they have the same problem as us. They have acute labour shortages in certain areas of their economy.

Deputy K.F. Morel:

I think with the timely intervention of Brexit you will find you have more acute labour shortages.

The Minister for Economic Development, Tourism, Sport and Culture:

I think the Assistant Manager should be answering a few questions.

Deputy K.F. Morel:

We will get there.

The Deputy of St. Mary:

We cannot have this meeting without raising Brexit. The Chairman and I are on the Brexit review panel. We know where we are or where we are not but as far as your department is concerned, are you taking any special measures or undertaking any special consultation with various areas to pinpoint the dangers and ...

The Minister for Economic Development, Tourism, Sport and Culture:

The answer is yes, we are doing a lot of work and Dan is leading on that.

The Deputy of St. Mary:

Can you elaborate please?

Group Director, Economy and Partnerships:

Yes, certainly. Brexit is obviously ... there are a range of work streams that are cross cutting in many areas across the Government. We, in economic development terms, deal primarily with agriculture and fisheries and transport issues at this moment in time. There are some supply chain issues as well that we are looking at. We have tended to focus initially on the agriculture and fisheries work stream, primarily because those are the 2 industries that are affected by the Protocol 3 10:25:10 (inaudible) which, as you will know, was the de facto membership fee of the union for those sectors and I think it is fair to say we have been working with those industries very closely since early 2017 and we have effectively looked at those sectors in 4 key industries, the dairy industry, the arable sector, the capture fisheries industry and the agriculture industry. We have been working with them, trying at an early stage to understand what the impact of effectively losing that trading arrangement would be in lots of different areas so it is in things like marketing and health legislation, it is not just economics. It is the non-economic issues associated with trade and that is encapsulated in the Protocol 3 Agreement so that has been our priority and that has gone well. The relationships are good, and I am sure you will ask them at some point. We have got a very strong partnership with those sectors and we have moved into a place with them, once we have understood the basics, to a scenario planning kind of project which has looked effectively at 2 scenarios, a hard and a soft Brexit, so a Brexit with no deal and a Brexit with a free trade agreement with the European Union and we have looked at different scenarios and what the issues are there across those sectors in a lot of detail so we are working with industry representatives and the conclusions of that report were that there were 3 key issues. One was reduced prices for products, so that may be as a consequence of direct tariffs or additional costs of doing business around

additional paperwork to do all the imports and exports, which is particularly important for the arable sector, reduced labour availability and also potentially a challenge to the way we license milk in Jersey and our protection of the local milk supply. Those really were the key issues that we looked into and of course scenario planning is quite tricky in the Brexit context because there is a lot going on. We do not know what the end point is going to be, we have an arbitrary date for leaving the European Union, or the U.K. leaving the European Union but nevertheless, there is a lot of consideration. Are we going to be piggy-banking on the U.K.'s limited term membership, are we going to have a licensing system that deal with labour and labour availability, are we going to have bespoke trading arrangements with France, is that bilaterally possible or even allowable going forward, what is the status of the country relationships post-Brexit? There is a long list there and so it is quite difficult to do the scenario planning but the final point I would like to make is that we are looking at contingency for day one no-deal so there is a lot of work going on, not just in the agriculture and fishery sectors but also in the retail sector and in the hospitality sector which we are kicking off in detail.

The Deputy of St. Mary:

I was going to mention that. Hospitality in particular, they have concerns about the workforce.

Group Director, Economy and Partnerships:

Quite right and we will be meeting with them this month, just to make sure we fully understand those issues and to ensure that we are fully ready for a potential day one no-deal. Of course, we are hoping for a transition period where we can do things in less of a rush but we are planning for the worst case scenario. Darren might want to add a little bit on transport perhaps, in terms of contingency planning?

Director, Economic Development, Tourism, Sport and Culture:

I think transport is arguably simpler in the sense that 10:29:11 (several inaudible words) domestic transport issues, which I think were fully explained in a different Scrutiny Panel earlier in the week 10:29:19 (several inaudible words).

Deputy K.F. Morel:

Yes, we will not go there.

Director, Economic Development, Tourism, Sport and Culture:

Then, effectively, you have got off-Island connectivity. At the moment there are no immediate transport off Island issues based on the information that we have at the moment and we are in regular dialogue with the airlines, obviously our ferry provider and the logistic support that sits at both ends behind that. At the moment they are not flagging any issues but it obviously depends on

how the U.K. leaves the E.U. (European Union) so at the moment, from a transport perspective, other than the domestic actions that now have been lodged with the Assembly for consideration by States Members, as far as our final connectivity is concerned, it is ...

[10:30]

Deputy K.F. Morel:

Only because I read it in the national media, one issue that has been raised is the possibility of air safety certification, things like this, so I genuinely do not know whether it is something which is important or not but have you spoken to the airlines about that side of things?

Director, Economic Development, Tourism, Sport and Culture:

The implications of it by necessity make it important to a certain extent and we are effectively in the U.K.'s hands so we have a joint director of civil aviation with Guernsey and we are in regular dialogue with the D.F.T. (Department For Transport) in the U.K. The implications of that obviously are severe but the likelihood of it, I think, at this point hopefully is low and we are in frequent contact with the D.F.T. and the regulators to do what we can to ensure that does not happen.

The Deputy of St. Mary:

Just to pick up a point raised by both of you, the supply chain, which is material for the U.K. of course, in some ways does not affect us because most of our supplies come from the U.K. and I suppose in a way we are a consumer of the U.K. If the U.K.'s supply from overseas finishes we will get our ration cut but on basic things like foodstuffs, you anticipate no problem at all?

Group Director, Economy and Partnerships:

I think we have got to expect anything. 98 per cent of our supplies come from the U.K. on Condor so we have to accept that is a lifeline service for the Island. It is very difficult to predict what sort of transitional problems there might be in supply chain going forward. We are speaking to retailers, we are all speaking to all the people you might expect and Condor about what their contingency planning is going forward.

The Deputy of St. Mary:

Yes.

Group Director, Economy and Partnerships:

I think there is a point at which Government has to say: "Up until this point this is our issue and beyond that it is about contingencies of public sector businesses" but we nevertheless have to be

reassured that those contingencies are (a) in place and (b) realistic and that is work that is certainly ongoing.

Deputy K.F. Morel:

I appreciate what you are saying about 'up to this point it is Government' but ensuring we have food supplies correct?

The Minister for Economic Development, Tourism, Sport and Culture:

I think it is fair to say that the links between the U.K. and Jersey are relatively low risk at the moment. There is not a great ...

Group Director, Economy and Partnerships:

If you take, for example, fresh salad, we can produce a little bit there but just say we are bringing that in from the U.K. and we cannot all of a sudden, I would anticipate that we could quite easily fly it from America. It would be more expensive but we will not be not having food, it is just that the cost of that, in a temporary sense, will go up.

Deputy S.M. Wickenden:

Condor goes to France, we could quite easily do the same thing where it goes and take produce from France.

Group Director, Economy and Partnerships:

There are a range of options, yes.

Director, Economic Development, Tourism, Sport and Culture:

There are various contingency plans going on behind the scenes that involve various different stakeholders and partners. All that work is being done and you have highlighted one of the obvious things. We do have ferries that go to both north and south so if there is temporary disruption then one can be increased if the other is struggling, not because the ferry is not running but because there are supply chain issues.

Group Director, Economy and Partnerships:

The point about the contingency day one readiness process, that is well advanced, is that we are not anticipating any problems at all but of course as part of a risk assessment process you have to evaluate that risk.

Deputy S.M. Wickenden:

That is absolutely fair.

Group Director, Economy and Partnerships:

We are not anticipating any big problems at all because I think we are prepared.

Assistant Minister 2 for Economic Development, Tourism, Sport and Culture:

Can I just add as well that it is a good question to ask about food security, that is obviously a wider question that should be asked at any point, not just in the context of Brexit and there are any number of factors that could have an impact on food security in the Island and it could be climate, it could be political so I think it needs to be ...

Deputy K.F. Morel:

Absolutely.

Group Director, Economy and Partnerships:

Let us not forget there is an emergency plan. There is an emergency plan in any eventuality anyway.

Deputy K.F. Morel:

I was not expecting to ask this question but your point about food security is interesting and here I am asking the Economic Development about food security. Is that something you would ordinarily think comes under your remit? Just because I have a funny feeling it does not really sit anywhere.

The Minister for Economic Development, Tourism, Sport and Culture:

I believe the responsibility has been carried over. In the case of an extreme emergency, I am the Minister with that responsibility.

Deputy K.F. Morel:

You are.

The Deputy of St. Mary:

I think as far as Brexit is concerned, we could be talking about that all day so I think we are as near as we can be.

Assistant Minister 2 for Economic Development, Tourism, Sport and Culture:

You know there is bunker under The Royal Yacht with lots of tins in it?

Deputy K.F. Morel:

Talking about preparedness again, not about Brexit though, moving on from Brexit, the employer survey 2017 showed us that employers have concerns about skills and getting the labour they need. Brexit is going to put greater pressure on that but we talked about productivity and we talked about the way the Island is growing anyway so we know there are problems. Minister, do you accept that there is a skill shortage on the Island across the range of businesses that we have?

The Minister for Economic Development, Tourism, Sport and Culture:

Yes I do.

Deputy K.F. Morel:

I am interested as well in understanding what role you play, if any, in granting licenses enabling businesses in the Island to get the people they need, so rather than just granting licenses, what role do you play?

The Minister for Economic Development, Tourism, Sport and Culture:

I believe the responsibility for granting the licences falls to the Chief Minister.

Deputy K.F. Morel:

Yes, that is fine.

The Minister for Economic Development, Tourism, Sport and Culture:

It is usually delegated to an Assistant Chief Minister. In this instance it is delegated to the Constable of St. John. He is advised by the Housing and Work Advisory Group and Senator Pallett, our department's representative on there.

Deputy K.F. Morel:

We are just wondering about the Economic Development department's role in ensuring the Island has enough skills for its economy to function and so how licenses are granted and how the Economic Development department plays its part in that.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

Well it is really an issue because we are getting applications on a fortnightly basis that show that there are shortages in all sectors of the Jersey economy but it seems to be especially within the hospitality industry and also some of the service industries, which are deemed to be low value and therefore in many regards do not fit the criteria that will be improved. I think it is becoming apparent within the group itself that we need to take a different approach in regards to where we source 10:37:03 (inaudible) from. We have already touched on this.

Deputy K.F. Morel:

Yes.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

That is not a matter for the Housing and Work Group, that is a matter for the Council of Ministers, I think, in regards to either a short term or a longer term population policy involved with where they see we can source labour from. There are issues within the agricultural industry that we are trying to get to grips with in terms of labour and I think that is something that will be addressed but clearly, in terms of hospitality, I am beginning to worry, with some of the contacts I have had, that there is a black market beginning to appear within the hospitality industry where people are working outside of normal hours for cash in hand and that is not beneficial to the Island because they are not paying I.T.I.S. (Income Tax Instalment System), they are not paying tax, but that should not come as a surprise. There is a desperate shortage I think, as the Minister knows, of chefs and all sorts of staff within the industry and I am afraid practices like this will probably start to arise because of people's frustrations.

The Minister for Economic Development, Tourism, Sport and Culture:

There is a shortage in the whole E.U. of people with certain skills.

Deputy K.F. Morel:

Absolutely, yes.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

We are frustrated, I think, within the Housing and Work Group, because we want to help and grow businesses but obviously some of the sectors that are struggling to find labour do not meet the criteria that are set down within the Group in regards to the value of their workers. In my mind there is no such thing as a low value worker, every worker is valued.

Deputy K.F. Morel:

Well said.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

Clearly some earn more than others and some are going to be more attractive in regards to tax and all the other benefits they bring to the Island. Clearly there is an issue. I think it is one that I think that the Minister and the Council have got to deal with fairly quickly because I think this is going to have issues for the next tourism season if people cannot ...

The Minister for Economic Development, Tourism, Sport and Culture:

There is major concern, not just in tourism but in agriculture and other areas of commerce.

Deputy K.F. Morel:

Yes.

The Minister for Economic Development, Tourism, Sport and Culture:

We have got that not just as a by-product of the growth of our economy but there is Brexit and of course there are the larger increases in the minimum wage and all of the 3 together are creating a real challenge for that particular end of the market but can I just return to the skills question and ...

Deputy S.M. Wickenden:

Before you go on to the skills question, can I ask the Minister more? Certainly about the population policy he mentioned. We have been waiting for this year after year after year after year and we finally had a proposition brought forward by the previous Council of Ministers which was to be debated which has now been pulled by the Council of Ministers. What input or work have you got in helping get us to a point with a population policy, which is getting more dire in need day after day after day?

The Minister for Economic Development, Tourism, Sport and Culture:

If we are honest, I think there has been a reluctance to deal with the population policy for a number of years by politicians who have realised that there has to be a really, really difficult call on population. We all want to support business and the economy and in doing it, while we have been as supportive as possible over the years, we have seen as a result of that, exponential growth in our population so in my view, the interim population policies and the failure to get to grips with it is because I think we have probably all been avoiding the very difficult decision that we now have to make, which is how do we maintain the number of jobs in the Island with a growing population and how do we continue to grow our economy and do it without an unsustainable increase in our population?

Deputy S.M. Wickenden:

You are not currently involved in ...

The Minister for Economic Development, Tourism, Sport and Culture:

That is going to happen now and I understand why the new Chief Minister decided not to re-table what was currently there was because there are some hard decisions that we all need to make as a States Assembly.

Deputy S.M. Wickenden:

You are not currently involved in the creation of a new population policy as the Economic Minister or Assistant Ministers?

The Minister for Economic Development, Tourism, Sport and Culture:

We all will be but we have just finished the Common Strategic Policy so now that is done and the budget is about to be shared, I think we are going to be moving pretty quickly on population, which of course is all part of the Common Strategic Policy.

Deputy S.M. Wickenden:

Okay.

The Minister for Economic Development, Tourism, Sport and Culture:

That is a very good question Scott but the honest answer is we are now going to have to make some tough decisions which is why productivity is so important, doing more with less people, otherwise we carry on growing our population and reducing our productivity and letting Guernsey beat us in the figures department.

The Deputy of St. Mary:

Following on from Scott's question there, I appreciate the difficulty about finding available resources but to deal with licenses, it has been perceived that licenses granted are maybe to certain places which are immediately of economic benefit, for instance an accountant or whatever, who will produce more taxable revenue to the Island. Now, is that general philosophy being looked at on the basis that ... I think one reason why the population policy was withdrawn was due to opposition from the Jersey Hospitality Association in particular ...

The Minister for Economic Development, Tourism, Sport and Culture:

No, no, I think ...

The Deputy of St. Mary:

Okay I will withdraw that. They are concerned that they have difficulty in finding people.

The Minister for Economic Development, Tourism, Sport and Culture:

Yes.

The Deputy of St. Mary:

Not through just resources but the fact that they will not get licenses to accommodate them because they are not going to bring in themselves ...

The Minister for Economic Development, Tourism, Sport and Culture:

Honestly, Steve made a point. I think every job in the economy is important but, in my opinion, we have been spectacularly bad in certain aspects of the last Government at consultation with industries and I think the way we are going to get a new population policy over the line is to engage broadly with business, community, art, heritage and that is the work that needs to be done but Senator Pallett sits on it anyway and he can talk about the decision making process, because it is really difficult. There is uproar because it was alleged that finance were getting far more people because of ... it is really difficult when you are sitting in front of a small business owner or manager who is on the verge of going out of business, their whole livelihood is on the verge of extinction because they cannot get staff.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

We are in a fortunate position where I think unemployment is seen to be extremely low in the Island and the numbers that are unemployed now do not necessarily have the skills for even some of the, what we term, low value industries. What it is beginning to do, and I find it really difficult sitting on the Housing and Work Group, is clearly stifling businesses that want to grow and some of these businesses could be very valuable to the economy and we are getting to that point now where it is not just cleaning businesses, it is now larger restaurant businesses that cannot find the staff that they want and they are the type of businesses that will grow and be very valuable to us. We have to find a solution but I agree that it was right that the population policy was withdrawn. There were clearly issues with it. One of the issues that I think it did have in it was short term work permits and whether we like it or not, we have got to find a way to employ people for short term periods without them getting residential qualifications over 5 years.

[10:45]

I do not think it is brain surgery, at the end of the day. I think there are ways that we can find to employ people from outside the E.U., or even from inside the E.U., on a short term contract but we have to do something because I am getting very frustrated. For someone that works within a department that is looking to grow the economy, I have to say 'no' to businesses time and time and time again who have clearly done everything they can; advertising for staff, working with Back to Work, all the things that we ask them to do and have still come up blank, even in areas where you think they would be able to source staff.

Deputy K.F. Morel:

Thank you. We will move on ...

The Minister for Economic Development, Tourism, Sport and Culture:

Can I just say one very quick about the skills?

Deputy K.F. Morel:

Yes, go for it.

The Minister for Economic Development, Tourism, Sport and Culture:

Of course it goes at the heart of improving productivity and an urgent part of the new economic framework would be a skills deficit audit. I do not know, Darren, if you wanted to this is a really important piece of work so we know exactly ...

Deputy K.F. Morel:

Yes, it is important we understand how you ...

Director, Economic Development, Tourism, Sport and Culture:

One of the challenges that we have had is in the absence of 10:46:17 (inaudible) it is very difficult to get the migration policy right and productivity mechanisms right. We have not really properly identified the economic drivers, and particularly in this context, the enablers so we need to understand where we have opportunities toward growth and look at the economic and social aspects of that, link it into this skills audit and then work out what we do next and I think that is an important order but there are some macro global issues that also impact on some of this stuff so we can talk about the granularity of how the process works internally within the Island but you do have to factor in the fact that Brexit may have an impact on our ability to employ people from elsewhere and also very importantly in my view, puts decisions around things like the minimum wage into context. Exchange rate fluctuations, in reality, have been the challenge with our cultural sector because effectively exchange rate fluctuations have added 20 per cent to the wage bill so I think you have got to be intelligent about how we look at the employment issue and it has lots of moving parts.

Deputy K.F. Morel:

Thank you. We will move on, as the topic has been in the media recently, to high value residents here. It is fairly often in the media and I appreciate you are not responsible as a department for the policy but obviously through Locate Jersey, the department plays a role in finding, attracting, convincing and bringing high value residents here. Obviously with one particularly famous one, we heard recently the Swiss authorities had denied Roman Abramovich permission to settle in the country because the police believed he would be a threat to public security and would also pose a reputational risk to the country. I am interested in understanding, given that Jersey was obviously

speaking with Mr Abramovich's representatives at a similar period in time as the Swiss authorities were, how we came to 2 such different conclusions, the Swiss and us.

The Minister for Economic Development, Tourism, Sport and Culture:

I just have to be honest here, the fact is we do not comment on an individual full stop so I am not prepared to say anything about that. As you said, our job with Locate Jersey is with the sales division when we are promoting Jersey to potential high net worth and inward investors and of course the most important factor when deciding who to allow in, which is in the legal front of the Chief Minister's department, is due diligence. We do not choose on race, colour, creed, gender and also you have to remember we do not reduce our tax rates to attract people to Jersey. Over the centuries, and recently decades, Jersey has run its financial affairs prudently, some may say frugally in times gone by, but for right or for wrong, we are in quite a good financial position. We have no net debt and we balance our books and we have a strong economy and therefore we do not need to charge our citizens a high tax rate. We are a low tax jurisdiction because we run ourselves as a country, for want of a better word, well generally, although people might not think so from time to time. Comparative to other countries we do and that is why ... we manage our inward migration by housing regulations and we have tailored our housing laws to ...

Deputy K.F. Morel:

Sorry to interrupt but I am really keen to understand the role that your department plays within the whole process of bringing high value residents so a step by step breakdown of what happens from hearing that someone is interested through to when you hand over to the Chief Minister's department. What are the steps?

The Minister for Economic Development, Tourism, Sport and Culture:

Right, so really the individuals will come, the first port of call will be Locate Jersey where a lot of discussions are held over whether the inward investor or the high net worth would like to proceed with the application. I think it is not usual that applications are refused because normally by the time all the filtering processes are done, there is not a very good chance of getting an application.

Deputy K.F. Morel:

That filtering process? Is it your department that is engaging that filtering process?

The Minister for Economic Development, Tourism, Sport and Culture:

I am not sure if Darren wanted to talk more on the chronology of the process. Of course we work closely with all the relevant agencies across the board and will collate the information, really as a concierge service.

Deputy K.F. Morel:

Essentially the due diligence is done by Locate Jersey, that element of collating the information?

The Minister for Economic Development, Tourism, Sport and Culture:

Not all of it but we collate, yes.

Director, Economic Development, Tourism, Sport and Culture:

The high value residents arm of Locate Jersey basically helps collate all that information. Locate Jersey as regards to money or high value residents works to publish policy guidance, which was published, I think, in March of this year.

The Minister for Economic Development, Tourism, Sport and Culture:

That is right.

Director, Economic Development, Tourism, Sport and Culture:

That basically sets the parameters by which Locate Journey will market, facilitate and coordinate so the due diligence ultimately is done by the final process of the decision maker so Locate Jersey ...

Deputy K.F. Morel:

Yes, gathering that information ...

Director, Economic Development, Tourism, Sport and Culture:

Helping the applicant in terms of advising what is required and helping them pull that together is done by Locate Jersey or a local business facilitation service.

Deputy K.F. Morel:

It is interesting that the Minister said that there is a filtering so by the time they get to the Chief Minister's department very few applications are refused because of that filtering so in that sense the department, Locate Jersey, is suggesting to people: "Do not carry on with your application" so in that sense it is playing a role in refusing people and I know it is not refusing people but ...

The Minister for Economic Development, Tourism, Sport and Culture:

No, I did not say that, that is ...

Deputy K.F. Morel:

No, you said a filtering process and I am just saying you are kind of nudging people out.

The Minister for Economic Development, Tourism, Sport and Culture:

Yes, but that is as they are going over the hurdles. If the hurdles are looking a bit high for them, the applicant usually might decide not to proceed.

Director, Economic Development, Tourism, Sport and Culture:

I think it would be made clear at the beginning as an individual expresses interest. If that individual, or indeed business through a different scheme, clearly does not fit under the policy guidelines for whatever reason then clearly there is a polite steering away, as is common in any kind of business but ultimately the decisions are made ... but if an application at the very early stage clearly does not sit within the policy guidelines then yes, a polite steering away.

Deputy S.M. Wickenden:

I guess a lot of high value residents go and apply for access to many different jurisdictions. I think there is a process they will go through. Do they have many people that have been successfully approved to be a 21E in Jersey that then never go to the point of coming over here?

The Minister for Economic Development, Tourism, Sport and Culture:

Not that I am aware of. We make it clear we are not looking for brass plates or one of 10 homes around the world, we want our high net worth to come and make their home here and join our community, and they generally do.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

There are some. I am aware of one or 2 that have applied and not settled, for all sorts of reasons.

The Minister for Economic Development, Tourism, Sport and Culture:

They have changed their mind, or something like that?

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

Their circumstances change or family circumstances change, it does happen.

The Deputy of St. Mary:

Okay. It is an area of work I used to be involved in, they are called 1(1)K's. I have a general question really. I obviously appreciate you would not want to look at individual cases but since I was involved there has been a possible greater interest from outside the U.K. and even mainland Europe. On the one hand I would see that you would take great reliance on the fact that someone has been granted a British passport or granted British residency but do you take steps to carry out own enquiries over and beyond that, given that we are a small island and that a

disreputable person would have a greater unfortunate impact on our community if he was allowed in?

The Minister for Economic Development, Tourism, Sport and Culture:

I am not sure ...

The Deputy of St. Mary:

Do we accept what, say, a U.K. branch or agency would tell us or do we make enquiries over and above that of our own?

The Minister for Economic Development, Tourism, Sport and Culture:

We do make our own checks.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

Without talking about an individual case ...

The Deputy of St. Mary:

I would not expect you to do that.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

I am looking at an individual case and some of the things that will be required. Now, we would require normal crime reports, a C.R.B. (Criminal Records Bureau) check, personal and business references, business profiles and asset statements, marriage certificates if a person was married. All those type of things give us some idea of background ...

Deputy K.F. Morel:

Do we engage with the U.K. intelligence community?

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

Absolutely, some of them will come from the U.K. and that is all assessed internally before an application is sent to the Assistant Chief Minister to be reviewed and that process now also widens out to the Housing and Work Group and although the decision remains with the Assistant Chief Minister, we have an opportunity to comment on whether we believe it is in the best interests of Jersey that an individual is allowed residential status so I think that is a good thing, to have 2 sets of eyes looking at an issue but certainly from what I have seen of reports I have read recently, they are quite extensive in regards to making sure that anybody looking to relocate here is a benefit to the Island and does not bring any negative publicity with them.

The Deputy of St. Mary:

Yes, that is what we are concerned about. Okay.

Deputy K.F. Morel:

Going to some rather dry stats, would you mind telling us how many high value residents were granted qualifications in 2016, 2017 and so far this year?

The Minister for Economic Development, Tourism, Sport and Culture:

2016, 17 were successful, 14 relocated. In 2017, 34 were successful, 20 have so far relocated and we do not have any updated data yet for 2018.

Deputy K.F. Morel:

We do not know how many are in the pipeline at the moment or how many have been granted?

The Minister for Economic Development, Tourism, Sport and Culture:

Approximately 15 I believe for this year but sometimes ...

Deputy K.F. Morel:

How many were granted do you think? I appreciate ...

The Minister for Economic Development, Tourism, Sport and Culture:

I would rather not comment until I know the exact facts but ...

Deputy K.F. Morel:

10:57:08 (inaudible).

The Minister for Economic Development, Tourism, Sport and Culture:

As Steve said, not all of the successful applications ... some choose not to come ultimately so the qualifications are often less than the approvals.

Director, Economic Development, Tourism, Sport and Culture:

There is also a lag in those figures. Somebody might be approved in 2016 but relocate in 2017 so those figures do not necessarily map on to ...

The Deputy of St. Mary:

Is the approval for a limited time so you keep tabs on it? Would it be for 12 months maybe that you have got to take it up or not?

The Minister for Economic Development, Tourism, Sport and Culture:

No, once it is granted it is granted but it can be reviewed at any time by either party.

The Deputy of St. Mary:

Okay.

Deputy K.F. Morel:

Obviously between 2016 and 2017 there is 100 per cent increase in numbers being granted so it is interesting. This follows on from a question I asked you, Minister, in the States which was that we hear a lot about the benefits of high value residents but I wonder whether you analyse the negative side of high value residents at all? Whether that is through distorting housing markets, distorting construction markets, which are bringing in 2017, 34 extremely wealthy people who will all buy property, who will all then have those properties done up and in a small island it is possible that has a weighting effect in the way the economy works so I am wondering if you ever do analyse?

The Minister for Economic Development, Tourism, Sport and Culture:

We agreed in the States the other day that we would undertake a more in-depth analysis. It is quite difficult because when you are working with such a small pool of people, it is difficult to draw down too deeply without compromising some of them.

Deputy K.F. Morel:

Yes, but I am just essential looking at the macro-economics on Jersey.

The Minister for Economic Development, Tourism, Sport and Culture:

We need to do more work on that. I do not believe there are many, if any, really negative ...

Deputy K.F. Morel:

That is a belief, not based in evidence?

The Minister for Economic Development, Tourism, Sport and Culture:

It is not knowledge so I welcome any further research that I hope will enhance or scotch any and if we do find anything negative we can look to address it. We are having discussions at the moment because I feel that the bar for high net worth now needs to be raised slightly. It is not about quantity, it is about quality and I would rather have half a dozen high net worth that really engage and contribute to our economy than 20 that do so in a lesser way so it is about quality, not quantity and so, for example, I would like to see an increase in the cost of property so it is well ahead, it does not interfere with the local housing market but also I think sometimes we have to remember that in terms of our inward and outward migration figures, this is a tiny amount, it is a

handful of people every year and then if you go to the level down, when you look at the license or the old J cat, we should be doing the same economic study into that.

[11:00]

Deputy K.F. Morel:

I could not agree more, that is absolutely right.

The Minister for Economic Development, Tourism, Sport and Culture:

We need them to come and do the essentially employed work. Are they bringing any in?

Deputy K.F. Morel:

Yes, absolutely.

The Minister for Economic Development, Tourism, Sport and Culture:

Then, of course, we have the hundreds, if not thousands, of people that come and go that are completely unregulated, that arguably cost our economy far more.

Deputy K.F. Morel:

My concern is that we have been operating in the Economic Development department that does not have the evidence and unfortunately that seems to be ...

The Minister for Economic Development, Tourism, Sport and Culture:

Well I ...

Assistant Minister 2 for Economic Development, Tourism, Sport and Culture:

Can I just intervene Ministers? I think the good thing now is that in our department there is obviously a cross section of political views but with respect I think the States has never asked for a cost-benefit analysis to be done so you might want to go back and look at a proposition that was brought by Daniel Wembley, I think, in probably about 2009/2010, if my memory serves, give or take a year or 2. He asked for a cost-benefit analysis to be done of what was then the 1(1)K system and we had a remarkable answer from, I think, Deputy Knowle at the time who when asked whether there were any downsides to high net worth, as they are euphemistically called, he said there were not any at all, he did not believe there were any. I do not believe that is a credible position but the issue we have is that a lot of the benefits and the downsides remain anecdotal because these individuals will necessarily be quite private and they value their privacy so any acts of philanthropy that they do often remain unknown. We can all give examples, I suspect, where we know of individuals living in our constituencies or elsewhere who have been

generous, not just with their money but also with their time but there are some unintended anecdotes that you hear, and I heard one just a couple of days ago, for example, of someone saying when a super wealthy person buys a house there might be a lot of work to be done and there might be a very specialist stone mason, for example, that is required to do work on that house and that might be the only person in the Island who can do that and it could be a long project so they effectively end up employing them for a year or 2, that person is not available but that is more to do with an issue about licensing in Jersey because then the industry says: "Well we cannot get any of these other specialists to come in" so there are knock-on effects as well. A general analysis ...

Deputy K.F. Morel:

That is exactly what I am trying to say.

Assistant Minister 2 for Economic Development, Tourism, Sport and Culture:

It is for the States to decide whether they want to have that analysis done around that very sensitive area so I just ...

Deputy K.F. Morel:

It is interesting that we are operating policy without knowing how that policy affects the Island.

Assistant Minister 2 for Economic Development, Tourism, Sport and Culture:

You can appreciate that ...

The Minister for Economic Development, Tourism, Sport and Culture:

We do know.

Deputy K.F. Morel:

Oh, we do know, excellent.

The Minister for Economic Development, Tourism, Sport and Culture:

We do studies, studies have been carried out over the years on the economic impact of such things.

Deputy K.F. Morel:

2009?

The Minister for Economic Development, Tourism, Sport and Culture:

I think it was about 2011 and I think even since then, Darren could correct me, but that looks at the benefits and the tax takes and we know there is a positive fiscal benefit to them being there.

Deputy K.F. Morel:

I totally appreciate that.

The Minister for Economic Development, Tourism, Sport and Culture:

As Deputy Tadier said, I happen to know of at least 2 7 figure contributions which have been made so there is millions in additional contributions to good causes and charities that are made below the radar that will never surface and will never ...

Deputy K.F. Morel:

My concern is not to decide now whether they are good or bad for the economy, my concern is to know whether we have the information to help us make that decision and it seems we do not.

Sorry, David?

The Deputy of St. Mary:

Sorry, moving on to a completely different topic, Ports of Jersey ...

The Minister for Economic Development, Tourism, Sport and Culture:

Sorry, before we go on to that, I would just like Darren to carry on.

Director, Economic Development, Tourism, Sport and Culture:

There is a back catalogue of studies and reports that have been commissioned that we can supply the panel with so we will send that over and then maybe we can revisit this topic again.

The Minister for Economic Development, Tourism, Sport and Culture:

There is some far more recent research.

Director, Economic Development, Tourism, Sport and Culture:

Far more recent research. The 2011 report that I think is published on the States website does address or does raise some areas for improvement. The ones in there have been addressed but obviously there are ...

The Minister for Economic Development, Tourism, Sport and Culture:

We do a number of studies that we do not necessarily publish but they are used to inform and advise so we will share those with you.

Deputy K.F. Morel:

Thank you.

The Deputy of St. Mary:

Back to Ports of Jersey. I was on the previous Economic Affairs Scrutiny Committee when we scrutinised the whole thing. I think The Minister for Treasury and Resources of the day commented it was the most thorough scrutiny exercise he had seen, which I took as a compliment but the Chief Executive 11:04:56 (inaudible) was at the helm and he knows what we asked and what our concerns were. He is now leaving so the question I basically have is, is there succession planning and how far down the line have we got with his replacement?

The Minister for Economic Development, Tourism, Sport and Culture:

That is outside of our portfolio so I cannot really comment ...

The Deputy of St. Mary:

To a certain extent. I have got the M.O.U. (Memorandum of Understanding) here. The economic minister today is on the Ports policy advisory group so he will have a say in various things. My concern really is that as far as recruitment is concerned, the person recruited is going to be fully au fait with some of the problems we faced and that is what I am getting at. Members of the public regarded the property owned by the States at the time but the Crown Jewels were given away. There were reservations. I just want to get a feel for knowing that the recruitment policy will ensure that the successful applicant will be fully aware of all those considerations.

The Minister for Economic Development, Tourism, Sport and Culture:

I absolutely hope it will. As every member here will know, the current Chief Executive is going to be a hard act to follow but perhaps one of the officers can fill in the gaps on ...

Director, Economic Development, Tourism, Sport and Culture:

Formally the Ports of Jersey Limited relationship is through Treasury as the shareholder so we, as a department have several responsibilities for those aviation and maritime issues and obviously were responsible during the time of that incorporation so we as a department, through the Minister, will feed into the Treasury shareholder section our thoughts on Ports of Jersey's performance since incorporation; where we think the bits are that the Minister is responsible for, where we think their performance has been on the areas that the Minister has responsibility for and that will feed into information that is given to the board of Jersey through the correct channels in terms of how they recruit a successor. Of course it will be a hard act to follow. The Ports are in a very different territory now than they were in 2012/2013 so a different character perhaps is required for the next phase of the development of Ports of Jersey.

The Deputy of St. Mary:

Okay, I do accept the involvement of The Minister for Treasury and Resources. A couples of points just to bear you out. The M.O.U. refers early on that The Minister for Economic Development has been and will remain responsible for sea transport policy and associated mandates so there is a continuing involvement with yourself?

The Minister for Economic Development, Tourism, Sport and Culture:

Yes, of course there is, yes.

The Deputy of St. Mary:

Also you are a member of the triumvirate of the Ports policy group.

The Minister for Economic Development, Tourism, Sport and Culture:

I was in the last Government, I presume that ...

The Deputy of St. Mary:

Well you should have been. I think the point of the M.O.U. ...

The Minister for Economic Development, Tourism, Sport and Culture:

Yes, I was.

The Deputy of St. Mary:

Yes, okay.

The Minister for Economic Development, Tourism, Sport and Culture:

Technically I am not ... we do not lead on the appointment but of course, also, from my point of view so I appoint the harbour master on the statutory side of things that play a role and the same with the airport director but in relation to the Chief Executive reports, it is not ... appointment to the Chief Executive is not ...

The Deputy of St. Mary:

Okay.

Deputy K.F. Morel:

It is by the company itself?

The Minister for Economic Development, Tourism, Sport and Culture:

Yes, by the company, through the recruitment process, perhaps even by The Minister for Treasury and Resources.

The Deputy of St. Mary:

Okay. Maybe certain questions I have will be better directed towards the Treasury.

The Minister for Economic Development, Tourism, Sport and Culture:

Yes.

The Deputy of St. Mary:

There is one area which you can help me on. There was recently an article in the J.E.P. (Jersey Evening Post) prompted by the Steam Clock possible sale.

The Minister for Economic Development, Tourism, Sport and Culture:

Yes.

The Deputy of St. Mary:

I have got the article here if you require but it was accompanied by an alleged quote by the C.O. (Chief Officer) that the disposal of property was a matter for Ports of Jersey and not the States. Would you care to comment on that?

The Minister for Economic Development, Tourism, Sport and Culture:

I did not see the comment so I am not sure but I can give you my personal view as Member of the States and ultimately Ports of Jersey is a company owned by the taxpayer with its own board so there has to be an element of autonomy allowed and we incorporated these businesses because I believe the private sector does it better than politicians do so we need to try and stay out as much as we possibly can and they have a legal responsibility to act in the best commercial interest of their organisation so I have been reluctant to disagree with that. Having said that, as a tourism minister I would like to see ... we are seeing a demand for new hotel. Premier Inn has recently opened and is doing exceptionally well and I understand there is likely to be further investment in some groups and independents wanting to and I happen to think that in and around the Ports of Jersey estate there are some excellent opportunities for visitor accommodation but the challenge is, not with just Ports of Jersey but with a States of Jersey development company, that of course the highest yield for any property at the moment is in residential so it is going to be difficult to persuade the commercial entities that we have running those portfolios on behalf of the tax payer to ...

The Deputy of St. Mary:

Yes, but perhaps ...

The Minister for Economic Development, Tourism, Sport and Culture:

Do you see what I mean? I would like to see more hotels but if the companies that are running them, the other half, are saying: "Well we can get much better value by putting housing there" ...

The Deputy of St. Mary:

In a way this marries with my initial concern about the public of Jersey. Can I just refer you to ...

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

Can I just say something there?

The Deputy of St. Mary:

Sorry.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

As much as Ports of Jersey should act in a commercial way, they are there to act in the best interests of this Island and they are there to act in the best interests of the public of Jersey and we need to ensure, moving forward, that is exactly what they do and if they are not seen to be acting that way by States Members then I think we need to question that and I think we are getting, at times, very close to that.

The Deputy of St. Mary:

I appreciate what you are saying and perhaps the M.O.U. will help you on that because in relation to property in particular, my immediate concern, 13.2 again says: "The board will bear in mind the continuing interests of the States of Jersey in the property previously owned by the public of the Island. In particular, the board will not sell any land free sale by the public of the Island unless the Minister - that is the Treasury Minister - gives his or her consent. Valid consent cannot be given by the Minister unless the proposal for the sale has been laid before the States Assembly for 50 days and no objections have been made or States Assembly has approved". That is some assurance you have got and I was prompted to look into it because of the comment by the C.E.O. (Chief Executive Officer) and it is perhaps a summary which The Minister for Treasury and Resources and the Council of Ministers maybe need to be reminded of before any decisions are taken. I take it from your comment you go along with that?

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

I agree.

The Deputy of St. Mary:

Yes, thank you.

The Minister for Economic Development, Tourism, Sport and Culture:

Thank you Stephen but not every aspect of what the Ports of Jersey manage is purely commercial.

The Deputy of St. Mary:

No, but sale of land has go to the Treasury Minister, in the M.O.U. That might have been overlooked, I think, that is why ...

The Minister for Economic Development, Tourism, Sport and Culture:

Yes, okay, I misunderstood.

The Deputy of St. Mary:

Okay, thank you, I just want to re-establish that.

The Minister for Economic Development, Tourism, Sport and Culture:

Part of the economic framework will conduct a review of Port advocacy and look at under utilised assets and how that might be ...

The Deputy of St. Mary:

Well another point would be there are some examples of folly and of course it has come to that time again ...

The Minister for Economic Development, Tourism, Sport and Culture:

It has been 11:13:01 (inaudible) for far too long, for all concerned.

The Deputy of St. Mary:

Yes, so I take it as Minister for Tourism you would be interested in following up that aspect, in a way?

The Minister for Economic Development, Tourism, Sport and Culture:

I would hope all of us are interested in the opportunities, not just the commercial opportunities but the opportunities for our culture and heritage and what is in the best interest of the Island in the whole Ports estate.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

I think when something has been implemented or started there is always a period of time after which we should review it. Now, my own personal opinion is with the current C.E.O. stepping down, I think there is opportunity to review how Ports have operated since their inauguration, since their start up to see if they are meeting all their terms of reference within the M.O.U. and what they were set up to do because it is not just about the commercial side, there have been concerns around their social responsibility side and historic ports and ensuring that they are being dealt with in a professional way. I am not saying they have not but I think there is a time that comes when you need to review each organisation, it does not matter what it is, and probably now would be a good time to do that. I do not know whether the Minister agrees with that.

The Minister for Economic Development, Tourism, Sport and Culture:

Well no, a review of port activity and assets is key, it is one of the starting points of a new economic framework.

The Deputy of St. Mary:

11:14:20 (several inaudible words) and the community aspect too. Around this table we have had representatives of yacht clubs and the like who are concerned et cetera and you are aware of that and ...

The Minister for Economic Development, Tourism, Sport and Culture:

Yes, mooring buoys in the wrong places and things.

The Deputy of St. Mary:

Pardon?

The Minister for Economic Development, Tourism, Sport and Culture:

Mooring buoys and all sorts of really important community aspects that are in juxtaposition.

The Deputy of St. Mary:

Yes, okay, well you have answered my question, I raise my concern, thank you.

The Minister for Economic Development, Tourism, Sport and Culture:

We are all keen 11:14:46 (inaudible) commercial interest is important because it has got a huge infrastructure cost to maintain ...

[11:15]

Deputy S.M. Wickenden:

I am going to go on to the Tourism Development Fund. The purpose of the T.D.F. (Tourism Development Fund) is to support organisations investing in events, projects and marketing activity. In advance of distributing public money from the T.D.F., does your department undertake due diligence on receiving organisations to ensure it and its leadership are fit and proper and what form does this due diligence take?

The Minister for Economic Development, Tourism, Sport and Culture:

The answer to that is 'yes' and I suspect you are going to talk about the Tourism Development Fund advisory board chaired by Kevin Keen?

Deputy S.M. Wickenden:

Yes, so the ...

The Minister for Economic Development, Tourism, Sport and Culture:

We spent all the money by the way. We got rid of that. We have £43,000 left. We were criticised for not spending it. Now, we have spent it ...

Director, Economic Development, Tourism, Sport and Culture:

In simple terms there are 3 stages so when an application is first received, again it is vetted against the criteria of the scheme as a first stage before it is put in front of the advisory panel, which as the Minister just said, is chaired by Kevin Keen. They will then give an assessment against the parameters of the scheme of whether it is something that they support. Very often they will meet the people that have made the application to ask more questions, they will go on site visits et cetera. At that point a recommendation is made to the Minister, either that the Minister should support the proposal or otherwise. At that final stage then, before obviously through the process of issuing a grant agreement, a full due diligence exercise is undertaken on the applicants or the business that has applied as well as the purpose. Once a grant is awarded, money is expended after it has been expended by the recipient of the grant so you pay for whatever it is first and then effectively claim it back in arrears and it has worked extremely well from that perspective. Obviously, as with any grant award scheme, there is a level of subjectivity into what should and should not be awarded but from a governance point of view and a compliance point of view, tourism and development has worked extremely well. Those that have been awarded funds have used it for the purpose for which it was awarded. Lots of those projects have been extremely successful so that is it at a reasonably high level. Any information that you need about Tourism Development Fund, you are more than welcome to request and come and ...

Deputy S.M. Wickenden:

I guess one thing you are saying is it is extremely successful which is great then there are things such as the Super League Triathlon just last weekend. Now that you are down to your £43,000, do you know what you are going to do? Is this part of the funds that are being reviewed and amalgamated to look at what we can do to carry on the kind of investment that has been useful?

The Minister for Economic Development, Tourism, Sport and Culture:

I am keen to re-establish and re-finance the Tourism Development Fund although I think we might take this opportunity to review it and perhaps re-structure it slightly. It is essential we have some funds for helping the sector.

Deputy S.M. Wickenden:

Would the board which is chaired by Kevin Keen then have to make their assessment to the new panel that looks after the funds then, rather than the Minister?

The Minister for Economic Development, Tourism, Sport and Culture:

No, no, no.

Deputy S.M. Wickenden:

Because if not, that fund will have to stay separate from the ones that are being amalgamated.

The Minister for Economic Development, Tourism, Sport and Culture:

I think we would have to make a bid through the process that Dan talked about earlier for a lump sum to the Tourism and Development Fund so once that is in there it is back in the realm of the advisory panel and the Minister.

Deputy S.M. Wickenden:

Right.

Director, Economic Development, Tourism, Sport and Culture:

We met earlier this week again with Visit Jersey so the advisory panel have given their thoughts on what has worked, what has not worked from their point of view and we have taken that on board. Myself and the Chief Executive of Visit Jersey have met several times to discuss not the T.D.F. but what is required to support the tourism product and infrastructure moving forward. The Minister and myself met with, his name keeps coming up, Kevin Keen, the Chief Executive of Visit Jersey and Keith Beecham, the C.E.O. of Visit Jersey earlier this week to bring the Minister up to speed on the discussions that we have been having as to how we might support that so I think there certainly is a demand for something like this. I think we can learn the lessons of the T.D.F. The T.D.F. was very much a creature of its time, it has worked extremely well. What the Island

needs or what its tourism infrastructure needs moving forward, I think, is probably something more targeted and different and ...

The Minister for Economic Development, Tourism, Sport and Culture:

We are keen now that the new tourism development will focus in improving productivity in the sector and that basically means investing in projects that will bring in visits outside of the main season, so that is about developing our product in the shorter months, which means we can hopefully grow the visitor economy without using more resource to do it.

Assistant Minister 2 for Economic Development, Tourism, Sport and Culture:

I think there is a crossover with culture there so what we have seen in this month is 2 major events with the literacy festival and to a lesser extent 11 20 36 (inaudible) was part of that, which is growing and then the Super League which is very much well attended so it is 2 different markets but there is a definite sense of energy between the sports portfolio and culture.

Deputy K.F. Morel:

Picking up on the Super League, which is a fantastic event with thousands of people attending, I am interested quite specifically about the due diligence side. When you are operating with Super League triathlons and organisations not based in Jersey like 11:21:03 (inaudible), which is the producer behind that, not based in Jersey, do you do your due diligence into those companies themselves?

Director, Economic Development, Tourism, Sport and Culture:

I think the 2 of us, we do lots so we have done it and it is regularly maintained with Super League Triathlon so as I have just outlined, the first award to the Super League Triathlon is effectively a magnet to secure the event. They have a choice, as you have seen from where they go, they can stage these events around the world so the question is if Jersey want to attract an event like that and work with it to help it grow. Effectively, this is what the T.D.F. should do, which is almost a try before you buy, so it was an inaugural event to bring here to see what it looked like, what it felt like and what are the direct and indirect benefits to Jersey. There is a direct benefit in terms of the spending on Island, there are indirect benefits in terms of the exposure, the positive exposure it gives Jersey around the world and helping to change Jersey's image in the minds of people around the world. I think we did a very, very comprehensive due diligence exercise before awarding the original T.D.F. That exercise was increased before we made the award from, effectively, departmental funds to secure it here for a longer term period so that we, with them, can grow. Last year it was not covered on the BBC, this year it was covered live. I had the unfortunate experience of seeing the Minister live on BBC, but the event itself is growing both in terms of spectacle but more importantly in terms of its international exposure.

Deputy K.F. Morel:

I have one concern on the due diligence front and that is just with a very cursory look at Super League Triathlon, one of their leadership team is on the Countering America's Adversaries Through Sanctions list which says nothing in itself about whether they have done wrong or not done wrong but I just wondered if you were, as a department, aware that one of the people behind Super League Triathlon is on this list issued by America and from a reputational perspective for Jersey, I am wondering how that links, given that you have a finance industry which has to make these decisions on a regular basis. Further, we had a report in yesterday's J.E.P. about when you are working with lots of money from Russia, there are always things attached to that so he is very likely a politically exposed person and I just wondered whether you were aware of that and how you thought it is good for Jersey to therefore use that organisation.

Director, Economic Development, Tourism, Sport and Culture:

We were. The key point here is that the grant is made to a local company with involvement in our finance industry so it is something we were aware of but we are satisfied that due diligence came up, that it is not a reason not to award the grant. The one thing that is important to convey is that we do not do a piece of due diligence at a fixed point in time, put it in a file and then leave it. This is something, especially with an award of that size, that is actively monitored. I do not think either of us are making any comment on the individual.

Deputy K.F. Morel:

No, I am definitely not.

Director, Economic Development, Tourism, Sport and Culture:

He appears on the list because of his nationality 11:24:35 (several inaudible words).

Deputy K.F. Morel:

11:24:36 (several inaudible words).

Director, Economic Development, Tourism, Sport and Culture:

Clearly it is something we were aware of but nothing came up as a reason why we would not award the grant and the grant is awarded to a local Jersey company.

Group Director, Economy and Partnerships:

I would add that in my personal opinion it is the highest degree of due diligence we have ever done on a grant we have issued. I think the other point is that over the last 12 to 18 months we have reviewed our governance regime and it is really, really gold plated now on the basis that part

of our business is taking risks so we back perceived winners and consequently we would be being neglectful in our duties if our governance framework around that and our due diligence around that was not really really top tier and I think it is ...

Director, Economic Development, Tourism, Sport and Culture:

One thing that I was just going to say. You are more than welcome at any point if you want to come in and we will go through the 11:25:36 (inaudible) I have on file.

Deputy K.F. Morel:

The event seemed fantastic the other week, do not get me wrong.

The Deputy of St. Mary:

Deputy Tadier mentioned the potential crossover between culture and tourism. There is also a crossover with sport, is there not? Is sport still getting its funding looked at independently?

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

The funding that we have for sports provision is completely separate to Super League Triathlon. It is ...

The Deputy of St. Mary:

Okay, but there have been other payments out of the tourism fund for sport related items. Hockey Club, for instance, I think came out of it.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

If you want to comment on that, I will be supportive of them, they have been beneficial to ...

The Deputy of St. Mary:

Well no, I am on your side.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

The Hockey Club one, clearly it is not a huge grant but I think it is important getting them over the line with regards to getting their facilities out of the ground but I think in terms of what they bring to the Island in terms of clubs, there is a business case to go along with that which very much meets the targets that we are looking for.

The Deputy of St. Mary:

I was not challenging, just wondering whether the ...

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

No, I think you are absolutely right to ask. You are right to challenge them because you need to be sure that we have done our checks and balances but in regards to the Hockey Club, absolutely. The amount of funds they have raised privately is huge but I think it was important that Government played their small part as well in making sure this got over the line.

The Deputy of St. Mary:

Whatever funding a sport gets, sport has its own ambitions and requests.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

I have huge ambitions for sport and some big requests for funding but we will not have time, I do not think, this morning to look at some of the issues I have got around future funding around sport.

The Deputy of St. Mary:

Okay.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

I foresee that the bulk of the future use the next Tourism Development Fund will look will be used in a line with culture, arts and sport because they are the key hooks that we use to bring people to the Island in the shorter months.

Director, Economic Development, Tourism, Sport and Culture:

In many respects it already is. If you look at the work of the local company with the Super League Triathlon, Jersey Sport were involved at a very early stage. Lots of local volunteer triathlon clubs have been involved, even from an arts and culture perspective. At the beginning of this year I put Super League Triathlon in touch with ArtHouse Jersey who were arranging some of the graffiti and art things so while the grant is primarily looked at for tourism reasons, clearly it has a massive impact on the Island across a number of sectors.

Group Director, Economy and Partnerships:

Again, it feeds into this idea that the economy is interconnected and what we are really talking about in the case of Super League, sports provision and our cultural offering is how we use those as part of the economy to drive productivity improvement. Of course, if you do stuff in the shorter months you are having a direct impact in terms of increasing productivity.

The Deputy of St. Mary:

We have one more question, maybe addressed to the Assistant Minister I think. Last time the panel spent some time on the licensing law. Is that going to be reincarnated this time? Without going into detail on it.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

I think, being very brief, we waited for the Strategic Plan to be unveiled, which was done yesterday. I think the detail will come from that then the alcohol strategy and the licensing law will, I think, feed from that in regards to things that will need to be progressed but currently there is no work being undertaken by the department and I suppose my question to you would be are you undertaking any work in regards to the report that we were expecting towards the end of last summer. I do not know whether you were going to, as a panel, complete that?

The Deputy of St. Mary:

As far as we were concerned we were ready to go and produce amendments and it was withdrawn so I do not think it is going to re-lodge. As far as I am concerned, my own personal view is that we were almost there but we did not get over the finishing line.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

It is just interesting from that point of view, from our starting point, if the panel were going to produce a report or had something that they were going to manage to give us ...

[11:30]

The Deputy of St. Mary:

I think possibly the panel would consider if it could do anything to help you in that.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

Well, a legacy report from the last panel?

The Deputy of St. Mary:

Okay, because we wondered how to deal with it, whether you had any issues so we did not ... I can ...

Deputy K.F. Morel:

We are trying to help the department through our 11:30:19 (inaudible) ...

The Deputy of St. Mary:

I will discuss with the Chairman how best to help you, as it were.

Assistant Minister 1 for Economic Development, Tourism, Sport and Culture:

The intention is to reignite. I think the piece of work will need to be done but it will come from strategies that feed out of the Strategic Plan.

The Deputy of St. Mary:

Okay.

Deputy K.F. Morel:

Thank you so much. Subjects and themes that we did not touch on which we would have liked to were digital, port regions and sports facilities in general and the draft tourism law so if you do not mind, I would like to send them to you in writing if possible and if you do not mind responding in writing, that would be fantastic but thank you so much for your time and for your candour. Superb, thank you very much.

ADJOURNMENT

[11:31]