

STATES OF JERSEY



TOURISM PUBLIC PRIVATE PARTNERSHIP (S.R.8/2010): RESPONSE OF THE MINISTER FOR ECONOMIC DEVELOPMENT

Presented to the States on 18th August 2010
by the Minister for Economic Development

STATES GREFFE

**TOURISM PUBLIC PRIVATE PARTNERSHIP (S.R.8/2010):
RESPONSE OF THE MINISTER FOR ECONOMIC DEVELOPMENT**

Ministerial Response: S.R.8/2010

Ministerial Response required by 6th August 2010

Review title: Tourism Public Private Partnership

Scrutiny Panel: Economic Affairs

Introduction:

I would like to thank the Chairman and the Panel for tackling this complex issue and in doing so solicit the views of all stakeholders in arriving at their conclusions. This is a well-researched and well-written report and I agree with the final conclusion that –

“The current uncertain economic climate further compounds the prospect of successfully establishing a Tourism PPP, and in light of these issues, to attempt to do so would be a leap of faith. There is, however, merit in pursuing the recently established ‘middle way’ of the Tourism Marketing Panel, allowing it adequate time to establish itself and to develop its role, and using its experiences to determine whether full PPP proposals require re-assessment in the future.”

I have decided that EDD will not move forward with the PPP proposal at this time and I am pleased that the Panel’s findings accord with this view.

I have set out a number of action points in the conclusion section of this report.

Findings:

	Findings	Comments
1	Tourism remains an important sector of the Jersey economy, offering direct and indirect employment and business opportunities, and contributing to diversification from the Finance Industry.	Tourism is indeed an important sector. While it provides for diversification in the economy one must not underestimate the synergy between tourism, hospitality and other sectors such as financial services in the offer of air routes, accommodation, food and beverage outlets and leisure activities.
2	There have been shortcomings in the communication between Jersey Tourism and the Tourism Industry stakeholders.	Great efforts are being made to ensure that there is optimum communication between the Department and the industry. The Department is also working on improving communication with the Jersey Hospitality Association.
3	The Economic Development Department and Industry do not appear to have taken into consideration the high cost of living in Jersey, and the resultant high cost base of the industry, as part of the rationale given for PPP.	The Department and the JHA have taken the costs such as they are in preparing the rationale.
4	It is not clear that the rationale given for establishing a PPP, including declining visitor numbers and a greater choice of holiday options available to Jersey's traditional core market, are addressed by a PPP.	The Department believes that a strong case has been made for the establishment of a PPP. It accepts however that in the current economic climate all available funds should be used for the promotion of the destination and not diverted to other activities.
5	The Jersey Conference Bureau appears to be successful in bringing together and marketing the Conference sector. The option of creating smaller sectoral organisations which might be PPPs, has not been formally investigated.	The specific nature of the conference market has encouraged those businesses involved in that sector to contribute significant levels of funding to the marketing effort specifically for conferences. This is more difficult when destination marketing is involved when by its nature the marketing is more generic. The Department works closely with businesses in the Luxury market and also with attractions and activity providers. However, the bringing together of all organisations in a PPP would undoubtedly be of benefit to all stakeholders.

		Work is also being undertaken with Attractions operators and Activity centres, but one could end up with a very fragmented and time-consuming approach to the solution.
6	There is no single off-the-peg solution which can be copied from elsewhere as direct comparisons are difficult and have not been made.	There is a fundamental difference between Jersey and UK or French regions, in that as a result of the independence of the Island the many layers of international, national and regional activity have, by necessity, to be undertaken by the single agency. The Department has looked at many different models and accepts that there is no single model that applies to all destinations.
7	There are differences in the visions of the PPP structure between the JHA and the Economic Development Department.	The major differences surrounded the structure for delivery and funding rather than the vision for what might be achieved. The Department and the JHA have worked very closely on the development of the PPP and this in itself has been a positive step.
8	Whilst the JHA leadership's commitment to a PPP is clear, the commitment of its broader membership and other businesses outside its membership is not as clearly established.	
9	The JHA vision for the role of the PPP appears to be heavily focussed on the advertising aspect of marketing.	The Department has always employed a full range of marketing disciplines suited to a destination and all of these are appropriate to a PPP structure.
10	Although the Economic Development Department state the requirement for a Service Level Agreement, there is no such draft available.	It would have been produced as a second phase once agreement to set up the entity had been agreed.

11	Alternatives to pursuing a PPP have been inadequately considered; attention has been focussed on the different types of PPP.	The Department does not agree with this finding. Extensive research was carried out into possible solutions before concentrating on models of a PPP.
12	A full PPP is not the only option to provide better communication between the States and the industry; the Tourism Marketing Panel is a 'halfway' partnership option that has recently been established to address this issue.	This is correct but the provision of better communication is not the only reason for creating a PPP. The Marketing Panel is proving very successful but of itself it will not bring all the benefits of a PPP.
13	There is a contradiction between the JHA and the Economic Development Department regarding how many of the existing Jersey Tourism staff it is anticipated will work in the PPP.	The proposal paper made clear that the majority of staff would be seconded to the new organisation and would be required to perform similar duties within the PPP.
14	Issues around the terms and conditions of employment of present Jersey Tourism staff who may move to the PPP have not been resolved.	If staff were to be seconded, the terms and conditions would remain the same. The unresolved issue concerned the length of the secondment as without a time limit the arrangement would be regard as a transfer and would then be subject to different conditions.
15	Jersey Tourism's annual net revenue expenditure between 2003 and 2009 shows a declining trend.	
16	The section of the Jersey Tourism budget attributed to Research and Planning is not ring-fenced for Jersey Tourism, but is available for use in relation to all sections of the Economic Development Department.	Whilst no section of the budget can be regarded as guaranteed, the research element is regarded as essential and funds will continue to be allocated to ensure that industry statistics are compiled and published. There are also sections of the general EDD budget that benefit Tourism.
17	The level of States grant funding is not guaranteed.	Correct.

18	The Economic Development Department is a 'mother ship'; its multi-sector focus has contributed to the JHA opinion that States attention to the industry since Ministerial Government was adopted in 2005 has been diluted.	While not disagreeing with the comments made, the counter-argument is that attention to Tourism has not been diluted but rather enhanced due to the synergy between tourism and other sectors. Jersey Enterprise can and does provide enormous opportunities to the tourism industry and, as previously mentioned, the Department takes a holistic approach to the economy rather than a rigid sectoral approach.
19	The falling Jersey Tourism budget demonstrates a questionable political commitment to the industry.	See above.
20	The JHA is relying on attracting additional contributors from the retail sector to assist achieving the proposed funding levels from industry.	Whilst this might be a desirable objective, there is no evidence that the retail sector will be providing any significant funding for tourism activity.
21	It has not been established that the retail sector will be willing and/or able to contribute to industry funding for the PPP.	This would be a challenge for the PPP but evidence from elsewhere suggests that funding from other sources should be available.
22	The ability of the industry to achieve its proposed levels of funding for the PPP is not guaranteed.	Correct.
23	There are concerns that set-up and administrative costs are prohibitive to the successful establishment of the PPP, and there would be less funds available for marketing.	Correct.
24	The case for the adoption of a full PPP has not been adequately made, with uncertainty surrounding too many details.	The vision is clear, the pathway is clear, but of course there are risks involved and there is a degree of uncertainty with regard to public and private sector funding.

25	The proposed £10 million Tourism Development Fund budget has never materialised. Only £2.2 million has been made available to the Fund since the £10 million budget was agreed in principle by the States in 2001.	Correct.
26	The Minister for Economic Development has committed to work towards addressing the shortfall in the Tourism Development Fund budget.	Correct.

Recommendations:

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1	The Minister for Economic Development and Ministers in general, should ensure that demonstrably sufficient analysis is given to alternatives, before resolving to pursue a particular model.	EDD/ CoM	Accept	Economic Development explored a number of options for a new model and also explored a number of other PPP type solutions.	Ongoing
2	The Tourism Marketing Panel should be given time to establish itself, and its experience used to determine whether full PPP proposals require re-assessment in the future.	EDD	Accept	The Tourism Marketing Panel has now met a number of times and I am confident that they will make a tangible contribution to future marketing plans.	December 2011
3	The Minister for Economic Development should demonstrate political commitment to the Tourism industry by addressing the declining budget and establishing longer term funding guarantees as a platform for stability.	EDD	Accept in principle	I am fully committed to the Tourism Industry and I sincerely hope that the Panel does not doubt my commitment in any way. I will work with my officers to ensure that we spend every £ at our disposal in the very best possible way but I cannot guarantee that the level of spending will increase.	Ongoing
4	The Minister for Economic Development should continue to work towards improved communication with the Tourism industry, and to harness the valuable knowledge and experience contained within it.	EDD	Accept	The appointment of the Tourism Marketing Panel, the launch of 'Tourism Weekly' and other initiatives have improved communication between the Department and the industry. We are also in more regular contact with the JHA and I am confident that we are now getting the best possible advice available. I do however recognise that the industry, being as diverse as it is, does not speak with one voice and we will therefore have to take, at times, decisions in the best interests of all rather than a small minority.	Ongoing

Conclusion:

I would like to thank the Chairman and the Panel for tackling this complex issue and in doing so solicit the views of all stakeholders in arriving at their conclusions. This is a well researched and well written report and I agree with the final conclusion that –

“The current uncertain economic climate further compounds the prospect of successfully establishing a Tourism PPP, and in light of these issues, to attempt to do so would be a leap of faith. There is, however, merit in pursuing the recently established ‘middle way’ of the Tourism Marketing Panel, allowing it adequate time to establish itself and to develop its role, and using its experiences to determine whether full PPP proposals require re-assessment in the future.”

I propose taking a set of simple “lines to take” as follows –

- 2011, 12 and 13 are going to be very challenging as we strive to balance public finances through a combination of spending cuts, tax increases and economic growth. First amongst these equals is the requirement to reduce spending through the Comprehensive Spending Review.
- As part of my Department’s consideration of the Corporate Spending Review, I have critically reviewed the case for establishing the PPP and I have concluded, in consultation with the JHA, that available funds **MUST** be focussed on marketing activity and other tourism programme spend and **NOT** on the set-up costs of a PPP.
- Therefore, I have decided that EDD will not move forward with the PPP proposal at this time. I am pleased that the Panel’s findings accord with this view.
- I would also like to thank the JHA for all their time and effort in delivering the PPP proposal. I strongly refute the Panel’s conclusion that there is a fundamental difference of opinion between EDD and the JHA – how could there be in a jointly drafted proposal?
- The Panel has identified many of the challenges that would be faced in establishing the PPP.
- The proposal was very clear in stating that delivering the PPP was not without challenge and risk, but was equally clear in its conclusion that, as a vehicle to deliver closer co-operation, a PPP represented a variable and well-evidenced solution that required detailed implementation.
- As such, I do not accept the Panel’s conclusion that the case for a PPP was not made.
- However, in 2010 we live in very different times and **I do accept** the Panel's finding that “The current uncertain economic climate further compounds the prospect of successfully establishing a Tourism PPP”.

- I am pleased that the Panel considers the formation of the Tourism Marketing Panel as a positive development, and I am also pleased to say that the Panel is working and working well.
- The Panel makes much comment on funding issues and the perceived lack of financial commitment to tourism from EDD. Whilst funding for any sector in the current environment cannot be guaranteed, the fact that the tourism sector represents about 40% of our total funding is a measure of the high level of commitment that genuinely exists.
- The Panel makes reference to political commitment. My political commitment to tourism cannot be questioned. Indeed, in recent days I have concluded discussions with the Minister for Treasury and Resources to secure a further £500,000 to fund additional tourism marketing in 2010 from fiscal stimulus funds.