

# STATES OF JERSEY

## MIGRATION POLICY REVIEW

BLAMPIED ROOM, STATES BUILDING

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Committee: Deputy G. Southern (President)  
Senator P. Le Claire  
Deputy J. Martin  
Deputy J. Bernstein

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### EVIDENCE FROM

MR PHIL AUSTIN (Chief Executive, Jersey Finance Limited)

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on

Monday, 18th April 2005

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DEPUTY SOUTHERN: Good morning. As you know, we are actually investigating the Migration Policy.

MR AUSTIN: Yes.

DEPUTY SOUTHERN: But with the widest possible scope, its links to Economic Growth, etc and Strategic Planning.

MR AUSTIN: Yes.

DEPUTY SOUTHERN: Before we start, I have to read out a message or some information to you about the process. It is important that you fully understand the conditions under which you are appearing at this hearing. You will find a printed copy of the statement I am reading to you on the table in front of you.

Shadow Scrutiny Panels have been established by the States to create opportunities for training States Members and Officers in developing new skills in advance of the proposed changes of government. During this shadow period, the Panel has no statutory powers and the proceedings at public hearings are not covered by Parliamentary privilege. This means that anyone participating, whether a Panel Member or a person giving evidence, is not protected from being sued or prosecuted for anything said during hearings. The Panel would like you to bear this in mind when answering questions and to ensure that you understand that you are fully responsible for any comments that you make.

Okay, that is the formal bit over. Just in general terms, I think I see this going about an hour.

MR AUSTIN: Okay.

DEPUTY SOUTHERN: I do not think we will go beyond that.

MR AUSTIN: That is fine, yes.

DEPUTY SOUTHERN: That is the sort of timescale that we are into. The starting point is your statement earlier in the year that there were a number of vacancies already in the financial services area, and you have written us a letter suggesting that there are three main areas of shortage in trust administrators, chartered accountants (which apparently is a national shortage) and in specialist IT. Could you tell us something more about these vacancies that already exist?

MR AUSTIN: Okay. I suppose it is against a backcloth really of the finance industry in, say, 2002 and 2003, were quite difficult years for the finance industry, but 2004 was a very, very good year and certainly we picked up all sorts of reasons for that. The global economy has picked up, the stock markets have picked up, so 2004 was a very good year for us, and clearly people had started recruiting again and expanding their businesses. 2005 has also got off to a great start, so we are looking at probably a better year in 2005 than 2004. So there is more confidence around and people are starting to invest again in their businesses.

In particular, the area of growth last year was the trust industry, which I say in here. I think that obviously the trust industry is a very broad industry -- small trust companies, big trust companies -- but across the board I think we are probably looking at about 30/35% growth in terms of turnover, which, you know, takes a lot of staffing. That is where there has probably been quite acute shortages within the industry. There you are looking for experienced people, I suppose, to cope with that.

I think, to some degree, the problem has even been masked because, if you look at our industry over the last three, four or five years, we have probably had about 500 redundancies, predominantly from the banking sector, and a lot of those people have found their way into trust companies, so they have come out of the banking sector, you know, with a reasonable amount of knowledge of the finance industry and have been able to go through some retraining and go into the trust industry. So I think the problem would have been a lot worse had we not had that fall out from other sectors of the finance industry. So we are beginning to grow again with confidence, and we are looking.

The chartered accountants is an interesting one because I have spoken to two of the senior partners here and they have both said, not in exactly the same language, but what they have said is their biggest problem at the moment is deciding which work not to take on because they just haven't got the resources to do it all. So they are having to turn work away. As I said in my letter, that is not unique to Jersey. I think there is generally a shortage of chartered accountants across the board and, clearly, if there is a shortage in the UK, which is often the feeding ground for us here, there is a shortage here as well.

I think probably though the biggest change, I would say, in our industry over the last five years or so is I think there has been quite a considerable up-skilling in the industry. Now, what do I mean by that? If you look back over the last five years, there has been quite a lot of back office processing moved away off the Island, for all sorts of reasons. Two in particular I would say is that one was because Jersey was perceived to be expensive and, therefore, if you are going to move anything off the Island, you will move your sort of least valuable business off the Island. The other one is you get some of the big groups, HSBC and Standard Chartered, irrespective of Jersey's costs, have now moved in to opening processing factories around the world. HSBC, for example, do most of their back office processing in India.

**(Senator Le Claire entered the room)**

MR AUSTIN: So a lot of that back office processing has gone. To replace that, what we have seen is much more high value/lower volume business, but, because it is higher value, it demands a different level of expertise. So we are seeing a lot more front office type business here, which is good for Jersey because it means high value, lower footprint. We don't need the same number of people here to manage it. But it does require a different level of expertise. I think this is where we are struggling at the moment. Clearly, as I said in my letter, you know, if there are 500 unemployed people out there, in one sense we should be taking them and employing them, but that is not the case. We are looking for slightly different skills, I think, these days. I think that has caused a mismatch of skills at the moment. If you have got 500 unemployed and you have got 200 or 300 in our industry vacancies, you would have thought we could have put them together, but that is not the case at the moment.

DEPUTY SOUTHERN: No, certainly. You were talking about skills there particularly, and my experience from 15 years ago as a careers teacher was that, for example, trust administrators were being filled by school leavers aged 18 with a couple of A Levels. That was the sort of people who were getting opportunities in trust administration and, two or three years down the line, they would be off and away and applying. But you seem to be saying that the training element, that that is not going to happen.

MR AUSTIN: It is interesting, because good 18 year olds with a couple of A Levels are very

difficult to find at the moment. We have had this recently. I mean, I mentioned two accountancy firms.

One of those came to me and said: "You know, we are talking to the schools. We are trying to get good 18 year olds who want to come into the finance industry." It was said publicly at a meeting, Nicola Davies, Chief Executive of Mourants, said: "Actually, I think in Jersey we send too many youngsters to university. What we would like in Mourants is some good 18 year olds we can get from school with A Levels who we can train in whatever direction they want to go, you know, whether it is law, whether it is HR, whether it is marketing or whatever." But there is a dearth of those sorts of people.

I mean, we send -- again, as I have said in my letter -- an enormously high percentage of our young people off to university, so that, you know, there aren't many there at 18 who we seem to be able to get hold of. What we don't have the market for currently is the 16 year olds at the moment. If you go back five or six years ago, the banks took in lots of 16 year olds for the back office processing. That has sort of gone. But good 18 year olds, I think there is a place for them at the moment if we can find them.

I put Nicola Davies in touch with the headmistress of Hautlieu, who I met when I was talking to her about this. She said: "Well, you know, not all our students go to university. We will have some who will want to stay in the Island beyond 18", so I put Nicola Davies in touch with her, Lesley Toms, and said: "Have a chat about it."

DEPUTY SOUTHERN: And the corollary of that is you are looking for skills and, in particular in relation to the Migration Policy, we are talking about importing those skills effectively and, again, can you tell us about how you see the ability under the new scheme to important the skills that you need.

MR AUSTIN: Okay, let me say at the outset, having a run a bank here for a number of years that, by choice, you would always employ someone local. It is so much cheaper, you know, and I would always have gone for someone local if we can, with some exceptions, because, again, some of the big groups like to move their high fliers around the world, so they will want to bring people into Jersey for two years or so. But, by and large, the bulk of the people that you want, by preference, would be local people.

But, that is not the case at the moment and, going forward, there will always be the need to bring some people in. I don't think you will see the same sort of numbers that we have seen historically, for the reasons that I have said, that now we are looking at higher value/lower volume, lower footprint type business. So our industry is probably about 11,500 to 12,000 people at the moment. You know, I wouldn't expect that to go above 13,000 -- don't hold me to that figure because I don't know -- but I wouldn't expect a great surge in our numbers, but there may be some particular skills that we will want to bring in if we can't get them here.

I mean the real trick for me is, you know, trying to work with Education or whatever and somehow -- not just us but the business community at large -- making better use of the resources available on the Island. I mean, that is the ideal scenario, that, you know, every youngster that comes out, if they want a job in Jersey, we can find it. I have just started talking to Education about this. I am not suggesting for one moment that you clone people to come out to work for the finance industry, not at all. What I am saying is that, you know, to me, it is unacceptable to have 500 youngsters unemployed on the one hand and, you know, vacancies in your major industry in another one. If we can find a way to bridge that, then we have got to try it.

DEPUTY SOUTHERN:           Okay. Julian?

DEPUTY BERNSTEIN:        I also believe that some of the students who go to university want to spread their wings.

MR AUSTIN:                Of course, yes.

DEPUTY BERNSTEIN:        Being a small island, that is possibly one of the problems. Coming back to training and filling the skills gap, clearly Highlands College has some problems. I would be interested to hear what you are discussing with them. Also, who is actually going to pay for this training, because we get the feeling that the finance industry would like the States to pay for this training; whereas they had been doing it internally or paying for it to be done. As you said earlier, some of them, Mourants, were interested in finding 18 year olds and training them up. Can you elaborate?

MR AUSTIN:                Yes. Highlands College is ... I mean, I am on record as saying that I don't think the provision of professional education and training on the Island is good enough for the

business community. Let me take the finance industry because I can only speak for the finance industry. I don't think the professional education provision is good enough, compared to what I see elsewhere. In my view, the States have not invested enough in that area over the past five or ten years.

We had the situation a couple of years ago where Highlands College were no longer able to provide training or provision for banking exams. If you look in our industry, there are 12,000 people work in the finance industry and 6,000 of them work in banking. You could no longer do your banking qualifications here on Jersey, which I found quite alarming. So people have had to do distance courses or whatever. That has now been reinstated to a degree with a bit of plaster and sticky tape to keep it going for the moment, but, clearly, they have got financial constraints up there. But I find it a bit short sighted that we are not investing in the main provider of jobs and the industry. So that was my sort of problem at Highlands College. I don't know whether their problem is a States' problem, but the output was that the quality of staff coming out of there and the breadth of it wasn't enough to meet our industry.

If I look at other places -- I do quite a bit of travelling, obviously -- there is massive investment going into the jurisdictions. I was at a conference when Bertie Ahern, the Irish Prime Minister, was speaking and he was talking about the finance industry, and he said: "The way we are going to keep our leading edge in financial services is by investing, we the Government investing, in the training of our people in that industry." In Ireland they have taken, or in Dublin the Government have taken a big building which is now used as a training centre. I could quote other examples as well.

So, I mean, the finance industry, we already undertake in-house an enormous amount of training and that will continue. That will continue. But I think, in my view, the States need to invest more in business education, and there have been some developments -- I mean, recently with CASS Business School -- which look good.

DEPUTY SOUTHERN: I think I would take it a stage further than what you are suggesting there. I mean, I think I have seen the statement in the Plan for the Growth of Financial Services that it would be foolish, unwise or "*dangerous*", I think is the word used, to rely on the financial

service industry to continue to do its own training, or the bulk of its training. It is a bit stronger than what you were suggesting there.

MR AUSTIN: I haven't seen that, so I don't know. I mean, the way I look at it is I have seen over the years two surveys done, skills surveys done, on Jersey, across businesses as a whole and not just the finance industry, but it is certainly true of the finance industry. Consistently, there are weaknesses shown in management skills at junior and middle management level, consistently across there. I think that is what Jersey needs to provider better. I think we could do a lot more than that. What you will find the banks will teach -- sorry the finance industry will tend to teach -- are predominantly the technical skills required for people to do their job, whether it is to teach you how to be a cashier or to teach you how to be, you know, a relationship manager. They tend to teach the in-house skills.

I think Jersey has a problem in its business sector on management skills generally. I mean, I can't see the States, for example, having any enthusiasm to teach bank cashiers how to be bank cashiers and I don't think that is its place. I think that is the place of the industry to do that, but I think there is a rôle, a broader rôle, for States' investment in training.

DEPUTY SOUTHERN: Judy?

DEPUTY MARTIN: Yeah, talking about the industry overall, what we are trying to achieve is 2% growth, you know, across all sectors.

MR AUSTIN: Yes.

DEPUTY MARTIN: How much do you think of that take would come from financial services?

MR AUSTIN: Well, it is 2% real growth, isn't it?

DEPUTY MARTIN: Yeah.

MR AUSTIN: So it is 7% or something like that, which is a tall order.

DEPUTY MARTIN: I'm glad you say that, because a lot of people are confused over is it 2%.

DEPUTY SOUTHERN: It saves us asking that question.

MR AUSTIN: No, no. I know the size of the task that is before us.

DEPUTY MARTIN: Yes.

MR AUSTIN: I think it is a big ask. I mean, I think it is achievable, you know, if all the conditions are in our favour and there is a lot of enthusiasm, support or whatever. As I said earlier, 2004 was good and 2005 is good, so it can be done, but it is, you know, it is a tall order to do it consistently over a period of years and it will depend on global conditions. We clearly can't operate in isolation here because a global downturn in the financial market affects us enormously here. But confidence in our industry is as good now as it has been for about five years, five or six years, so, you know, we are going for growth.

DEPUTY MARTIN: Yeah, but, overall, where do you see the financial services' part of that? Will it be 50% or 75%?

MR AUSTIN: It will be most of it.

DEPUTY MARTIN: Most of it?

MR AUSTIN: I think it will be most of it. If you look at the make-up of the economy now, you know, GDP contribution now, then it is going to be a reflection of that, I think, going forward, so it is going to be 60/70% of that, I would have thought.

DEPUTY MARTIN: And in the draft plan for the financial services growth, they do ... I mean, probably you can ... we did have a little explanation about hedge funds, but it does basically say to start up 10 to 15 teams we will need 60 J cats or 60 new licensed people, which will be over the first couple of years of setting it up, so this will obviously ... then they say they will go on to train the local people. Do you think this is achievable, drawing 60 people in? You are talking about basically a smaller footprint again. Obviously, if you don't completely understand, which I say I don't completely understand or I have very little knowledge of these hedge funds, so if you would just explain a bit more. Do you see this as an accurate figure, 60 licensed new highly skilled people? They say they could be even K, 11Ks.

MR AUSTIN: I think that is a good target to have. I couldn't sit here now and say it is achievable. I mean, hedge funds are just the flavour of the month really in a way. They have been the flavour of the month for quite a number of times, but the thing about hedge funds is that they are normally run by several very clever principals. The businesses are highly profitable, but

they don't have an army of people. It is normally 12 or 15 people.

DEPUTY MARTIN:                Yeah.

MR AUSTIN:                In fact, there is one hedge fund business that is quite far down the road in coming to Jersey now. They have spoken to Housing, Reg of Unds, etc, etc. I was in London last week and I went to see them, and I met three of the four principals who are moving to Jersey. I sat down and had a long chat with one of them, a very, very nice guy. He is moving over here. I don't know how much he is worth, but, yeah, he would be between ... I would say he is definitely upper J/possibly a K. He is coming. They will pay tax here individually. They will pay tax here corporately, you know, but the four principals are coming. They are leaving their back office in London, which you might say suits us, because we are getting the cream of that organisation here, who will pay us quite a considerable amount of money. I suppose that is the model we are looking for. That is high value, low footprint model that we are looking for. I don't know whether we will get 60. Obviously we will try.

I mean, we are in London next week at a conference talking about it and, meanwhile, the finance industry are going round talking to lots of people. You know, Geneva are trying to attract those as well and Guernsey are trying to attract those. The people that I met last week said: "For us, it was a straight choice between Geneva and Jersey", and they went to Geneva and they went to Jersey and, at the end of the day, they said that the attraction of the mountains in the background of Geneva and skiing in the winter was a great pull, but, on balance, they felt that the lifestyle here and schools and being that bit nearer to the UK was the thing that determined that they should come here.

DEPUTY BERNSTEIN:        Geneva is terrible.

MR AUSTIN:                Is it?

DEPUTY MARTIN:        When you were speaking, I mean, I don't know how far you ... you say there was a different reason why they went to Geneva and why they came here. Do you feel that the Jersey Financial Commission, the licensing here, is, you know, up to speed and to get the Regulation of Undertakings on board? Are we ... are we ... there is no sort of constraints or probably maybe more in Geneva, I don't know. I mean, was that part of their decision?

MR AUSTIN: Well, they said to me: "Jersey has been fantastic." They said that everyone they met in Jersey had been so helpful, and that swayed them without any shadow of a doubt. So, you know, there are people -- Wayne Gallichan and people like that -- who at the moment are pulling out all the stops to getting this done and, you know, we have been talking to people at the Jersey Funds Associations who have been great. Generally it is the guys in the industry who know the people in London because they talk to them every day and hear that they might be interested, but Jersey has pulled out all the stops. I can only repeat to you what they told me last week. They said: "It's fantastic."

DEPUTY MARTIN: Good.

MR AUSTIN: The treatment they've had and the support.

DEPUTY MARTIN: Just one thing, and I'm probably confusing the issue here, but what was the name of the man who gave a talk at Jersey Finance, very interesting? You brought him.

MR AUSTIN: Richard Hay from Stikeman Elliott.

DEPUTY MARTIN: Richard Hay?

MR AUSTIN: Yeah.

DEPUTY MARTIN: And I probably have got the wrong end of the stick listening, but at some point in his talk I think he said that we were so over regulated here that we could be constraining business or whatever.

MR AUSTIN: I think that was definitely the case two years ago.

DEPUTY MARTIN: But this was only like six months ago. It wasn't even that, was it?

MR AUSTIN: But these things have a lag time. I mean, from an industry perspective, we felt as though the Financial Services Commission was going a bit far a bit too quickly, and we were all saying: "Why are we out in front? Why can't we just move when everyone else has moved?" Two years on, that now works in our favour, because people are saying: "Wow, Jersey are past the finishing line."

DEPUTY MARTIN: Yeah.

MR AUSTIN: "We know what their position is", but there is this lag time. I think, you know, I was in the Middle East recently and I was talking to people and they will say to you: "We think

Jersey is fantastic, but administratively it is a very difficult place to deal with.” I still think there is a lot of bureaucracy around Jersey that we need to get rid of, if you want my honest opinion on it. However, I can say that when there has been some focus recently on these hedge funds, Jersey has really pulled together well and got things done and it has been great. But, generally, I think there is a lot of, you know, we are seen as a difficult place to do business with.

I mean, the Financial Services Commission, that was the case certainly a year ago. In my view, David Carse has brought a completely different perspective. We have this big conference in London every year -- it is next week, as I say -- and last year I asked David Carse to speak and he stood up to around 400 people in London and said: “As a Regulator, I have got to accept the word ‘risk’ into my vocabulary and we will make Jersey a more practical place” and he is doing that now over a period of time. That was a great message for London.

DEPUTY MARTIN:                Being practical, my concern is that the lure of these millions of pounds coming to Jersey, that some of that might not be regulated as well as some of the local companies. I mean, I need some assurances here.

MR AUSTIN:                Well, they will be ----

DEPUTY MARTIN:                Everyone has pulled out all the stops and said: “Come, come, come and give us your millions.”

MR AUSTIN:                Well, let me try and reassure you. One is that they will already have been regulated by the Financial Services Authority in London, these people, yes? Secondly, coming over here, they have then got to satisfy all Jersey’s Regulatory requirements to get their licence here. You know, I work not with but I deal with the Financial Services Commission on a weekly basis and, in my view, they won’t allow themselves to be compromised. You know, we get very frustrated at times in the industry when we want them to move quicker or in a different direction. Sometimes they do, sometimes they don’t. So I don’t think they would compromise the standards, in my view, and we in the industry wouldn’t want that, to be honest.

DEPUTY MARTIN:                No. Thank you.

DEPUTY SOUTHERN:                Okay, if I could just follow that up with something related. I think you were involved in the production of this particular report. I think it is *Initiatives for the Finance*

*Industry Participants* from 2003, I think. Presumably then you are referring there, where you say here in the strengths and weaknesses of Jersey, you point out a weakness as a “*recently unco-operative Regulator, inexperienced below director level*”. You now have a more co-operative, I presume, Regulator?

MR AUSTIN: I think we have a more experienced Regulator, in my view, a much more experienced Regulator. Obviously I don’t want to get into personalities, but the previous Regulator, I personally got on very well with him and, in fairness to him, he had never been a Regulator before. Also, in fairness to him, he was having to drive in a lot of regulation, particularly with the trust companies, from the start, which is very, very difficult. Our trust industry here hadn’t been regulated for 30 years and lots of people had made lots of money out of it, so for a Regulator to come along and say: “Well, actually you can’t do it that way any more” they found it a bit difficult. So he had a difficult task.

David Carse, who came along, what, getting on 18 months ago now, to me as brought a different perspective. He is ex-Bank of England, ex-Hong Kong and has a lot of experience. He has worked in a very high profile offshore centre like Hong Kong and I think he is just more comfortable in the rôle, in my view. Sorry, I am not sure to what you are referring there, but I agree with it.

DEPUTY SOUTHERN: I don’t know what the title is. It is a working document that builds up, I think, towards ... I think it certainly is an appendix to the Growth Plan for the Financial Services.

MR AUSTIN: Okay.

DEPUTY SOUTHERN: As part of the background to it.

MR AUSTIN: Okay.

DEPUTY SOUTHERN: Paul do you want to come in?

SENATOR LE CLAIRE: Yes.

DEPUTY SOUTHERN: I know you were late starting.

SENATOR LE CLAIRE: I apologise for being late this morning for this meeting, and I haven’t had any chance to interact as to the direction the Scrutiny Committee would like to take you, so

apologies to you first of all, Mr Austin. I might be off at a tangent, but I will just try and ask some questions which I think might raise some interesting analysis. There are three things, I think, maybe.

There has been some concern that Jersey still doesn't have access, or didn't have last time I looked at this, didn't have access to the European Banking Federation, or Jersey did but the rest of the islands were working independently, and perhaps a joint structure could save expenses and fees. The overall thing I am trying to drive at there is that I am concerned that the banks and the industry is continuing to gain profits overall and build profits overall, but we are seeing less local people being drawn into that industry. It may be returning more money for the Exchequer, but it is certainly drawing more money to itself. I am just wondering at what level we are gauging the long term value of travelling abroad to create investment opportunities for these banks and these institutions and what those concerns were in relation to the fact that not being a combined group was detrimental to the expenses and the fees of the local organisations.

MR AUSTIN: Okay.

SENATOR LE CLAIRE: That is one thing and ----

MR AUSTIN: I didn't quite understand the first bit of what you said. You said about the European Banking Forum. I didn't quite understand that.

SENATOR LE CLAIRE: Federation.

MR AUSTIN: Federation?

SENATOR LE CLAIRE: I believe that the Jersey banks have access via their BBA membership, but the other jurisdictions aren't. We are not all working collectively like Guernsey and the Isle of Man and Jersey aren't working collectively.

MR AUSTIN: Right. Just let me pick up on that. There is a body called the European Banking Federation, which is a loose collection of European banks, and they meet about maybe once a quarter in various places on the Continent. Our Technical Director, David Wilde, goes to that. I used to go. He now goes to that. The Isle of Man are definitely represented there by a man called Phil O'Shea, who works for Barclays Bank. He represents their banking. Guernsey have been invited, but, to date, have chosen not to go. When David Wilde comes back from

those meetings, he would speak with his counterpart in Guernsey and/or the Isle of Man. Next Monday, I am going over to Guernsey to meet with the Guernsey industry, yeah? We meet with them about twice a year, with the Guernsey industry to work together with them. Clearly, you know, we are in competition with them in some areas, but we do work very closely with Guernsey and the Isle of Man on sort of high level stuff.

SENATOR LE CLAIRE: It seems to me, I mean, you know, I only worked in the finance industry as a bodyguard to the chief executive officers, but, having worked in that business, I understand we are going abroad and we are going to places where there is obviously competition from ourselves, like borrowing, etc, where they have an IT city centre, including the desert and everything else, and there is some concern that we are going over there and we are actually marketing financial services, but not necessarily marketing Jersey. That is one area that I am not certain whether or not the evidence of the people still in school and the evidence that there is less people being drawn into the industry is encouraging. It is not encouraging for me.

MR AUSTIN: Can I pick up on one of those points?

SENATOR LE CLAIRE: Hmm.

MR AUSTIN: Okay. I mean, when we go abroad, and we do go abroad, clearly what we are trying to do is broaden the market available into Jersey. We have just been to the Middle East. We had about 45 industry members come with us. Now, they pay their own way -- it is up to them whether they come or whatever -- representing 32 different businesses here. A lot of those were Jersey owned businesses -- law firms, trust companies and so on. So these were not just the big banks. The big banks were in a minority. The big banks would say: "We don't need to come to Bahrain with you because we have got our international operations that can cover that." So by and large it was Jersey owned businesses that came with us -- Mourants, Ogiers and a number of trust companies that came with us, fund companies.

In terms of employing local people, I was saying really just before you came in, you know, 85%, a minimum of 85%, of the finance industry is locally qualified. You know, we would like that to be as high as we can take it. We would always want some, I think you need some, expertise passing through, you know, to freshen things up, but if we can employ local

people we will. We were just saying that currently there is a mismatch of skills.

SENATOR LE CLAIRE: It is interesting that you say locally qualified, because this new terminology "*locally qualified*" that has been introduced does not necessarily mean people that have come through the education system of Jersey. It just means that they have been sticking around for five years. Can I ask ----

MR AUSTIN: Currently, at the moment, not five years, probably a bit longer than that, under the current terminology.

SENATOR LE CLAIRE: But not necessarily people ----

MR AUSTIN: Not born here necessarily, no.

SENATOR LE CLAIRE: Not necessarily born and educated here. It is the born and educated and long term committed that I am trying to get a grasp of, as to how the provision for this employment and these groups of policies is going to work through. What about the lack of an ability to utilise debenture security in Jersey and Guernsey? It has been highlighted as detrimental to the Island. Is that still the case and, if that wasn't the case, how much revenue could that create in an Economic Growth Plan?

MR AUSTIN: Okay, I mean, we are going way off track here now. We are going into something technical.

DEPUTY SOUTHERN: Yes.

MR AUSTIN: If the Chairman is happy, I will answer it.

DEPUTY SOUTHERN: I am reasonably happy that we go there briefly, but ----

MR AUSTIN: I think I know what you mean, Senator, and we are now looking at that at the moment. In fact, the industry are talking to the Regulator in what is called the Securities of Interest Law and we are saying we want the ability to take debentures and fixed and floating charges, as the UK has been able to do for a long, long time. So that is on the legislative programme, I think for some time later this year, I think. If not, it is for early next year, and we would expect to see that remedied.

SENATOR LE CLAIRE: Okay, one last relevant point to the reason why we are meeting in this constitution. There has been concern expressed to me that the new policy is still both costly and

cumbersome to major employees and still does not really address discrimination factors. There has been some concern that it doesn't go as far as they would like it to go. What is the general view of that, and do the major employers still see this policy coming forward as both costly and cumbersome and do they still feel it is discriminatory?

MR AUSTIN: The Immigration Policy?

SENATOR LE CLAIRE: Hmm. Migration we are calling it.

MR AUSTIN: Migration, okay, yeah. I haven't heard people saying it is, you know, any more costly than perhaps we have got at the moment, to be honest. That hasn't come across to me whatsoever. What I was saying to the Chairman and Panel before is that it has always been costly to bring people in here. When I ran a bank I remember in one particular year I looked at it and I was horrified to find that we were paying a million pounds a year rent in the local market and we owned 20 houses, yeah? The banks have pulled back from that in a big way now and, you know, I don't think the numbers of people we are bringing in in the industry are anywhere near as we did in the mid-nineties, in my view.

SENATOR LE CLAIRE: So could I just tie in one last question on to that, which is quite relevant? The banks, it is interesting that you said before the banks owned, or your bank owned, 20 properties and you were spending a million pounds in rent. Under the new policy, there is going to be an arrangement for the employers to purchase and the employees to purchase properties jointly. I would imagine that would drive up the property portfolios of businesses. Do you see that occurring and in which ways do you see the difficulties that there would be?

MR AUSTIN: I think the current thinking in the industry is that they don't want to own many properties now. That was the mid-nineties and the thinking changed, as far as I am aware, on this. But I think you find now the finance industry relative to ten years ago owns very few. I am talking about residential properties. It owns very few residential properties. They prefer to rent for two or three years and let people move on and get rid of it. I mean, it was a practical thing. You would have, you know, a four bedroom house for someone with three children and they would go and the person that replaced them would be single and it got to a silly situation. So I think the industry currently are not into buying a lot of residential properties.

SENATOR LE CLAIRE: So the progress would be for the new individuals to come and, through their licensing arrangement with their employers, if they would like to, a percentage will start to purchase as they arrive and those facilities would be made available through this new policy that is being proposed. Has anybody from the industry had any thoughts about possible difficulties in relation to termination of contracts and interactions between the employer and the employee owning properties across the Island and then being maybe enmeshed together and maybe difficulties separating them once there was termination of employment?

MR AUSTIN: But I don't think that is any different at this moment in time. If someone is here on, say, a three year J cat and a bank is providing them with a house for them and their family, and let us say after 18 months everything goes pear shaped and the bank sack or the person resigns, then that person has to move out of the house, the bank's house. So is that any different? You know, that person is in a company property, as it is at the moment, and that property is tied to their job.

SENATOR LE CLAIRE: In the future that won't be the case though, will it?

MR AUSTIN: In what regard?

SENATOR LE CLAIRE: In relation, as far as I can understand from the proposals that they are putting forward the property will not necessarily belong to the bank and the employer who decides to terminate ... let us say, for example, I employed Deputy Bernstein and it went pear shaped after three years. If he had got into a property agreement with somebody because of the fact that he was licensed, that property may not necessarily belong to the bank and it would still be. That is why I wondered if there was any analysis of the potential.

MR AUSTIN: Okay, well put it around another way. I said that, you know, when I ran a bank we rented a lot of properties as well. It is the same scenario. You know, if we were to sack Deputy Bernstein today, he would no longer have a J category from my bank and, therefore, presumably he could no longer live in that J category house.

DEPUTY SOUTHERN: That's right.

MR AUSTIN: So housing to date has been very closely aligned to employment. That has always been the case as far as I am concerned.

DEPUTY SOUTHERN: I think Judy wants to explore this.

DEPUTY MARTIN: No, I don't want to explore this at all. I want to get back to the Migration Policy.

DEPUTY SOUTHERN: Okay.

DEPUTY MARTIN: And the way that your paper from Jersey Finance, I think this was ... what date was it in May? May 2004?

DEPUTY BERNSTEIN: April 2004.

DEPUTY MARTIN: Yeah, it is *Finance Perspective*. It is your paper. Basically, Jersey's economy, it says opening basically: "*Government is having to manage the economy around bulkheads of regulation and, as a result, it is not able to respond quickly and effectively to the changing needs of the Island.*" You go on to say: "*It is imperative, therefore, that these bulkheads are removed and that an economic policy should be reviewed and reset in accordance with current demands and objectives.*" Then it goes on about housing and population and: "*However, the Island's Immigration Policy was to be focused to allow genuinely appropriate skilled*" and whatever.

My point is, do you think -- I assume but I don't know if you have read the Migration Policy, but the changes from J to licensed to Reg of Unds -- do you think what the States is proposing covers, you know, the "*bulkheads*" that we have got to get over, because we are told a lot of this is different? We are told from a other people that a lot of it is similar to what we have got but giving it a different name. How do you see it? Do you think this does get over a lot of these bulkheads?

MR AUSTIN: Yeah, I do think it is better. What I was saying there is that, you know, if you are trying to drive an Economic Policy, then it seemed to me that you had all these burdens. You had Regulation of Undertaking, you had Housing Policy and whatever and you are having to fashion an Economic Policy but weave in and out of all of these. What I was trying to say there was that, in my view, push them to one side and say what is our Economic Policy that we want and then bringing in a Housing Policy and a Migration Policy that support that Economic Strategy.

DEPUTY MARTIN: Yeah.

MR AUSTIN: Not having to shape the Economic Strategy to fit them. You know, I have read the Migration Policy a month or two ago and, as an employer, I would be much more comfortable with it, inasmuch as it seems to give me a certain amount of freedom. Instead of me having to apply for a J category licence every time, you are now saying to me: "You can have X number of J categories, get on with it." That gives me the flexibility which I think I would want.

DEPUTY SOUTHERN: That flexibility, would you go as far as to say, because, again, referring to the document, the background document that I was referring to earlier, which I think you had some involvement with, point 4 on the Advisory Group recommendations for Government is "*Liberalise Housing and Immigration Policies, introduce a new policy tightening key skills and personnel required by the financial services sector under a new job licensing model.*" Would you say that has been achieved, the liberalisation?

MR AUSTIN: I'm still having a problem with that document there, because you have said twice that I had something to do with it and I haven't got any recall.

DEPUTY SOUTHERN: I note that it has your name on the back, but it might be ----

MR AUSTIN: Oh is it? **(Document shown to witness)** I know what the text is, but I haven't got the title page. It is an Advisory Group on the FSI and I saw your name on it.

MR AUSTIN: Okay, we were consulted at some stage.

DEPUTY SOUTHERN: Part of this is PricewaterhouseCoopers and part of it is the Steering Group.

MR AUSTIN: Yes, the two groups. John Harris put that together.

DEPUTY SOUTHERN: That is the one.

MR AUSTIN: Yeah, I am with you, right, okay. I am sorry, Chairman, can you just repeat the question?

DEPUTY SOUTHERN: Yes. It comes down to point 4 on page 23 of this document, as the Advisory Group, recommendations to the Government says: "*Liberalise Housing and Immigration Policies*". Do you think what we are about to get is that liberalisation?

MR AUSTIN: Yes. I think, my understanding from within the industry is that we are

comfortable with the proposals and we would say that they have probably gone about as far as you could go with them. We don't expect a complete open door for everyone to be able to come in. We accept that there has got to be some controls. I was just saying here to Deputy Martin the way the proposals are I think it is very workable from a market prospective.

DEPUTY SOUTHERN: Right.

DEPUTY MARTIN: Yeah, you see, I think I have a problem with the industry's view of the Migration Policy and when we have asked politicians like we have, because there's just one sentence in here, that "*The States will manage inward migration through regulating overall employment.*" Now, I have had it from EDC, Senator Walker, that, you know, there will be a real tough control, it will be very strong and the Chief Executive, Mr Ogley, it's in his transcript that, you know, what they are trying to say to us contradicted what you said about they will give, let us say, the example exactly was 90 entitled -- that is anyone who is here -- five licences equivalent to J and five regulated. That is anyone who has walked on the Island. Now, if their skills match still is not there, they are basically going to say: "Well, sorry, there's 400 or 500 people out there, go and find them." Now, to me, that is putting the brakes on again and, if you can't find them, it is a different ... I am asking the question how they are going to do it and this is how they are telling me they are going to do it. I don't see the industry or even EDC, when I listen to EDC, actually seeing this working in the same way and it is not marrying together very well.

MR AUSTIN: Under current regulation, if you like, in the industry and running the bank, I had to every year submit a three year plan to the Regulation of Undertakings. In that I would set out what I thought my headcount was going to be for the next three years, so let us 100 or maybe 120 or 150. So I used to go along to Reg of Unds, as it now is, and agree with them those numbers, yeah? Within that, I would have to agree what the number of locally qualified, which was normally about 85% to 90%. So let us say I said I want a 100 people for next year and I had agreed that 85 of those will be locally qualified people.

Again, I am not seeing a great change here. What I am now seeing is I am agreeing that with the states, but I am saying that "Of those 15 people, the 85 to 100, give me the flexibility to

recruit them in a way that I want. If I want to bring them in, if I want to bring them in and have them, you know, on a J cat equivalent or whatever, give me that flexibility to do it.” I still think that the industry will have to submit overall plans, headcount plans, I guess, won’t they?

DEPUTY MARTIN: Oh yeah, no, yeah, that’s true.

MR AUSTIN: So has an awful lot changed then? What you are doing to me and the industry, I think, is you are giving me a bit more manoeuvrability, a bit more flexibility, I think, by saying: “Of that 15 people, you don’t have to come back every time for every one and say: ‘I want a J cat for this person’.”

DEPUTY SOUTHERN: Can I come in there, particularly on that need for flexibility and has anything changed? The evidence is that whenever we have grown our economy, we have actually sucked in migrants, immigrants.

MR AUSTIN: Yes.

DEPUTY SOUTHERN: You can follow the curve, you know, economic growth and, lo and behold, the numbers coming in and, as you go down, the economy goes down, so people leave effectively. Now, over the period 2001 to 2004, when we have been in pretty ordinary terms -- it has not been super -- we have actually seen a growth of one-quarter in the number of J categories involved in the private sector. So, if you are saying that it is pretty much what we have got now, the evidence would suggest ... and if we start growing the economy by our 2%, which is actually 7%, then fine. We have got what we had. Where is the evidence now? The politicians are saying: “Oh well, we’ll do it differently this time”, but if you are growing your industry and you turn round and develop a plan, for example, like the hedge funds, immediately you are saying: “We will need some more Js in, licensed people”. That is going to happen. What is different now that is going to prevent us sucking in immigration in the future the way we always, always have in the past?

MR AUSTIN: I mean, your figures for 2002 on 2004 I don’t doubt them at all. I suppose I would ask where have those Js gone -- you said they were in the private sector -- because certainly in our industry I think now we are probably 200 or 300 people down on where we were three years ago, in terms of total numbers. So the finance industry ----

DEPUTY SOUTHERN: The overall number has gone down, but the Js have gone up.

MR AUSTIN: Yes, but I would ask where they were, Chairman, honestly, because I don't think they are in our industry.

DEPUTY SOUTHERN: Oh right.

MR AUSTIN: Honestly, I don't. There has always been a myth that the finance industry had all the Js. Again, I am a few years out of date with this now, but there used to be about 1,500 Js around and we had about 300-odd of them, about 20% of them, and a lot of them are in health and education, those sort of sectors. I would just, you know -- I don't necessarily have the answer now -- have a look at where those Js have gone up, because I don't think it is necessarily in the finance industry. The point, I suppose, I would put is -- and this is the dilemma for the States -- how can you get 7% growth a year without increasing the population, or can you get 7% a year without increasing the population? Or is it that you can't do it?

DEPUTY BERNSTEIN: That is the catch of it.

MR AUSTIN: Maybe you can't do it.

DEPUTY SOUTHERN: How do you see it?

MR AUSTIN: I will tell you what you have to do is you have to make use of all the resources here, so those 500 people or so unemployed, we have got to make sure somehow they get into the economy.

DEPUTY SOUTHERN: And before I will come to you, Paul, I don't want to be rude, but I must follow this up because this is a crucial question and we asked ... as you are probably aware, if you have followed this debate, I have particular reservations about the fact that we are supposed to be filling these new 500 jobs in growth from the local market. I have done my research, which says you might get 200 or so out of the local market, if we convert all the civil servants we are about to get rid of, if we make sure all women are not working who are not at work, if they return to work, if we target school leavers and make sure that we get hold of them. So the numbers, I think, are very thin and, yet, when we asked the President of Economic Development whether he had done any up to date research on, okay, where are these local jobs coming from, who are you going to be targeting and how many are there, he said he hadn't done any research.

As someone who is a representative of Jersey Finance or the financial services sector, wouldn't you like just to have seen some confidence, some research done, some facts and evidence that says "We can do this"?

MR AUSTIN: Yes. I sit on two of the Committees. I have been sitting on the 14 to 19 Curriculum Review for Education, which has been going on now for about two years, I think, and separately I sit on the Higher Education Review. So I have had quite a good insight into the whole education process here, and I am of the view that we need to make some significant changes in parts of our approach to education if we want to keep everyone on the Island fully employed, not just in the finance industry. You know, I said in my letter, we pump out every year an enormous amount of graduates, 10% to 15% more than the UK as a percentage of our population, and yet we have 10% to 15% less graduates in our workforce than the UK. So there is this massive investment in education here. We pay £1,000 per capita more for education in Jersey than we do in the UK. That is a by-product of teachers' salaries being higher here and we have smaller classes. So we are investing heavily in education. It is fantastic. We get great GCSE and A Level results. The kids go off to university and then there is this void by and large, you know. The other point I touched on in my letter is ----

DEPUTY BERNSTEIN: Can I just ask one thing? Do you mean curriculum change?

MR AUSTIN: No, I think that there is -- what is the word I'm looking for -- I think there is a gap between education and, let's just call it, the business community generally. I am talking about all industry and commerce there. I think we have a view in Jersey that says we have got to send all or as many of our children off at **there** when the needs of the economy are perhaps **here** a little bit. I think there needs to be a closer alignment of, you know, the economic needs of the Island going forward. I think there is a sort of a ... and I think this is difficult, because if you said to me: "Okay, you tell your kids they can't go to university, they have got to stay here and go in a bank at 16", I would say: "No, I want them to go off to university", so I understand all the issues around it, but it seems to me that there are ... I don't know, I just want a review really.

The other thing is can we afford to keep sending all these kids to university, because I don't think we can. There are going to be changes in the UK in 2006 to 2010 which will make it

enormously more expensive for children here to go to university in the UK, and I'm not sure that the States will be able to subsidise kids to the same extent as they do at the moment. So I think Jersey has to rethink its whole education strategy really.

SENATOR LE CLAIRE: Can I ask, just on a bit of crystal ball gazing really, we have got an economic problem.

MR AUSTIN: Yes.

SENATOR LE CLAIRE: We have got an identified skills problem. We have got an identified education backlog, an investment producing output, non-reducing factor to consider and, in relation to all of that, kicking in the economy, kicking in the skills, kicking in the education. We need to realise and analyse on this Committee what the impact of trying to address those and reach for those goals is going to have at the end with Housing and Social Services, etc.

What I am trying to fathom, and I think it is a lot of crystal ball gazing, is in the future, you know, there are ideas mooted about universities, and I personally believe that we should have an Internet university where we have teachers that have classrooms around the world rather than students that come, but if we try to adapt our education in modern ways and we try to adapt our skills for this ever-changing, ever shifting finance industry and the regulations that come down upon it. We need to understand what those outputs are going to be in relation to social provision, as I said, and housing, education and health.

At the moment, if a J category goes, a J category goes and sometimes the J category person leaves. But to try and fathom what is going to happen, can I ask you in specific relation to this so that I can try and piece it together in my head, the probability? What types of contracts will be negotiated by the finance industry in the future with people that come into the industry either from within Jersey or from outside Jersey and how long will these types of contracts be written for?

So, for example, let us say I am a finance institution in Jersey -- local or non-local, it doesn't matter -- and I am just starting up. I am going to need to manage the wealth of the global village. What kinds of people am I going to be employing -- obviously I am going to need services I can outsource, I can outsource legal or accountancy things, etc -- but what kinds of

skills and what kinds of contracts and how long will those contracts be negotiated for, do you think, in the short and medium term?

MR AUSTIN: First of all, something you just touched on, Senator. I don't think the education system should be totally changed for the finance industry. I wasn't saying that. I just think there is a gap, in my view, between the output of education and the economic needs of the Island. I think we just need to look at that, because I think they are going like **that** rather than like **that**. I think we need to look at that.

SENATOR LE CLAIRE: They are going away instead of together

MR AUSTIN: Yes, and I think that needs to be looked at, but that is business generally, commerce generally.

SENATOR LE CLAIRE: Right.

MR AUSTIN: In terms of length of contracts, that is a difficult one to say. What I will say is this, that I know that now the industry, the banks in particular that are the big employers, are of the mind that if people come here on a three year contract, they should go after three years.

SENATOR LE CLAIRE: At the moment that is.

DEPUTY SOUTHERN: Why? Can you develop that? Why? I would seem to me that there is no motivation for an employer. There is a motivation for the Government to say: "Yes, three year contract. You might get an extension to five, but no way are you getting near ten, because then you will be qualified and you will stay and we will have to look after you when you are old." But there isn't that motivation. If you have got the right person in the right job and you are offering him initially a three year contract and effectively you are going to roll up that three year contract, eventually it is going to go ping and he is going to hit the ten year mark with his qualification. That surely ----

MR AUSTIN: I think very few do, to be honest.

DEPUTY SOUTHERN: Very few do presently.

MR AUSTIN: Very few do presently, because if it is a high flier that comes in -- and I have seen this often -- they won't want to stay in Jersey for three years. Take a big HSBC group that I work for, you bring in the young kids in, the world is their oyster and they will come to Jersey

and they will have a great time here for two years, but they will want to move on to Hong Kong or Singapore and see another part of the world, without a shadow of a doubt. The banks themselves are now beginning to say: "There is a real cost to us of doing this". Often I have seen it, they bring people in for three years, the three becomes five, the five becomes seven and they are still subsidising housing or whatever. They are now saying, particularly at the more junior level, at the more junior level they are saying: "If we bring people in for two or three years, by and large we will send them back after two or three years." That is beginning to happen and that is why you are seeing banks are selling hostels round town in the last three or four years. A number of hostels have been sold. I was with the Chief Executive of HSBC only a month or so ago and he was saying this to me and I have heard it from Lloyds as well, but, by and large, they don't want people being here for five, six or seven years getting subsidies all the time. It is a costs thing. It is a costs thing from their perspective.

DEPUTY SOUTHERN: But there is another way round that, isn't there? What happens in the public sector is that teachers, whatever or doctors, are encouraged to buy through share transfer straightaway and then they have got an investment in staying here and bringing up their family. We are talking middle range, not the young people, who may and always have done come and gone, but certainly people who are settling down. We are talking middle range management. Then, if you are going to allow them to buy, and certainly the move is that they will be allowed to buy, then the likelihood is that they are going to stay.

MR AUSTIN: I mean ----

SENATOR LE CLAIRE: Or their properties will stay.

MR AUSTIN: Or?

SENATOR LE CLAIRE: Or maybe their properties will stay.

DEPUTY SOUTHERN: The properties will stay, yes.

MR AUSTIN: I think, and I can only follow my own experience here, that for every ten people that come to Jersey now in our industry there is probably two or three who would like to stay here. I mean, most of them want to move on somewhere else. So I wouldn't be concerned that, you know, every ten that you let in are going to try and put roots down here. Probably, if I

look round this table, most of us have come into the Island, you know.

DEPUTY SOUTHERN: Yes.

MR AUSTIN: Yes, but not everyone wants to stay here. I am not being critical of Jersey -- I love it here -- but not everyone wants to stay. I often see people come and say: "It's great for two or three years, but I'm moving on." Some of my best friends have been and gone and now they have moved on twice again. So I wouldn't assume that everyone wants to come here. I think sometimes we do think that that everyone that comes here wants to stay.

I think sometimes, because of the Housing Regulations, it is sort of a challenge and you say: "Can I and find a way round this to stay", but, because there is such a defensive wall built up, saying: "You can't stay", some people think: "I will try and take that on." But people come and go and Jersey is a small place and it doesn't suit everyone. I have known lots of people who come. Families haven't settled or they want to go somewhere else or they want to go back to the UK, so they go there for two years, it's great, but it's not their cup of tea in the long term.

SENATOR LE CLAIRE: So could you specifically give us some kind of indication of what kind of skills? I mean, I was looking, just to try and understand it. If I understand what kind of people are coming to the Island, then I understand what kind of contracts they are going to be getting and I understand how long they are going to be in for. I mean, I do understand that, in a small jurisdiction like Jersey, they are going to be looking for the top echelons and your go-getters are not going to be looking at Jersey long term, they are going to be looking for London, they are going to be looking for New York, etc. But I am just trying to fathom exactly how long will these people be coming; what skills will they have; and, if there is an excess of costs for them to be coming and if they are not really wanting to be here anyway, what do we have to do to stop having the requirement for those people to be coming in the first place and what do we have to do to enable us to get rid of the backlog of the people that we are finding in school now that are scared to come out because there is no work for them?

MR AUSTIN: Yeah, again, that is a very big question. I mean, what sort of skills are going to come in? They are basically skills that you can't find here. As I was saying earlier, Senator, but I think before you came, there has been a switch really in the industry. Whereas ten years ago

we had lots of back office staff that has gone and there has been up-skilling in the industry. So the sort of people you might be looking for here would be experienced relationship managers, corporate relationship managers, private banking relationship managers and front office people. I suppose, if I was being critical of the output of the schools at the moment -- I am talking about the kids who don't go off to university -- I would say that they suited our industry five years ago, where they were happy to go into a back office and process, but a lot of them that we see now don't have what we would call the front office inter-personal skills, confidence, talking to people on the phone from around the world, those sort of skills. So the industry has moved much more sort of front office and up-market and those are the sort of skills that we are looking for at the moment.

I wouldn't suggest for one moment that we couldn't train some of those people to move, you know, up there. The banks do. Five or six years ago, we introduced a scheme which positively discriminated in favour of Jersey people and it was a graduate scheme. To get on our graduate scheme you had to be born in Jersey. It fell apart because we couldn't get enough support from the kids coming on it, and these were kids who had been away to university, came back here and we said: "All right, we will put you on a fast track scheme to management, two year scheme to management" and I had the Head Boy of Victoria College on that scheme, who you might think had got a better chance than most, and he went away and came back and we gave him a job and, in the end, he wouldn't take any professional qualifications. Part of this two year fast track was that they had to go back to the UK for six months. We paid for all their accommodation and travel. They could come home every two weeks and they were based in Crawley, near Gatwick Airport. One girl said to me: "I'm getting married in November, I can't go", and I said: "But it's January now. You go in January to June and you come home every two weeks." She said: "No, I'm not going." Another girl said to me: "I'm not prepared to leave my dogs." I said: "But you live at home with your mum and dad. They will look after them."

DEPUTY SOUTHERN: That is a tale that sounds all too familiar to me from years back.

MR AUSTIN: Does it? And that scheme fell apart.

DEPUTY SOUTHERN: Local people wouldn't take that step to go away again.

SENATOR LE CLAIRE: Is that local children? What about local adults?

DEPUTY SOUTHERN: I am very, very much aware that Phil has got to be away by a quarter past, I think.

MR AUSTIN: Yes.

DEPUTY SOUTHERN: So there are two or three perhaps, I think, little questions that we can ask at the end.

DEPUTY MARTIN: Yeah, just one question. You see, we have got the problem that we have got the four plans: the Strategic Plan, the Fiscal Strategy, the Economic Growth Plan and then the Migration Plan, which are all interlinked. I was asking you earlier the growth of 2% overall, which is really 7%, you said most of it would come from the financial services industry, but all these plans, including the Growth Plan, enable 1% of economically active people to come into the Island, which everyone says that is 500 people, but that is, you know, the overall, the top end. You see, we have a problem that, at the end of the day, as I think Paul just touched on, we need to know how many of these people realistically are going to come in and, you know, live here because it affects like the last one, Planning for Homes.

Now, 100, 200 or 500 is a totally different scenario at the end, whether they stay or not, because they are still going to be here for a certain amount of time. So an honest answer from not a politician. You have said the 7% is going to come from mainly your industry, but how many of those people do you think, given the skills mix we haven't got, even in the first four or five years to get it up and running do you think will be used between the 1 and 500? Do you have any idea?

MR AUSTIN: Coming in from outside?

DEPUTY MARTIN: Yeah.

MR AUSTIN: Are you saying how many people will we need to bring in from outside?

DEPUTY MARTIN: Yeah, how many? Do you have any idea?

MR AUSTIN: I mean, I'm totally guessing. I have done no research on this at all, but I would guess ... You know, if you said to me: "You have got to achieve 7% growth, go for it now" ----

DEPUTY MARTIN: Which we are achieving. We are asking you to do that, go for it.

DEPUTY SOUTHERN: Yes, yes, please do.

DEPUTY MARTIN: You can achieve it. We have been told it can be done, so yeah.

MR AUSTIN: Let me be clear of the question. You are saying: “We have got 500 unemployed here, but you can bring in up to 500 people if you want. How many do you think you need to bring in?”

DEPUTY MARTIN: Yes, yes. I think so.

MR AUSTIN: I would have thought a couple of hundred.

DEPUTY MARTIN: A couple of hundred, right, middle number, middle sort of thing.

MR AUSTIN: Yes. Probably not as many as you think, but a couple of hundred, I would have thought.

DEPUTY MARTIN: That is fine.

DEPUTY SOUTHERN: Again, I will repeat the question because I’m not sure you answered it last time, would you like to see some evidence about who these locals are that you are supposed to be being asked to train up and employ? Again, we don’t have any hard and fast evidence that these people can be used.

MR AUSTIN: Okay.

DEPUTY SOUTHERN: Anyway, can I come back to another matter? We will finish at five past.

MR AUSTIN: That is fine.

DEPUTY SOUTHERN: I can assure you that I am a great believer in starting on time and finishing on time. I return to the document I was referring to. The second part of that was the PricewaterhouseCoopers’ recommendation, the second bit of that.

MR AUSTIN: They facilitated it. It wasn’t that we had to meet in PricewaterhouseCoopers, but they facilitated it, but it was a group, a diverse group, from across the industry.

DEPUTY SOUTHERN: Right. At the back of their particular bit is a set of statements which I find absolutely ... you have used quite soft language. This doesn’t mess around: “*Required actions for the States of Jersey. Initiatives for the finance industry, workforce and lifestyle. Required actions: abolish Housing Regs, abolish Regulation of Undertakings Law. Required features: Ability to import ex-pat labour easily*” -- this is their requirements.

MR AUSTIN: Yeah.

DEPUTY SOUTHERN: On another page we have got “*Tax and Fiscal. Required actions: Fiscal reform not to be used as a platform for increasing finance industry tax contribution.*” What do you make of that?

MR AUSTIN: Tell me if I miss anything, but the Regulation of Undertakings as it is set at the moment has been very difficult and, you know, I think people have sheer frustration with trying to work through that regulation. A lot of people say get rid of it. I don’t think they mean necessarily get rid of some sort of control, but the way that was established has not been very user-friendly. There is that. What else was there that you said?

DEPUTY SOUTHERN: There was abolish Housing Regulations.

MR AUSTIN: Yeah. Well, again, I think people just found it very, very difficult, but I think the flexibility that we seem to be getting within this and the moves now coming down from 20 years to 15 years to possibly 10 years, I think people see that as the right direction. You will find very few people in the finance industry who would say: “We shouldn’t have any housing controls at all.” I think most people think we should have and would see 10 years as being a reasonable period of time. So I think, you know, that is quite hard hitting, but I think they were saying possibly abolish them as they are at the moment and abolish Reg of Unds as it is at the moment, but I think most people would accept -- you are smiling here, I can see you don’t believe me ----

DEPUTY SOUTHERN: No, no, I am believing you, but I have a little thing in my mind that says there is a great difference between abolish and amend.

MR AUSTIN: Yes.

DEPUTY SOUTHERN: Abolish means get rid.

MR AUSTIN: Abolish as is and either reintroduce or amend.

SENATOR LE CLAIRE: But it does say “*Introduce work permit regimes*” as well, which was something that I found interesting when I spoke to the ... I am not on to work permits, but I am just, you know, an overall consensus has been when I have spoken to the finance industry it is something that they understand in other jurisdictions and something they would have perhaps

preferred.

MR AUSTIN: As an industry, I don't think we are opposed to it. I mean, they have them in the Isle of Man. I think it was Mark Boleat did a project on it here five or six years ago and I can't remember the reasons why the conclusion was that it wouldn't work for Jersey.

DEPUTY SOUTHERN: If I may, I will come back to one of those statements: "*Fiscal reform not to be used as a platform for increasing finance industry tax contribution.*" So we are not going to pay any more for being in Jersey, but we have got a high cost that we are talking about in the growth of financial services. We are talking about 300K for a business led tax force; setting up a business school or some equivalent but for extra training; 500K for short and long term additional law draftsmen; and higher priority in the law drafting. I think we are getting that lock, stock and barrel, just looking at 2004, 2005 and projecting to 2006. Extra funding and additional funding of 586K in this particular version, and that was a minimum for Jersey Finance Limited, yourselves, and some other costs. We are looking at the order of two million. That is quite a substantial request to say: "Actually not only do we not want to pay any more tax, but actually we want you to service us properly and it will cost you."

MR AUSTIN: Yeah.

DEPUTY SOUTHERN: That is one of the changes that is happening.

MR AUSTIN: I mean, I guess in round terms we, the industry, pay to the Government about 250 million in tax. I think that is employer plus employee, which is about two-thirds of the tax contribution. So we would say for a reinvestment of two million of that 250 million, it is a very small percentage, particularly if you are looking for the industry to achieve your 7%, or to lead the charge on your 7% economic growth.

If you are running a business that has got all different steams to it, different business lines to it, and you have got one **here** that is very profitable, but you want to develop some more over **here** or supplement or sustain these over **here**, I think what you have go do is you have to keep feeding your very profitable cash cow and making sure it keeps producing the profits so you can invest in health, in social services or tourism or agriculture or whatever you want to do. So it could be counterproductive to tax the industry even more.

If it becomes uncompetitive for the finance industry to be here, then, I guess, over a period of time it will drift away, or bits of it would drift away. Jersey is a fantastic place for us to do business, but I disagree with another Senator -- not round this table -- who once said the finance industry is the only show in town, but it has got to be made to pay the price for that. I don't agree with the theory that says the finance industry should somehow feel beholden to Jersey for allowing it to operate here because there has got to be some business operating here. We provide 12,000 jobs. We pay two-thirds of the taxes, etc, etc, etc.

So I think it is give and take is what I am saying. I think we pay a lot of taxes already. Many people, myself included, would probably think that for one industry it is too dominant. You know, the economy relies too heavily on the finance industry, but what is the alternative at the moment? Personally, I would say we have got to support the finance industry, keep the income streams coming for the Government, so we can use that to subsidise, supplement tourism, agriculture and develop whatever we want to do, because, if you overtax this industry here or you don't reinvest in it, then something will happen. It will fade over a period of time, would be my view. I personally don't see £2 million of reinvestment back into an industry as being a significant amount.

DEPUTY SOUTHERN: At which point I am aware that we are at 12.07 and I promised you 12.05.

MR AUSTIN: Okay.

DEPUTY SOUTHERN: Thank you for coming in.

MR AUSTIN: I am rushing to a lunch with Senator Vibert, so I don't want to keep him waiting, Ted Vibert, Senator Ted Vibert.

DEPUTY MARTIN: He does that all the time.

DEPUTY SOUTHERN: Oh yes, he does that all the time. He is the ultimate male. He can occupy an entire room with various belongings, quite easily. Thank you very much.

MR AUSTIN: I really enjoyed that. Thank you very much.

DEPUTY MARTIN: Thank you very much

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