

STATES OF JERSEY

Economic Affairs Panel

WEDNESDAY, 13th JUNE 2007

Panel:

Deputy G.P. Southern of St. Helier (Chairman)
Deputy J.A. Martin of St. Helier
Deputy K.C. Lewis of St. Saviour
Deputy A. Breckon of St. Saviour
Connétable M.K. Jackson of St. Brelade

Witnesses:

Senator P.F.C. Ozouf (Minister for Economic Development)
Deputy A.J.H. Maclean of St. Helier (Assistant Minister)
Connétable G.W. Fisher of St. Lawrence (Assistant Minister)
Mr. M. King (Chief Officer, Economic Development)
Mr. J. Dixon (Corporate Finance Director, States Treasury)
Mr. K. Lemasney (Strategic Development Manager, Economic Development)

Deputy G.P. Southern of St. Helier (Chairman):

You know obviously who our panel is. You probably have not met Liz, one of our new Scrutiny Officers. If you can just briefly, for the sake of the record, just introduce yourself. We have got 6 seats there but we have only got 3 microphones available to you, if you just make sure you are speaking into a microphone when you speak.

Senator P.F.C. Ozouf (Minister for Economic Development):

Understand the rules.

Deputy G.P. Southern:

If you could just briefly introduce the team.

Senator P.F.C. Ozouf:

Good morning, we are pleased to be here and have an opportunity of discussing our Business Plan with you. To my left is Mike King, Chief Executive, 2 Assistant Ministers, Deputy Alan Maclean, Connétable Geoffrey Fisher. I am shortly to be joined by James Dixon who is our Corporate Accountant which we share with the Chief Minister's Department and behind me we have Andrew Sugden, who you might not have met yet, the new Director of Enterprise and Business Development and

Kevin Lemasney who I am sure you will all know. I think we have come more handed because we are ready to answer - I know that you have got probably quite a lot of detailed questions about the budget and so we thought we would come so that we can hopefully answer all of your questions. If I am not able to then I know a man or woman, in the case of Sabina(?), she will be coming shortly, will be able to answer all of your questions.

Deputy G.P. Southern:

Thank you and thank you for attending today. If I could say, if there are, I doubt that we will be getting on to matters which are seen as confidential but if we are if you could just say, look, you think they may be confidential and we will save them towards the end of the meeting. That is fine by us. But we expect most of the questions to be answered in public.

Senator P.F.C. Ozouf:

The caveat that we would say, and happy for that to be your decision, is that as far as some of your questions may relate, I think, to the way in which the budget has changed from 2007 to 2008 and, of course, the 2008 budget is something which is not yet officially in the public domain because the Treasury and Resources Minister has not lodged his Business Plan. So if I have been a little reticent about putting those in public but it is your decision, I am happy to answer it on record.

Deputy G.P. Southern:

Sure, and we are talking in the context that anything that we talk about is not set in stone absolutely, subject to some flexibility. But nonetheless perhaps we can pick up trends anyway.

Senator P.F.C. Ozouf:

Absolutely. Quite right.

Deputy G.P. Southern:

If we could start, as you say, with the recent changes; we received a draft service budget, service business plan, from the Chief Minister back in February and that is what we have been doing most of our work on. Yesterday we received something which was called a functional analysis of what you are doing. So, could we talk about, first of all, why this change? What changes are involved?

Senator P.F.C. Ozouf:

It might be helpful, Chairman, if we were to just give you a few moments on the process to which we have arrived at the actual putting together of the Business Plan, and I will maybe ask Mike to explain to you what the department did in their, effectively, wiping the slate clean and doing effectively a zero-base budget for Economic Development, the outcome of which is a completely different way of spending the resources that are allocated to ED (Economic Development). I would say one thing before

asking Mike to comment on the process, and that is that the analysis that you have seen yesterday is the analysis that we will, in all likelihood, be including in the Business Plan that the Treasury Minister will present because we think it presents a more understandable breakdown of the way in which ED spends its money. I think we have inherited a series of headings in the past which have not necessarily been terribly helpful in explaining what we do and where the money is going. But we will come on to that. Perhaps you could address the issue of what the department has done for the ministerial team in terms of a zero-based approach.

Deputy G.P. Southern:

I think the question of how we look at how you present the delivery is a moot point but you say the new method is more useful, we will see.

Senator P.F.C. Ozouf:

What we can say also, by the way, is that the old headings can be -- if we do present the budget in 2008 in a different format --

Deputy G.P. Southern:

In the new format?

Senator P.F.C. Ozouf:

In a new format. In a functional format. Then what James and Sabina have done is they have also got a budget which is splitting down the budget in the old format, so that you can see the old system and you can see where the changes have been made. So complete transparency hopefully will persuade you.

Deputy G.P. Southern:

You have almost begged one of my questions which is: and at the end of this meeting can we have such an analysis which refers to the old way of looking at things that were relevant in 2007 so we can make a direct comparison?

Senator P.F.C. Ozouf:

Very fair question, and I think we are ready to give you that. We have got it with us.

Deputy G.P. Southern:

It is there ready? Excellent.

Mr. M. King:

I will just explain 2 things. One, a little bit about the process and, secondly, what the implications of this sheet that, I think, Nathan has just distributed are. With the advent of ministerial government, and

when I arrived, we have instigated a process which is, I think, unique within the States in that we reconcile all of our budget activity to the States' Strategic Plan and the Economic Growth Plan and we do that on a zero basis. I will just explain that. In year one of any budget cycle that we are looking at, and 2008 is year one now, we divide activity into 3 components, starting from zero point. One is our statutory obligations which are what they say they are. Secondly are things that we are committed to do as a consequence of commitments that have been made in prior years. And then, thirdly, when you take that away from our budget which is at a fixed level of about £16 million supplemented by some income, that gives you what our discretionary spend is. It is that discretionary spend that is then prioritised, scored against the Strategic Plan objectives, risked and is used to define that activity which is catered for in the budget and, indeed, that activity which is not. And I will give you an idea that in 2006 for the 2007 budget on the back of an expenditure of £16 million we had, for want of a better word, bids for £18.9 million of expenditure. The prioritisation process that was at the time reconciled those £18.9 million worth of bids to an actual spend of £16 million, so we balanced our budget. Now behind me is a role there, which has every single line item in our 2007 budget which is prioritised, scored, risked and compared against Strategic Plan objectives. So there is no ambiguity. So that is the process that we undertake and that is the process that we are undertaking in 2008, or for the 2008 to 2010 budget. I think, as I said at the outset, it is fair to say that we are, and I think the Treasury have confirmed this, both the only department to do that and, indeed, we are, again to use the Treasury's words, setting the tone for the way that budgeting and business planning should be undertaken across the States.

Deputy G.P. Southern:

You say you are the only department that does that and the advantages of doing it are XYZ and why is not everybody already, although perhaps that is not an appropriate question.

Mr. M. King:

Well, I think what you are seeing is an approach that is common perhaps in areas where Economic Development Departments have been operating over much greater periods where they have had to deal with a very broad church and a very large competing demands, and there has to be a rigorous prioritisation based on value judgments and alignment with whatever the strategic framework is and that is the approach that we decided to adopt.

Deputy G.P. Southern:

Does that especially apply to Economic Development and not to others to a certain degree?

Mr. M. King:

I do not think it especially applies to it but we are, as I said, the recognition is that we recognise that we cannot do everything that we are asked to do. There has to be saying to somebody whether it be another States' Member, a business, somebody running an event: "No, we are not going to fund you" is not a

credible answer. “No, we are not going to fund you because we have been through a process, we have been wide open and transparent about it, this is where your particular proposal sits against all the other ones and therefore this is why we are in a position to say yes or no” I think is a much better way of dealing with all of those competing departments and our customer base. I think the other thing that perhaps other departments do not have to deal with, not all of them at least, is that we are dealing with customers. Economic Development is a customer facing department. The businesses, the individuals, the people who are organising events, the different representative bodies are all both customers and, in some extent, stakeholders and, to some extent, deliverers as well. So that is where we are. I will just finish off briefly on -- sorry, just move on to this. The approach that has been taken traditionally with budgeting in EDD, I think, is a sectoral approach and you have commented, quite rightly, that as presented there is no current reduction in emphasis on the rural economy and tourism marketing. Now, we believe that the activity of Economic Development is -- well, you can divide it into 4 broad categories. We are either trying to grow the economy from its existing base, we are trying to diversify the economy, we are trying to market and promote the Island to both visitors and investors, and we are trying to develop skills. And those are generic activities which are not sectoral, they are generic. So what you are seeing is a change of emphasis within a fixed budget, a change of emphasis on spend, and let us just take the rural economy as an example, or tourism, it is no different. There is currently a very significant emphasis and has been for some time on subsidising and underpinning sub-economic activity. Now, let me just take tourism as a good example. What we are doing is changing the emphasis in that spend and refocusing it towards, for instance, working with individual businesses in the tourism sector to make them more productive and more profitable and, to be cold about it, what we are trying to do is put them in a position such that we extract more money from the pockets of each visitor to the Island. So there has, in the past, in tourism been an emphasis on a very heavy bias towards marketing the Island as a destination, and what we are saying is that we are changing the emphasis away from or reducing the emphasis on marketing as a destination and increasing the emphasis on working with businesses in the Island to make them more productive, to make the owners more prosperous, for us to get more economic value out of it, and consequently more tax return. And that tax is extracted as a net tax contribution from the visitors to the Island, and that is what we are doing. So in working with industries in the tourism sector through Enterprise and Business Development, which Andrew has been hired to take on board, it may very well be that we devote more of our £16 million to the tourism sector or more of our £16 million to the agricultural sector, but we will do it in a rather different way. And that is, I think, the way you have to look at that. And that is why, as you have quite rightly identified here, there is a de-emphasis in terms of the traditional methods of spending and an increased emphasis on enterprise and business development and policy and strategy because what we need to do is work with the businesses and develop a framework in which they can increase their prosperity, and that is what we are attempting to do, and that is the ethos behind the change in EDD. Because it has 2 core functions: growing businesses, diversifying the economy, delivering on the target. That is what we do.

Deputy J.A. Martin of St. Helier:

Can I just come in? I fully understand businesses on the Island, but are you reducing the budget to bring people to the Island, attracting people from other places to come here? They have got to be here first to have the businesses spend their money in.

Mr. M. King:

And the answer to that is no, because what we are doing -- well, there are 2 things. One is that we do not believe the way in the past, that marketing Jersey as a destination has been particularly effective. Since 1992 there has been probably a fairly catastrophic reduction in the number of visitors coming to the Island. Some of that is related to competition, some of that is related to pricing, but a lot of it is related to the fact that we have not effectively marketed the Island as well as we should. So, it is not about how much money you spend, it is about how effectively you spend it, hence the work on the website. But the cold reality is that if you had a lower number of people but each one spent a lot more money there would be less pressure on the infrastructure on the Island and it would be of greater economic benefit. There is a fixation, for instance, with visitor numbers. What we are trying to do is deliver increased value from every visitor that comes to the Island, and that is, I think, what we are in the business of doing.

Senator P.F.C. Ozouf:

The core question that the ministerial team asked the department when we came in was, in the cold light of day has the approach for supporting and assisting the rural economy - and you are aware of my conflict here so I have just declared a conflict and we are aware of that - but have the budgetary allocations for the rural economy worked in providing a rural economy which has a positive future and adding economic growth, and has it also worked for tourism? I would say that it has not which requires a change in direction because the well-intentioned policies of the past have not achieved the success which I think many States' Members and Islanders would want. What we are trying to do at the heart of everything we do is we are trying to grow the economic cake of Jersey with the least amount of population increase. This is not about dividing the cake better, it is about growing the cake. Yes, there is going to be some population increase within the band width that has been set by the States but the key to this is productivity and everything that we do, as with some of our regulatory functions which we have, every single item that is in the breakdown of our budget we should be able to say: "Yes, that is designed to increase productivity to add economic value to the economy" whichever sector it is.

Mr. M. King:

Could I just say one final thing? There is a change here but the situation that we inherited was one where 75 per cent of ED's budget was applied to 7.5 per cent of the GVA (Gross Value Added) of the economy. In any investment or business or whatever, if you are spending 75 per cent of your resources to get 7.5 per cent of the return then I think you need to look at that pretty closely.

Senator P.F.C. Ozouf:

And a rural economy that is known to be on its knees in a number of different respects. So the money not having the desired outcome of what everybody would want so hence, yes, a fundamental shift over the last few years and now being pushed forward in the way in which we help businesses in tourism and the rural economy but across the whole piece as well.

Deputy J.A. Martin:

Just a quick question, sticking to tourism - I have a separate one for the rural economy. Dealing with the changes, how much involvement did you have with the industry as in, like, I would say for one, JHA (Jersey Hospitality Association), and from Philip I would like the answer to - it may have been a flippant remark in the States - but he would like to see something equivalent in tourism as we have in Jersey Finance, which would be funded. Was that flippant or are we going there?

Senator P.F.C. Ozouf:

Not flippant. What I think Mike can answer, and then Alan can contribute too, because, of course, Economic Development under the new structure includes harbours and airports, and I think we would all know that there was a silo between the administration of the harbours and airports committee and tourism, and there was not effectively working together. We believe the fusing of harbours and airports, together with Jersey Tourism is one plus one equals 3, and we can go on to talk about the way in which we think that we can, by working with airlines and incentive airlines by having a much more commercially focussed airport together with resources being directed from the tourism budget to help airlines bring people to the Island, is a far better use of money to bring. On the issue, and, Mike, maybe you would comment on the process that you have brought in, and I support entirely is what you have been doing with Locum, and I will answer the quango.

Mr. M. King:

The answer to your actual question about our consultation with the JHA, well, if I told you this afternoon I am going and I am now a regular attendee of JHA board meetings. I mean, I think we have had a closer level of consultation with the JHA than probably any other representative body. Indeed, the thing that you referred to, the potential for a Jersey Finance-like body, is being developed in conjunction with the JHA. We have a joint marketing activity, we have a joint promotional activity with them, we have a joint brochure strategy, and I think the JHA are, thankfully, in the same reformist camp as we are because they recognise what we recognise. There are less people coming to the Island and we need to arrest that decline, and there is a requirement to make sure that when the people arrive in the Island they spend more, and that is allowing them to access what is here and also improving what is here as well. So, you know, everybody I think is on side with the way that we are going. In fact, the JHA will probably have us move to a quango - I think the word has been used - state probably a little bit faster. In

our opinion, and based on the work that was done for by us Locum, and Locum took a very dispassionate view in the work that they did. I asked them to do that. They said: "How does Jersey stack up against current and future market demand from our key UK and European market?" And basically Locum said: "We are selling things but the market does not want to buy and we are selling them in a way that is not necessarily appealing and there is a pricing issue as well." So that was the whole basis to that. And one of their fundamental recommendations was to look at how you organise yourselves to best promote the Island to visitors, and they recommended within their report that we investigate the possibility of a genuine private/public sector partnership, which is what Jersey Finance is, hence the Minister's comment. And that work is ongoing. In fact, an early draft of the model for that is now with JHA for their comments.

Senator P.F.C. Ozouf:

And if Geoffrey sits on the board of Jersey Finance and so can speak of his own view of the success or otherwise of a public/private partnership initiative, I would say that Jersey Finance - we are now going to go on to discuss the budget that we give to Jersey Finance - Jersey Finance's total budget is £1.4 million; £1 million from Economic Development and £400,000 from the industry. Now I suppose the resistance that may well come from the industry is if we did go for a public sector/private partnership initiative we would be looking to the industry to also fund and help us fund some of the marketing initiatives. In fact, in truth, we already do joint funding. There is an allocation within the tourism budget for 2007, we have approximately £924,000 which is done in co-operative marketing campaigns. That is part of the tourism budget. How that personifies is - I will mention a few brand names because you will be aware of them - for example, tourism does joint marketing with Condor, Manche Iles Express, other carriers, where that is going to be -- we will put money in and they will put money in for joint marketing. It is already happening but is it happening in a structured organisation such as Jersey Finance? Well, no, it is not at the moment.

Mr. M. King:

Kevin just made the point that, building on that, the level of joint funding in the 2007 campaign from the industry was at record levels. It is the highest level of industry contribution to the joint market activity that we had ever seen. And this was Condor, Flybe, Manche Iles, the Seymour Hotels, the Dolans, Atlantic, you know, the full range of both transport and accommodation providers.

Senator P.F.C. Ozouf:

Normally on a 50/50, like for a pound amount. We put in £1 and they put in £1 for a joint, and that would then be branded with some of the "Live the Life" which is then rolled out in billboard posters in the case of BMI which is obviously a start-up company but we are paying for initially, but in terms of the regional newspapers and national newspapers. So they get the brand of Jersey which is the Live the Life campaign which is being received very well.

Deputy J.A. Martin:

I thought it was Life Enriching. Is it Live the Life or is it Life Enriching.

Senator P.F.C. Ozouf:

Live the Life is the derivation of the --

Deputy J.A. Martin:

Right, it has moved on, all right.

Senator P.F.C. Ozouf:

There is a whole load. I do not know whether you saw the Chief Minister's presentation but --

Deputy J.A. Martin:

Indeed, I did.

Senator P.F.C. Ozouf:

And it is all supposed to dovetail neatly together. And I think what the department has done with the new marketing agencies and the joint marketing, I think it is fantastic. I think it is giving exactly the kind of image that Jersey needs to portray and is designed to secure that market which is a higher value tourism market.

Deputy A.J.H. Maclean of St. Helier:

Could I just dive in? One point I would like to pick up, and Judy you asked an important question about whether we talked to the Jersey Hospitality Association. It is worth pointing out that it is not just the Jersey Hospitality Association. There is a very important range of dial-up that goes on despite what you might pick up in the media with Chamber, Institute of Directors. The airport has set up a task force which brings in a lot of interesting leaders which have regular meetings so that we can understand what the Island, the industry and all the rest of it are looking for. It is absolutely essential that we engage with the community and the business community as well to understand what is required.

Mr. K. Lemasney:

Further to that, you made reference earlier on to well-intentioned but misguided actions of previous committees regarding marketing Jersey predominantly in the UK. I note that Scotland, Ireland and Wales are spending vast amounts of money on TV advertising at the moment. I am all in favour of joint marketing but what is the problem with that is the question of scale that it would not work for us.

Senator P.F.C. Ozouf:

The misguided I would level against the agricultural subsidies because I think agricultural subsidies, the economic analysis would indicate that if you give subsidies, which is a handout, all it does eventually is end up by getting capitalised in rental prices. Not necessarily land prices because land prices are set because everybody has got a field next to their house but ultimately, really, agricultural subsidies end up by pushing up rents. That is my political philosophy. So, misguided in terms of agriculture, well-intentioned in terms of tourism. We have engaged this year with a TV advertising campaign. Mike, do you want to ...

Mr. M. King:

Yes, we did return to TV this year as part of a structured marketing campaign which involved TV, the web and a lot of printed stuff in national and regional newspapers and it is that that, I think, had a significant impact on increasing the numbers of people arriving by sea and by air. But there is an issue of scale. I mean, the type of budget, and I can speak from experience, that the Wales Tourist Board deals with are the equivalent of the entire Economic Development budget of Jersey plus a lot more. And there is an issue of scale and TV is the most expensive medium. What we cannot afford to do is put a, respectively, take a carpet bombing approach to it. What we did, and I think that the presentations that were given to the JHA and others illustrated this, is that we put the TV advertising in the context of a much broader marketing campaign which is pretty clearly having some significant results.

Senator P.F.C. Ozouf:

One other thing is that - just to indicate where we are moving - is in the past Economic Development is effectively paid for, it was moved into the Marketing and Communications Department of Jersey Tourism, the advertising for Jersey Royals. In the past, correct me if I am wrong, £600,000 paid directly for Jersey Royal advertising. We scaled back on that but this year we have spent approximately £250,000 on a Jersey Royal advert which I do not know whether you have seen. The idea next year is to have that Jersey Royal advert melded together against the backdrop of Jersey destination which underlines the importance of having one identifiable brand. So there are some delicious Jersey Royals which you can buy in your supermarket from the destination of the Island of Jersey. That is one plus one equals 3, which I know is difficult to pigeonhole because that is effectively fusing the initiatives that we have for agriculture as well as tourism, but if we are on TV advertising Jersey Royals and if we have got 50 million packs of Jersey Royal new potatoes on supermarket shelves then, for goodness sake, is it not a good idea to be having some Jersey destination marketing associated with it, which is recognisable. That Jersey Tourism logo, which a lot of money has been spent on, was that ever on a packet of Jersey Royals? No. The idea and the thinking behind the universal brand is that it would be. That is one plus one equals 3.

Deputy G.P. Southern:

I have got 6 questions in front of me here before we get back on to my agenda. You referred £900-

something in joint marketing and you referred to a paper in front of you with blue and orange columns on it, which I do not appear to have.

Senator P.F.C. Ozouf:

This is just the breakdown, Chairman, of the -- I have got a breakdown.

Deputy G.P. Southern:

Is that the one you referred to earlier?

Mr. J. Dixon:

The joint marketing is on that front red sheet.

Deputy G.P. Southern:

The front red sheet, okay. Going to appendix 5 in the documentation sent to us yesterday, I have got joint marketing at the bottom of the page, £980,000 down from 2007 estimate of £1,673,000, so a substantial reduction there. Can you talk me through that?

Mr. J. Dixon:

The funds were re-directed to events management in the tourism sector, marketing. £400,000 increase growth there.

Deputy G.P. Southern:

So £700,000 reduction becomes a £400,000 shift into something else and £300,000 gone elsewhere?

Mr. J. Dixon:

And £200,000 growth in destination marketing. So pretty much a reorganisation within the old tourism sector.

Mr. M. King:

That also reflects the higher contribution that we are expecting from the industry to joint marketing therefore we achieve the same outcome with lower input from the public sector and a higher input from the private sector, which is, I think, what we should be intending to do.

Senator P.F.C. Ozouf:

Exactly the same guiding principles that we have done with Jersey Royal. Jersey Royal getting shy of £650,000 direct cash, reduced down to £250,000 this year, and I am not sure what the final arrangements are for next year with Jersey Royal but certainly we are looking to Jersey Royal to fund more of the marketing themselves because we think that is right and we have got better uses for those resources. We

want to partner with operators, whether it is the new Royal Yacht, where it is the Radisson, whether it is the Dolan Group, whether it is Flybe, we want to partner with them. It is not just about handout, it is about hand-up.

Deputy G.P. Southern:

Since you mentioned --

Senator P.F.C. Ozouf:

And I have got a breakdown of the events if you want to know what the events breakdown is.

Deputy G.P. Southern:

You just referred to an extra £400,000 put into events-led tourism but in the 2007 budget, so from £300,000-something to £700,038 whereas in the 2007 breakdown, in the service breakdown, your actual spend in 2007 was £772,000.

Senator P.F.C. Ozouf:

So there is a --

Deputy G.P. Southern:

According to this we have kept spending about the same level but you are claiming your £400,000 increase in your new analysis.

Mr. J. Dixon:

There was quite a lot of movement from the original budget, which is what you see in this main sheet; the original States' budget where the events marketing was £300,000.

Deputy G.P. Southern:

Where does that appear, sorry? The original States ...

Mr. J. Dixon:

Yes.

Deputy G.P. Southern:

The original overall plan presented by ...?

Mr. J. Dixon:

EDD to the States in June last year included a £300,000 budget for events. It was after we submitted that to the States we did the zero-based approach which came under that budget that you are looking at

there, the Business Plan budget.

Deputy G.P. Southern:

I am not an accountant so I would not possibly dream of following down this role where something is not an extra £400,000 then is an extra £400,000.

Mr. M. King:

Can I just make it very clear? What the States approved is the £16 million and the objectives. There is more detail put in but that is what the States approved. If you look at our original submission of the Business Plan which was made in the middle of 2006 there is a caveat in there that says that subject to the ongoing business planning and budgeting process the allocation of funds between the various categories will be changed. So what you are seeing is a change in allocation between the indicative figures that were published and approved by the States and what was subsequently captured in the Business Plan. So there is a change of the application of spend within 2007 from the original published figures to what is actually spent and captured in the final Business Plan.

Senator P.F.C. Ozouf:

It is fair to say that we are reinventing the way we are spending it. We are reinventing the way in which we spend because we need to because we do not think that some of the ways that it has been explained in the past is correct and we think that we need to redirect resources into different areas to get bigger bang for our buck.

Deputy G.P. Southern:

And I must ask; you are reinventing the way we are spending or you are reinventing the labels that you are attaching to the spending?

Senator P.F.C. Ozouf:

I think it is fair to say that we are doing probably a mixture of both and that is where I fully appreciate the difficulty that you have got in trying to understand where the money is going, and probably the best thing to do is for you to have maybe, during the course of the next hour or so, or at a later date, to get the detailed breakdown of where the figures going, because there is an argument of whether you categorise it in one particular heading. We did not think that the previous categories were particularly meaningful and, in fact, the budget that I inherited was one of the only departments that had a headline and lots of money stashed in it.

Deputy G.P. Southern:

Can I stop you there? It will not be in the next hour, there is no point going through completely fresh figures. We have those figures as you promised so we can look at what was and what is on a

comparative base, then that is fine. Then we might come back to it either in writing or at a public hearing as appropriate.

Mr. M. King:

Perhaps I could give you one particularly pertinent example which does reflect how we are spending money differently rather than re-categorising it, and the example is Jersey Pottery. Jersey Pottery is an attraction that very much in the past has had a lot of its income, profitability, conditioned by the visitor economy, the number of people visiting, and therefore it benefited from the marketing of the destination marketing. What we have done over the course of the last 12 months is worked with Jersey Pottery using Enterprise and Business Development, export trade and industry and contributed to visits they have made to trade shows and as a result of that, as the Jones' brothers would be more than happy to confirm to you, in fact they put it in their press release, they were able to go to trade shows and they have secured an export deal with Dartington which is going to add very significantly to the benefit of Jersey and we will use the Jersey Pottery products in 400 stores in the UK, not just to promote Jersey Pottery but to promote Jersey as well. So you are achieving a better outcome, better outputs, from a different way of expending the money.

Deputy G.P. Southern:

Do you mind if we talk about that particular company? I am about to ask a question which has been in, as far as I know, the media.

Senator P.F.C. Ozouf:

I will just check with Mike. If Mike wants to --

Deputy G.P. Southern:

Because it seems to me that it is serendipity that this year they achieve that contract when they were funding themselves to go to such trade shows in previous years and they were at the same trade show the year before and they did not make the right contact. I mean, are you saying that it is only because of ED's help, assistance, that they made that contact?

Mr. M. King:

No, I am not saying it is only because of ED's assistance but we had a meeting with them some time ago and I think what we enabled them to do was have a more meaningful presence at that trade show and increase their profile at that trade show over other trade shows which has allowed them to attract a different partner. It is very difficult to totally associate that piece of activity with the contract. All I am saying to you is that we are spending money in a way that is really rather different rather than just re-categorising it as something else. There is an emphasis on working with the businesses in the visitor economy and it may very well be that that was the thing, increasing their profile, giving them a higher

profile presence at that event may have been the determining factor in them getting that contract, and that is why you undertake it. You do not just undertake it with one company, you undertake it with a whole portfolio and out of that portfolio investment, yes, you will get some things that are a direct result of that promotion. I have to say that the level of trade fair representation that Jersey Pottery had in 2006 was higher because of the contribution we were able to give them. The conversation I had with them is the previous time that they had been funded by the former Economic Development Committee to the tune, I think it was, £5,000 to go to a trade fair was the only time that they have landed a significant export contract with the hotel in Abu Dhabi which was worth £100,000.

Senator P.F.C. Ozouf:

Emirates Palace.

Mr. M. King:

Emirates Palace. So, I mean, there is a direct link between the profile that Jersey businesses have at trade fairs and the ability of them to attract business and contracts. That is not just typical for Jersey. That is the way of the world in international trade development inward investment. That is the way it works.

Senator P.F.C. Ozouf:

And Jersey Pottery, to my mind, and I have said this to Mike and to the team before, is Jersey Pottery almost would be a bellwether of the Jersey economy. There is a business which has had to reinvent itself because of the changing nature of the tourism economy.

Deputy G.P. Southern:

That I would accept, yes.

Senator P.F.C. Ozouf:

And we want to try and give them and we want to try and give all businesses, not handouts to carry on doing what they were doing in the past, because the world has changed. The world for their tourism visitor business has changed dramatically and I have great admiration for Jersey Pottery and the Jones' brothers and one girl, that they have reinvented their business. Now, we want to support them every step of the way in that reinvention process because Jersey Pottery is here to stay but it is a Jersey Pottery that has reinvented itself. Another very good example of a business which I am very proud that we have assisted is La Mare Vineyards. They got, and again this is a fusing of tourism and agricultural, they received a grant - happy to give you the details of it - out of the Rural Initiative Scheme in order to undertake a project for their --

Mr. M. King:

Well, they have redeveloped and significantly enlarged their business as a consequence. The case that was made to us by them which was fully evaluated is that without the contribution that we made that project would not have gone ahead. Therefore, the intervention allowed the project to go ahead and will materially impact the profitability and therefore the task contribution that that particular company will make.

Senator P.F.C. Ozouf:

New conference centre, new distillery, and a conference centre which I am going to open next week or assist in the opening. There is a very good example of a business which, again, is targeting the future of the visitor economy profile that we are looking for but is also looking after vergées of land and producing genuine Jersey products which are now on sale, done a great job, I am sure we would all agree that they have done a great job in their shop on King Street, and you can now buy La Mare Vineyard apple brandy, they have got an excellent cider and they have got their other products. Now they have been assisted by us in that and I call them to give evidence to see whether or not they would have been able to reach some of the positions that they are now reaching without the assistance both in terms of advice, because there is also a reinvention of the way that we give people advice. There are lots of small and medium-sized businesses and what we want to try and do is to give people and to put in place, which is the key job that Andrew has got to run in his department, is be there for business, to help them through and to help them identify opportunities and to increase their profitability to increase their economic contribution. We want to be there to help.

Deputy G.P. Southern:

I would, as I say, be interested to look at the actual figures.

Senator P.F.C. Ozouf:

But take those 2 case studies as an example perhaps.

Deputy G.P. Southern:

I have no objection to the Rural Initiative Scheme which has been around for some time and directing that accurately and properly is appropriate.

Senator P.F.C. Ozouf:

And one plus one equals 3. Tourism, agriculture, overall benefit to the economy and some great --

Deputy G.P. Southern:

But effectively if we can just move -- I have got another question here in front of me that I wanted to ask first. We are talking about effective support for an industry. Now the words you used, Mike, earlier were subsidising sub-economic activity and I wanted to just come back to that and say, can you define

what you are referring to there? There is a difference between subsidy and support. Support is appropriate, priced with competing, certainly agriculture, with the rest of Europe heavily supported. Now whether you have got that subsidy which has connotations or a support which is different again is important. You are talking about subsidising sub-economic activity.

Mr. M. King:

We are moving away from product-based agricultural support to area-based agricultural support. And those do come in the form of subsidy by through timing translating that subsidy which effectively can make something which is inherently sub-economic in the marketplace appear to be profitable by changing the emphasis of that towards working with the businesses in the rural economy such that they are profitable in their own right you reduce and ultimately remove, as they have done in New Zealand, the requirement for base subsidies. So the nature of the funding that you apply is, to use Philip's word, is to give them a hand up, not just a handout. Because what you are trying to move away from is a culture of dependency and into a culture of enterprise and growth. The rural economy in Jersey, given the quality of the produce that can be produced here, has phenomenal potential.

Deputy G.P. Southern:

Sounds fine in theory but the reality is that our competitors, if you like the rest of Europe, are subsidised to their back teeth.

Senator P.F.C. Ozouf:

But in commodities though, Chairman. That is the difference. Is that Jersey is not a commodity producing environment or does not have a commodity element to its agricultural exports. Jersey Royal is not a commodity which would attract subsidy in other areas. They are a premium product, that is why they are successful. It is the key to market the brand and to get the brand and to get the quality of the product on the shelf in the right time. You could justify it, and the Spanish Government and other governments have certainly subsidised the pack houses and the infrastructure but they have not just given a subsidy per tonne. Jersey milk, we are not exporting liquid milk into the subsidised common agricultural policy liquid milk market. We are subsidising a local product. Now, you know my conflict of milk but I will - and I do not make decisions on milk but I will use it as a case study - has the £650,000 that has gone into the dairy sector, which has got nothing to do with competition from outside, it is just a ring-fenced domestic issue, has that worked into -- is that working into creating profitable dairy farmers and a good deal for consumers? Well, I would argue that it has not but it is for other people to decide how that is. It is for other people to decide how the future of that subsidy works but we are not competing any longer in the commodity subsidised markets. There has been a wind down of the operations of subsidy for indoor tomatoes which did attract some, again, pack house and marketing subsidies but certainly not on a price per tonne. The world is moving away anyway from agricultural subsidies. They are dressed up in Europe as environmental subsidies and we, of course, have one of

them which is the £35 per vergée which has not changed and there are no plans to change it. I personally, from a pure economic point of view, would argue that that is an agricultural subsidy which ends up getting capitalised in land.

Deputy G.P. Southern:

Can we turn to that later? But in the context of what we are talking about, are we not talking about (a) picking winners, and (b) concentrating support - and let us use that word - to the high value end in that they are not a risk and that in doing so we lose the base on which the highest value elements exist or survive?

Mr. M. King:

There are 2 things about that. One is that if we were doing it as a -- if it was black and white or (a) or (b) as an option, we would do one or the other, then I would agree with you because government is probably not the best at picking winners anyway, and certainly you would not want to abandon what is a traditional and, in some cases, a profitable agricultural centre. But, and we are in the world of rural initiative and rural enterprise, we are in the world of kissing a lot of frogs before we find the princes that are the high value products. I mean, a very good example is that if you go into check another co-op and you buy an iceberg lettuce, a whole iceberg lettuce for 99p it comes from Jersey. It is a genuine Jersey product, it cost 99p. It benefits from base subsidy in the field. But, if you buy a pack of iceberg lettuce in a nice wrapped cellophane pack it does not come from Jersey, it does not cost 99p, it costs the thick end of £3 or £4. What we are trying to do is make sure that we apply the funding to the rural sector such that what is produced in Jersey is the packed product, the cellophane product, the prepared product, and the added value rather than being paid for by the consumer in Jersey as a result of value being added elsewhere is added in the Island and exported such that businesses are more profitable.

Senator P.F.C. Ozouf:

And a good example of a business, again, that is in the process of reinventing themselves is Fauvic Nurseries who are doing a great job in providing on the shelves of Jersey supermarkets as good product in a packed bag of washed lettuce and salad products as you would get from Florette which are produced across the sea in Normandy which come via, no doubt, the UK through Condor Ferries' northern route. But there are opportunities for that -- how much vegetables and fresh fruit is produced in Jersey that we buy on our supermarkets? Well, in our opinion not enough and we can do more to help businesses to get the right product on the shelves in Jersey which benefits the rural economy. And Fauvic Nurseries is a very good example of a business which was competing in the commodity market which will not survive in the longer term because of Polish and Spanish imports of commodity tomatoes but is now identifying niche products, and they are doing a great job; herbs, lettuce the rest of it. And if we can help them with a small loan guarantee, an export initiative, an incubator service, a business cluster, a breakfast club and all the good things that Andrew is going to be doing, we will help them to continue their reinvention.

Deputy G.P. Southern:

But we are talking, still, about the high value end, if you like, of a low GVA industry.

Mr. M. King:

No, we are not. I should not pose questions to you because it is the wrong way round; why was any Jersey consumer --

Deputy G.P. Southern:

You can answer it if you like.

Mr. M. King:

I will answer it as well. Why does any Jersey consumer buy a Muller yogurt? Why is it when we are oversupplied with milk and why --

Deputy A. Breckon of St. Saviour:

I have got that debate, Mike.

Mr. M. King:

Exactly. But there is a market share from the Jersey consumer market that by working with businesses, Jersey Dairy in this instance, and helping them to take a more aggressive approach in the local marketplace, there are much greater returns than are currently being realised. Now, that is a different way of supporting them. As well as working with Jersey Dairy because we still have not been approached by them for instance to work with us on the export trade initiative side because the future plan for the dairy is predicated on significant export growth. Our export trade initiative is a direct fit with that and that is application of money which, yes, it is in the high value end of the products that dairy produces but it increases the overall commercial viability of the dairy industry on the Island which is one of the fundamental components of agriculture. Now that is what we are really saying. It does not remove the level of support for the area payment on the land but what it says is: "Let us give you a hand up both to increase your penetration in the local market and your export market and, by the way, we have got both funding and people to work with you to do that", and that is the --

Deputy G.P. Southern:

And you are saying there is some way to go.

Mr. M. King:

Yes. They are not alone in that.

Senator P.F.C. Ozouf:

And it is a never ending way and if we remember back to the Duke of Kent dinner, everything on that dinner plate we were served were Jersey products. There was Jersey beef, there was Jersey lobster, there was Jersey ice cream - I cannot remember what else there was on there - and there was --

Deputy G.P. Southern:

Do not miss any of your sponsors please.

Senator P.F.C. Ozouf:

It is actually a very serious point because did we have Jersey beef in Jersey 2 or 3 years ago? No, because of the problems with BSE (Bovine Spongiform Encephalopathy). Is the Jersey cow a good producer of beef? It is an excellent producer of beef. We want to help businesses to reach their potential to get more Jersey beef on the supermarkets and in Rondels shop and other shops and in the central market in Jersey. And pork and lamb.

Connétable M.K. Jackson of St. Brelade:

Just picking up on a couple of points. One that Mike said certainly about the Muller yogurt thing, I remember having this conversation with Kevin Keen, and subsequently with my wife later on. I go to the supermarket and always buy the Jersey Dairy one, she will probably go for the other one. Now it is clearly a marketing thing, as I see it, and I suspect that the industry needs help from that angle. Secondly, picking up the point that was made on beef. I had an interesting conversation only yesterday with regard to the abattoir. Now I am right in thinking that the abattoir comes not under your department but TTS (Transport and Technical Services)?

Connétable G.W. Fisher of St. Lawrence:

Yes, you are right.

The Connétable of St. Brelade:

As a government, I mean it is probably not for this panel to suggest but maybe from other places, but should we be addressing that but clearly there are problems there and the local suppliers are not terribly content at the moment and it only works twice a week or some such thing, or once a fortnight.

Senator P.F.C. Ozouf:

Geoffrey, do you want to answer that or Kevin can?

The Connétable of St. Lawrence:

Well, I do not know if I can particularly answer the point but certainly it does come under TTS, I know that. I mean, we have had discussions in the past with RJA&HS (Royal Jersey Agricultural and

Horticultural Society) as to how the abattoir should be run more effectively. For example, as I understand it, the requirement is that when cattle are killed the spinal cord has to be removed for health reasons and what was happening was that the slaughterers were removing the spinal cord and damaging a lot of the potential edible meat as a result. So a discussion took place as to whether, in fact, a butcher should be employed to remove the spinal cord because a butcher would know better what is valuable meat and what is not and I think that has been implemented, but I have not been directly involved because it is a TTS matter.

Mr. K. Lemasney:

I cannot really add to that. I presume the Connétable is referring to the opening hours of the abattoir. It is only once a fortnight at the moment.

The Connétable of St. Brelade:

Absolutely. Principally it was a west show meeting we had the other night and, again, Jersey people were there and --

Mr. K. Lemasney:

Could I just say 3 things? One is the abattoir, as you know, has been through recent renovation, completion renovation, and is now fit for purpose and meets European standards. Jersey Tourism entertained a number of journalists over the past 14 days on the Island looking specifically at Jersey produce and journalists were taken to meet some of the farmers who were slaughtering beef and one of the comments that came out was the lack of access to the abattoir. On Monday this week we took the matter up with John Rogers who is a senior officer in TTS with responsibility for the abattoir. He is setting up a working group with the client base and will open on a need to open basis, and he has guaranteed us that if it needs to be opened twice a week they will move towards opening it twice a week. The only caveat that they have at the moment is that they are training the appropriate people to do the appropriate job and that will take a number of weeks. But there is absolutely no problem increasing the opening hours from once a fortnight, as it is at present, to a more reasonable service. What they cannot do, of course, is a 7 day a week operation open for one farmer to come in with one animal for slaughter. So they are engaging with the industry and they will do it. And I think that shows that the joined up government between the industry, Economic Development, TTS, working for the closing of the loop back to the client base.

Senator P.F.C. Ozouf:

Because the abattoirs raison d'être has changed. It was effectively, as a farmer's son, I know, it was a place in which animals came to the end of their life with no other further human consumption need, particularly in the years of BSE. Since the lifting of the BSE ban such has a huge opportunity come forward with beef and the abattoir is now catching up and, I think, organising themselves quite quickly

to that opportunity. We will give farmers that want to exploit the opportunities of lamb, pork and beef as much help with the new products that we have available there. And Darren Kennow(?) does an excellent camembert cheese. Why have we not had a camembert cheese in Jersey before? There is a good question. Jersey milk with its high cream content is excellent for camembert. Well, it has taken Darren Kennow to make a camembert. Fantastic opportunity on the same scale potentially, local consumption. I am not sure whether or not he would be able to have an export of that at some point in the future if his scale got big enough. Jersey Royal Oysters, another, I think, huge opportunity for Jersey with Jersey Oysters not only in the French market but in the UK market, and I am aware of interest by Jersey Royal and the other oyster production company of export potentials into the existing chains that we have got into supermarkets.

Deputy J.A. Martin:

Can I just come in, sorry? I wanted to go back to what Mike was saying earlier about businesses and the -- I think you did say the dairy at the moment, or the milk market, one of them, are choosing not to work with you.

Mr. M. King:

They are not choosing not to work with us but --

Deputy J.A. Martin:

They are not working at the moment. So my question is, and we have heard all the great news stories, and my question is about the reduction in the grants and subsidy payment, that is where it will be £0.7 million of rural support in 2008, as your new figures, your new -- half of the service reductions are in the rural sector in the form of reduced grant subsidy payments. So my questions is, there are businesses who will not, for whatever reason be it a small farmer and he is gong to do this and he is going to do it his way, these are obviously going to be affected. Are they going to be just left to die? Because you cannot make somebody work with you obviously. You are there and you have a certain amount of -- so could you firstly talk me through to how this is being translated to the farmers who are out there and, secondly, where this will hit. And I know, as I say, we have heard all what you are doing, I want to know where it is going to hurt the rural --

Senator P.F.C. Ozouf:

Fair question, Judy. I think James will give an explanation because there is a story behind that number which has to do with the winding down of the commodity indoor tomato production payment, so James can explain that.

Deputy J.A. Martin:

Yes, Geoff pointed that out, said it might be that.

Mr. J. Dixon:

Last year we paid an exit payment to the greenhouse growers of 3 times their annual subsidy so that results in about £400,000 per annum.

Deputy G.P. Southern:

That is split from 2006?

Mr. J. Dixon:

That was paid in 2006 so there is a reduction in 2007, an annual reduction of £400,000.

Deputy G.P. Southern:

So that does not explain any reduction in 2008.

Mr. J. Dixon:

True. Yes.

Deputy G.P. Southern:

Because I think we are looking at potentially the difference between 2007 and 2008. So you are saying that was paid in 2000 ... Anyway go on.

Deputy J.A. Martin:

No, the new figures are saying approximately half of the service reduction are in the rural sector and this is 2008.

Senator P.F.C. Ozouf:

There are 2 reductions, is there not? There is the reduction in the glasshouse scheme which we will give you the precise numbers and the precise timing of it. There is also the reductions which were agreed a number of years ago in relation to the service provision which is provided by the RJA who now provide a number of services to dairy farmers and, again, I am straying into stuff. I am just getting information as opposed to influencing the decisions, but the RJA now provides the secretarial service, the milk testing service and there is an agreed process with the RJA where they now provide. They are no longer the Department of Agriculture provider or the old Department of Agriculture provider. It is effectively outsourced by the RJA who do it more cheaply, more efficiently and they do it joined up with their milk testing roles, et cetera. We will give you the detail of that. But there is nothing slated, I believe.

Mr. M. King:

The other thing you will have seen, and I think you probably saw it in the dairy review, there is a

planned reduction, not wholesale reduction, but a planned reduction in levels of subsidy that was built into that as well.

Deputy G.P. Southern:

One of the key questions, are we seeing increased reductions on that timescale which was put out into something like 2004/5.

Mr. M. King:

You have got what is in the plan relative to that reflects the agreed level of -- that is the dairy industry subsidy, the agreed level of subsidy reduction.

Deputy G.P. Southern:

Rural development and green belt.

Deputy A. Breckon:

Can I just come back and seek some clarification because I had a look back at this and the rural economy strategy which was P.112 of 2005, the States agreed to grant £1.23 million as a, sort of, reinvestment or an exit strategy for the glasshouse industry. But this is not in these figures. It is not in here for 2007 and it is not in here for 2008. Now you have got the sum which is equivalent to that, which is £410,000, and then you have used it for something else and you have got staff in there as well. You are using it for - this is on the last page of this appendix 5 - and it says: "General support. Miscellaneous support such as administration of agricultural loans, BSE compensation payments and UK produce support --"

Senator P.F.C. Ozouf:

Where are you sorry?

Deputy A. Breckon:

It is on the fifth page of this. So that is the second last item. Now the money, £410,000, is what was allocated but it was allocated by the States in 2005 as £410,000 a year in 2006, 2007 and 2008 for the glasshouse industry to reinvest, leave or diversify. Now it is not here and it is not in 2008 so you paid it in 2006, you are saying.

Senator P.F.C. Ozouf:

Yes.

Deputy A. Breckon:

The question for that then is, what has happened with the glasshouse industry? Have they gone, have

they reinvested? Where are we? Of course you mentioned Fauvic Nursery, so what has happened to the money? Have they just taken it and run?

Senator P.F.C. Ozouf:

They have taken it and had to reinvent themselves because the political decision, not our decision, but I will have to say if I was making a decision today I would make the same decision, is that simply subsidising a commodity market in a way in which effectively the indoor glasshouse industry has had ferocious competition from much larger scale indoor tomato production in Holland, mainly, but also increasing competition from Spain who has pumped, and the Chairman is absolutely right when he says that there are some sectors of the agricultural industry in Europe that get huge subsidies, huge subsidies being pumped into the Spanish sector, and also the arrival within the single market of Poland with a huge glasshouse capacity. A decision was made is that Jersey simply will not be able to compete with this kind of competition. Now a choice needs to be made. Either you carry on subsidising it and carry on subsidising or you basically say to these guys: "Look, the world is changing" so we, and the decision at the time was given that they get an upfront payment to help reinvent themselves to refocus and that is what Fauvic has done, with their agreement.

Deputy A. Breckon:

Question from that; would there be a position paper on what has happened and as a government what have we got from that?

Senator P.F.C. Ozouf:

We can get Paul Le Miére to do a note for you.

Mr. M. King:

I can tell you pretty clearly what has happened is 2 things. One is there are people who have decided to exit the sector but people like Harmony Produce and the pepper growers up at St. Martin's, which is just down the road from me, have developed into new and more niche elements of both tomatoes and peppers and I think Harmony are the people who have got the contract with either Tesco's or Sainsbury's now to sell what is the highest value tomato you can get, which is the plum tomato on the vine. Now the price that they are getting per unit for that is hugely greater than they were getting from the commodity products they were producing before and that is a completely commoditised market. It is driven by price and it is dominated by the Spaniards and we cannot compete in that market. And they recognise that which is why the roll-up was put in place to allow diversification and development of niche products where possible but also appeal to exit.

Deputy A. Breckon:

If you can get us the position paper on that just to see what --

Senator P.F.C. Ozouf:

Happy to do that. And it would be good for us to get an updated position on that, of looking at all those. But I mean the hard question is, would we continue as Economic Development with £16 million? Would we continue to put £400,000 to £500,000 into a commodity sector in perpetuity? I would argue that is not a sensible use of taxpayer's -- just to keep people afloat in a market which we will never be able to compete with.

Deputy J.A. Martin:

No, that is fine. I mean that is the decision and that is probably political. My question is on the exit money that was paid, as Mike has said, some just did exit the market. Was there any conditions put on about what they do with their greenhouses or do they just let them stand and rot and become a total hazard?

Senator P.F.C. Ozouf:

Deputy Martin, you make a very good point and, indeed, the position paper that Alan asks for perhaps will give us an understanding of exactly what there, and do we have a problem with derelict greenhouses in the past? Yes. And is there --

Deputy J.A. Martin:

We do now.

Senator P.F.C. Ozouf:

Yes, and have we got to do something about it? The solution is simply not to carry on pumping money into keep them into producing something that is --

Deputy J.A. Martin:

I want to know if there were any conditions put on them when they got their big 3-year subsidy up front and think: "Oh wow, we are not going to do tomatoes anyway and we are not going to do anything."

Senator P.F.C. Ozouf:

What we will do is we will give you the committee paper that was decided on the time. We will give you the timings of the payments that were made and we will get Paul to do an up-to-date position paper on exactly where we are. There will be some confidential information in that, of course.

Deputy A. Breckon:

When I looked for it I could not see it, you see, and it was a 3-year plan and it was not there in years 2 and 3.

Deputy G.P. Southern:

Can I come back to basics again? We touched upon the support for the dairy industry outlined way back in 2004, effectively with McQueen, et cetera, and we have got a gradual reduction in support for that sector. Also in terms of general agricultural support we can see a general reduction in support in agriculture. The question I need answering, it is a yes or no, is from 2008 in the 2008 budget are there additional reductions in support for the agricultural sector in addition to those that we forecast way back?

Mr. M. King:

The answer to that is what is in the 2008 plan is what is in there with the only caveat being that if it is more appropriate for us to use elements of that funding to deliver growth rather than subsidy then that is being put in train. But all this is done with the agreement, or will be done if it is necessary, with the agreement of the particular sector within agriculture.

Deputy G.P. Southern:

You have obtained that agreement?

Mr. M. King:

No, there is no plan to do it but if that was appropriate then we would obviously do it as we did the potatoes, as we did the glasshouses and the surety(?), we would agree a programmed reduction but we are committed to that expense. Can I just say one thing? The agricultural subsidy profile, which is in there, is captured as a committed spend within our Business Plan. It is a committed spend.

Deputy G.P. Southern:

So there is no further reduction?

Senator P.F.C. Ozouf:

So the £35 per vergée single area payment is commitment, I do not like it but it is there.

Deputy G.P. Southern:

I will come on to it later, if I may.

Senator P.F.C. Ozouf:

The other people make decisions about the policy milk payment. We have budgeted, we think again, Chairman, that the provision of school milk is nothing more, if it quacks and it waddles it is a duck, and it is a subsidy straight to the bottom line of the dairy sector. That is the school milk, but it is in our budget --

Deputy G.P. Southern:

While you are on it - and it is in the budget 2008 and you are going to fight for it? It is going to be there?

Senator P.F.C. Ozouf:

The advice from the department --

Deputy G.P. Southern:

Because I have seen it there and I was going to ask --

Senator P.F.C. Ozouf:

It is a matter for the Chief Minister because I cannot justify it.

Deputy G.P. Southern:

But you will come out fighting for it?

Senator P.F.C. Ozouf:

Well, no, because I believe it is a subsidy straight into the hands of farmers.

Deputy G.P. Southern:

And you do not believe that it is in any way supporting the restructuring of the dairy industry which we are told needs that support while it restructures?

Senator P.F.C. Ozouf:

Let us be honest about it then.

Deputy G.P. Southern:

Do you think we have restructured properly?

Senator P.F.C. Ozouf:

Well, these are matters for other things but let us be clear, it is a subsidy to dairy farmers. It is nothing to do with school milk, it is nothing to do with children's health needs because there is a clear paper from the Council of Ministers and the Health and Social Services Department.

Deputy G.P. Southern:

Which I have not seen yet.

Senator P.F.C. Ozouf:

They would give people fruit not milk and the Chief Officer, under the watchful eye of the Assistant Minister who has responsibility for his sins on the milk sector with the Chief Minister, he will have to issue a letter of instruction to the department because they do not believe that it is a wise use of funds. Now there is another debate which is going on which I am a periphery aware of which you probably know more than I do, Chairman, about restructuring the dairy sector.

Deputy G.P. Southern:

We touched on it before.

Mr. M. King:

We can go back down the route of reform in the dairy sector and there is a very constructive mediation going on at the moment between all the parties. We hope and believe that will lead to a sustainable position, but from an economic perspective will £186,000 contribution to school milk against the advice of the Health Department, against the advice of Social Security, make any difference to the viability of that restructuring. Personally I do not believe it will and it is of no economic benefit but it is a decision for the Council of Ministers and, indeed, the Chief Minister to make. If they make the decision then so be it.

Senator P.F.C. Ozouf:

All I know is they are producing milk which is being turned into milk powder which is being burnt in the Bellozanne incinerator. Now that is a good example of subsidies that are not working.

Deputy G.P. Southern:

We are going over old history, nonetheless the dairy industry has not finally restructured which was recommended by McQueen back in 2004, it has not got its new site so it has not got its efficiencies in place nor has it developed its export market so therefore some support for the dairy industry is required until it does. Is that not a position that is a reasonable one?

Mr. M. King:

No, the dairy industry is, I mean, as you found out in your inquiry, sitting on a very significant asset that will allow it to completely re-engineer its balance sheet, and you have to ask yourself, as a consequence of realising the value of that asset, building a new dairy on a new site which is very much required, paying off the debt, they are left with a surplus, why are we asking to contribute a further £200,000? Because in gross terms the money is available and, as the Minister has said, that subsidy is effectively going to underpin the production of milk that is turned into powder which is burnt in Bellozanne. Now that does not make economic, environmental or, indeed, very little sense at all, I think. I mean, we have genuinely struggled with it.

Deputy G.P. Southern:

I am hearing your case, I am not going to argue. Never argue with witnesses. Pointless. The first rule of Scrutiny. I do not think I have got a yes or no on, are we seeing additional cuts in the agricultural sector?

Senator P.F.C. Ozouf:

The answer is there are other decisions in relation to school milk and dairy which I will not comment on, which I will leave to other people to answer. But as to the rest of it, the answer is no, with one possible exception and that is the winding down of the VRD (Vehicle Registration Duty) grants available for agricultural imported vehicles. But everything else is staying the same. The £35 per vergée single area payment, the administrative support is staying the same, the UK product export managers, that is staying the same, the support under the loans guarantee scheme is being looked after and all of the other areas are staying the same. There was a difference between the amount that was budgeted and were actually required under the single area payment, because more --

Deputy G.P. Southern:

Come on to that shortly. Can I phrase my question in a different way? And I am glad you mentioned VRD, somebody please come back to it again because I was not going to ask about VRD. So thanks for that. I am back to what was presented to us by the Chief Minister back in February, the overall summary sheet. On that we saw a change in emphasis being delivered in that the figures for the rural economy went down by something like £700,000 and tourism and marketing down by £700,000 in 2008 while enterprise and business development went up by £500,000, policy and strategy up by £500,000 and finance industry support up by £200,000. So a re-auditing of the spend. That progressed through to 2009, 2010 and I accept that there is some flexibility in there, we do not know what 2010, will deliver but nonetheless the trend there was a net £3.5 million in the old categorisation, in the service delivery, out of the rural and tourism budget and £3.25 million into enterprise and business development, policy and strategy and finance industry support. The figures one gets from those, and you are saying earlier, yes, one would have got that impression, is that the trend? And is that being maintained?

Mr. M. King:

You are representing figures in an inaccurate way, with respect. The point I made earlier is that it may very well be as a consequence of -- well, what we had in 2006 was that the first 2 parts of that list represent 7.5 per cent of the economy. I mean they did whether we like it or not.

Deputy G.P. Southern:

Yes, you made that argument before.

Mr. M. King:

And what we are really saying is that --

Deputy G.P. Southern:

Can you refer to the figures?

Mr. M. King:

We are translating the balance of our effort and the balance of our expenditure to enterprise and business development, which is about reshaping and adding value to the economy. Now, this seems to be an issue and a perception that businesses in the tourism sector, or the visitor economy, and businesses in the agriculture sector for some reason have little relevance as far as that is concerned. Our view is that 2 of the key sectors that we would seek to work with because we believe there are significant gains to be had either from developing greater market share, the products, export markets for products, more spend per head for visitors as a consequence of working with businesses that a very significant proportion of enterprise in the business development spend will be attracted by the tourism and the agricultural sector. So the trend that you see is a trend in the way that we spend the money, not a trend in the amount of money that may or may not be spent on the sector. But you talked earlier about picking winners. I mean it has to be said that the balance of probabilities is that a lot of the winners may very well lie outside those 2 sectors and that is where some of our effort is going as well. But enterprise and business development is not a sectoral activity. The treatment of sectors is old hat. Sectors have moved on to clusters and clusters is about maximising the value that you extract from any given sector with allied activity, and that is what enterprise and business development is about, and that is what we were talking about earlier. Working with the businesses to maximise the value of the produce, of the attraction, of the hotel or whatever it is, which is what we are about. We are about getting higher levels of tax and as a consequence of economic growth. That is what is fundamental in the fiscal strategy and that is what this underpins.

Senator P.F.C. Ozouf:

Kevin has just given me a very helpful breakdown which I will give you a copy of afterwards of the number of companies that are availing themselves of our products in the Enterprise and Business Development Department, Jersey Export Development Initiative, the Jersey Innovation Initiative, generic business advice which is available to all businesses, personal advice service to small loan guarantee firms, a total of 207 businesses using these sectors. This is year to date, is it? This year?

Mr. K. Lemasney:

Yes.

Senator P.F.C. Ozouf:

Forty-six of which are in agriculture, horticulture and fishing; 19 of which are in tourism and hospitality; 45 which are in ICT (Information and Communications Technology) and electronics and the rest; the other 93, which is construction 28, retail 46, recycling 19, and 4 in education. I think that underlines the fact that, yes, the resources that are going into enterprise and business development are available for all the economy and all of our efforts previously or previous States' efforts have been directed in these handout subsidies in agriculture, in generic marketing for tourism and we are refocusing that and we are providing real business advice and real business hand-up for businesses. Agriculture and fishing businesses, retail business, IT (Information Technology) businesses, recycling businesses, medical services, construction businesses are all welcome to come and seek advice and we will help them.

Deputy J.A. Martin:

Yes, this is where I want to come in on this new Enterprise and Business Development team. I would like to know, and you might not be able to supply all the figures today, who is in the team and what the overall cost of the team is? When you talk about over 300 people availing themselves of support from the team ... from what? One phone call to 2, to interviews, to spending weeks with them? I mean, these are serious. I need to know what this team is doing. I do not need to know, people out there need to know. I think really that is about it because you tell us there is a lot of people availing themselves but to how much, and even maybe some case scenarios which Mike has told us, you know, you helped and when you went and helped this company, a trade fair, they were able to -- now, I need to know what different input you had that they did not do before and maybe I need to be convinced because this is your way of doing things, a totally new way of doing things, and I think everyone needs to be convinced.

Mr. M. King:

Could I just make a point about this? There is, again, a perception that, for some reason, this is unique to Jersey and it is a new thing. There are 800 regional development agencies or economic development agencies in Europe.

Deputy J.A. Martin:

I do not really want to go and ask them, do I? I am asking you the question.

Mr. M. King:

No, I am only saying --

Senator P.F.C. Ozouf:

Just giving you some background.

Mr. M. King:

To give you some background, all of whom are doing this.

Deputy J.A. Martin:

I am not saying that it is new.

Mr. M. King:

The fact that Jersey has not been doing it in the past is a fundamental weakness in the way that we have been applying our funding. Now, how do we work with businesses? Sometimes we work with businesses and it is one phone call because they just need a very simple signposting to go to a place where they can get some help.

Deputy J.A. Martin:

Would they be on that list? Would they be included in the 300 because it makes the list slightly --

Senator P.F.C. Ozouf:

Well, what we would quite like to do is --

Deputy J.A. Martin:

I meant in value for money.

Senator P.F.C. Ozouf:

Okay. What we would like to do, Judy, is --

Deputy J.A. Martin:

Who is working in the team and everything.

Senator P.F.C. Ozouf:

We would like to give you a presentation on the Enterprise and Business Development strategy and that is what we wanted to do in our email to you.

Deputy J.A. Martin:

But I am reading from that presentation and it is --

Senator P.F.C. Ozouf:

Okay, and on 10th May I am reminded that you were looking forward to us giving you a briefing on the Enterprise and Business Development strategy and that is what we wanted to do. That is what we wanted to try and explain to you and we will give you a presentation of exactly what we are doing in this area and I will add, if the slides were in there, the department organisation, and we will give you some

case studies and some of those case studies will need to be in confidence because I am not sure we would want to put that into the public sector. Now, the most important additional contribution is that we have now got the director of that department now in post, only here for 4 weeks, and he is going to be delivering on that. It starts here but we would like to give you a presentation on it as a separate event.

Mr. M. King:

Absolutely and I think, you know, comparisons are sometimes beneficial, some not, but in the context of benchmarking it is not at all unusual. In fact, it is the norm for economic development departments and economic development agencies to spend well over 50 per cent of their budget on this type of thing because what you are doing is you are facilitating growth in the private sector, that is what you are doing. And there is a whole range of engagement, sometimes from one phone call, and at the upper end of it is dedicated account management where we are working with the business to help them realise their growth potential in 2 ways. One is for them to access information and finance but the other is to help them through the process which is why, on many occasions at the moment, we are going with businesses, for instance, to the Planning Department. So we have put what they are proposing to do from a planning perspective into economic context which changes sometimes the judgment of the Planning Department, so it is that sort of involvement. The irony of that successful business support is because it is about people and interactions and account management, the cost is very minimal but the benefit of that cost and the value for that investment would be very, very high. In fact, extremely high which is why all those of 800 RDAs (Regional Development Agency) that I talked about, whether it is a direct relevance or not, are all doing it and they are spending well over 50 per cent of their budgets doing it and that is how they are delivering economic growth. Now, Jersey has not been doing that and had not been doing that until we published this in September which is based, let us make no bones about it, on best practice elsewhere but we believe it is something that is sadly missing from the activity of the department and indeed the activity of the government.

Senator P.F.C. Ozouf:

Just a few additional words on that. What is this all about? Four areas of activity on Island business growth; export trade development, new business start ups, inward investment, product development, small loans guarantee scheme, business advisory service, business incubator which will be based at Bath Street and those are the activities. Finally, the area which we have not even started on realistically yet is the skills development initiative with the cross-ministerial groups which is the skills executive which is being headed up by Mike which brings together, for the first time, the employment side of social security, business education and education generally from Education Sport and Culture and what we are doing in the old tech(?).

Mr. M. King:

And the careers service.

Senator P.F.C. Ozouf:

And after this meeting, I am going up to Hautlieu to go and see the career services and what they do up there.

The Connétable of St. Brelade:

I think that is very fundamental because, in practice, this is where the whole thing has stumbled before but I think one point I would like to make --

Senator P.F.C. Ozouf:

I agree absolutely, Mike.

The Connétable of St. Brelade:

One has seen this for years but one point on the whole enterprise support scheme is there is a slight hesitation in my mind or apprehension, I suppose, but probably as a result of the old agricultural loans scheme which were not very successful as we all know. We just want to be confident that we are not following that route any more. There is going to be constant monitoring because, to me, giving money to a business who cannot get money from the bank is a recipe for disaster, or certainly financial disaster.

The Connétable of St. Lawrence:

That is what I am struggling with day to day. I look after the remains of the agricultural loans and they are going straight.

Mr. M. King:

This is indeed a misnomer. We are not giving the money. In the small loans guarantee the banks give the money and we underwrite and the failure rate from similar schemes in the UK, published by the DTI (Department of Trade and Industry), which varies from region by region, but it is between 2 per cent and 8 per cent and that is what we budget for, that failure rate. But what we really do is -- I mean we work very closely with the banks on this and if we see anything -- and we have to approve every one as well and I think the point is that we assess them all. They assess them on their risk criteria and more often than not the reason that the bank would not give them the loan or may not give them a loan is through lack of security and what we do is obviously we provide the equivalent of security. But it still has to pass all of the High Street bank, the 4 that we are involved with at least, all of their lending criteria and goes through their normal analysis. So, this is not the States giving money away to people in the same way that it does --

Senator P.F.C. Ozouf:

I have got a note on the way the scheme functions. I will give you a note that has been done on that but

access to finance is one of the barriers to individuals getting and starting up their own businesses and we have identified that. We identify that in Jersey and it is something which is well known across Europe and across the developed world. It is access to the initial finance. Tough criteria to meet and the risk limited because it is effectively the decisions made by High Street banks which are our partners in this.

The Connétable of St. Brelade:

Can I just pick up on the skill shortage aspect of this? One or 2 comments have been made to me that it is all very well supporting the individuals who want to go off on their fact find, very creditable, but effectively what they are going to do is pinch skills from existing businesses who, perhaps, are not going to avail themselves of the facilities which you are offering the individual and I think it is important to be conscious of that. Lots of existing businesses in the Island have done very well over the years. Have they got access to the guidance and support that you are offering here as well as the new start individuals?

Mr. M. King:

Yes, absolutely. I mean, as Philip said, these are the 4 areas. There are existing businesses in the Island to grow their business in the Island, there are existing businesses to grow their business through development of export into other markets, there are business starts ups and then there is inward investment which are companies and individuals coming into invest in the Island. Those are the 4 areas that are all working. Now, they have equal weight. So, a business in the Island that wishes to develop as a business, trading in the Island, has as much access to support as any of the others, as a business start up. So, there is no discrimination because we have to, as I keep saying to people, kiss a lot of frogs because we do not know who the princes are.

Senator P.F.C. Ozouf:

But we do need to bring the universe of education to the universe of the requirements of the economy and align the skills and productivity. I believe that everybody in the Island should be encouraged to reach the maximum potential in their chosen field and that is what the skills executive is about.

The Connétable of St. Brelade:

I think we have to be conscious that we are not going to get all these skills from within the Island. We have to be prepared to go out and fund it coming in, in some form or another, and I think this has been the difficulty in the past.

Senator P.F.C. Ozouf:

It is a blend and that is why sitting around this table are a blend of Jersey talent and brought in talent. Andrew Sugden, who comes with a fantastic CV (curriculum vitae), in the area of business development outside of the Island. We have had to bring in some talent to help us reach that. If you do not mind me

saying so, James Dixon, an accountant trained in Jersey through the education system and it is a blend. That is what Jersey has always been.

The Connétable of St. Brelade:

But it is very much so at the bottom end of the market. I think, in academic terms, we are quite good at outsourcing now but we are down to, sort of, the plumbers and that level. This is our big difficulty. There are none.

Mr. M. King:

Could I just say that it is interesting because the plumber is a good thing? This is the ethos of the Business and Enterprise Development strategy. We have said that it is as legitimate for us to help a plumber, who is a sole trader, build up a business and he employs 2 or 3 or 4 people and he is able to do more work and change the competitive landscape as it is for us to help Mourants(?), not that we have to help Mourants because they do it themselves. So, a lot of the assistance will go down there because you cannot have the high value end of the economy without the low value end. I mean, I often use a phrase, and I do not want to offend any religious sensibilities here, but when we lived in the US they used to say: "God gave Texans Mexicans" and it was the high value economy that was supported by that. Now, the skills that are in there are skills that we can develop and we can develop businesses with those skills as part of our economic growth and that is what we intend to do. But the plumber test is what this is all about. Can a plumber walk into our Business Contact Centre and get the advice that he or she needs to increase the value of his business, increase their market, employ people, take on local people rather than --

The Connétable of St. Brelade:

Or apprentices, I think.

Mr. M. King:

Yes, apprentices is exactly right. Absolutely right.

Deputy G.P. Southern:

And the answer at the moment is no. They cannot find local apprentices.

Senator P.F.C. Ozouf:

And the key to it, and the future economic prosperity of Jersey, is real economic growth and that growth is going to come from growing the working population to some extent, but the major driver is productivity. All this we are doing in terms of enterprise and business development is designed to increase the productivity of the workforce and where there is low productivity to do what we can to improve it in all sectors.

Deputy G.P. Southern:

Can I come back? I wish you had not said that. Whether you can do it in all sectors at the same time is another bigger issue. OXERA (Oxford Economic Research Associates) says you cannot. If you are growing finance, for example, you are growing high value end. Almost inevitably you have to shrink the low value end and that is the reality, the context in which we are working. I have seen, it, I have read it, I have done it, I have been there. 2002, read it. Nonetheless --

Senator P.F.C. Ozouf:

I have read it and I would disagree with your conclusions.

Deputy G.P. Southern:

Nonetheless, can I --

Deputy J.A. Martin:

No, no.

Deputy G.P. Southern:

I have been waiting for 10 minutes to come back --

Deputy J.A. Martin:

Well, I just want to make one comment that yes, we would love to come to your presentation and have a little word because we will have a lot more questions on this but, as you say, we maybe need to understand the Jersey business enterprise.

Senator P.F.C. Ozouf:

Well, let us try and do that in the next couple of weeks because it is fundamental to the thinking and fundamental to the advice that we are getting in terms of how we spend our money.

Deputy J.A. Martin:

We will, we will. Yes, then we might have another 100 questions.

Deputy G.P. Southern:

Can I come back?

Senator P.F.C. Ozouf:

With pleasure.

Deputy G.P. Southern:

Can I come back to the bare bones of the figures? In the previous presentation, which we received through the Chief Minister's Office, and the overall Business Plan we saw £400,000 effectively cut in 2007 to 2008 on your budget. That does not appear now. So, has that been negotiated away? Is there an extra £400,000 in the budget or --

Mr. J. Dixon:

They are staff cuts. The 2008 has an FSR (Fundamental Spending Review) cut of £238,000 for rural economy and £200,000 odd for tourism and marketing. That was the outcome from the 2005 FSR process which is -- this is the final year of them. So, we have had to absorb those cuts.

Deputy G.P. Southern:

So, is this in staffing?

Mr. J. Dixon:

Well, they were put forward in 2005 as broad cuts to rural and tourism.

Senator P.F.C. Ozouf:

But we are reinventing. I mean --

Deputy G.P. Southern:

Reinventing the name.

Senator P.F.C. Ozouf:

We are reinventing the way we are doing things and yes, we are doing a much more, I think, helpful and clear explanation of where the money is going but, in terms of tourism spend, it is not the amount of money you spend, it is the way you spend it. It is smart spending that matters and so use of the world has moved from brochure-based travel agent marketing to internet. Well, we have had to change the way and that is why the investment has been made from the Tourism Development Fund for £250,000 for redoing Jersey dot com in order to get an online presence which will attract people to come and book.

Deputy G.P. Southern:

Right. Secondly, on the new figures that you presented with us yesterday on your functional analysis of the budget and Business Plan, under rural support, under the box there, single area payment, we see figures which present a 25 per cent cut, approximately £400,000 on £1.6 million cut in single area payments.

Senator P.F.C. Ozouf:

Greenhouses. Greenhouse wind down. We will give you the detail of that. It is complicated, Chairman, and we will give you the detail of it.

Deputy G.P. Southern:

Hang on. Single area payment, if you return to this graph here about agricultural support, we have got greenhouse roll up payment in red, right at the top of this column in 2006. You are saying 2007 now. But also single area payment in ink there staying consistently the same throughout.

Senator P.F.C. Ozouf:

£35 per vergée.

Deputy G.P. Southern:

Yes.

Mr. J. Dixon:

It is complicated.

Deputy G.P. Southern:

This is different to that or in this analysis it has been rolled up?

Mr. J. Dixon:

The exit payment was made in 2006.

Deputy G.P. Southern:

Right.

Mr. J. Dixon:

The budget was left in the economic development cash limit for the greenhouse growers. The £400,000 budget was left in there. The idea was that Treasury loaned EDD the money to make the exit payment in 2006 and EDD would pay back the Treasury over the next 2 years with that budget.

Deputy G.P. Southern:

You will have to put that in writing for me. I have just glazed over.

Mr. J. Dixon:

It is reasonably complicated.

Senator P.F.C. Ozouf:

It is complicated.

Deputy G.P. Southern:

But on a superficial level, I am still looking at the pink patch.

Mr. M. King:

Yes, on that piece of paper, single area payments as at 2007, a 2 year component of the glasshouse roll up, but in 2008 it does not, but what is the system in 2007/2008 is the pink part of that bar on your graph. The single area payment. So, to clarify it, we will break out the glasshouse element of the £1.6 million.

Senator P.F.C. Ozouf:

Can I just make a point about the single area payment? It was a new payment so a budget was set without the certainty of how many people would apply. It is not as simple as how many vergées in Jersey because there is an eligibility criteria and some people did not get their forms in on time or for whatever reason. So, a budget was set so we are now much more -- the criteria has not changed but we do know how much it was set at. It was an estimate and it was a best guess estimate, and the actual money that was paid out on the single area payment was less than was budgeted for because it was prudent budgeting. So, that may well explain some of the difference but I am sure James will do an excellent note which will explain exactly for you the difference between estimate and the budget and then the forward budget for the --

Deputy J.A. Martin:

Yes, my question was not going to be on the --

Senator P.F.C. Ozouf:

Because it is not being cut.

Deputy J.A. Martin:

It was not on that. It was maybe more specific, I suppose, on the single area payments. You just said about people not getting their forms in and that and we know we had a lot of problems with agricultural loans a few years back. Who checks these single area payments and there is, you know, not farmers ... forbid that they have got 2 or 3 fields --

Senator P.F.C. Ozouf:

There are 2 questions there. First of all, single area payments are looked after by Dr. Paul Le Miére, Director of Rural Economy, and we can bring him along and give you a briefing on exactly how that

works and for his even greater sins, which do not exist, Geoffrey looks after the agricultural loans. Do you want to --

The Connétable of St. Lawrence:

Yes, it is Paul Le Miére who looks after them in detail but I do not get involved with the single area payments but in the agricultural loans, it is really a question of tying up all the loans from the past. There are people who are no longer in agriculture so we have actively been chasing repayment of those loans because a condition of the loans is that people should continue to be in agriculture. If they are not then they are repayable. We have also been encouraging people to take out bank loans. Unfortunately interest rates have gone against us at the moment but when they were going the other way it could have been advantageous for people to borrow money from the bank and repay the States.

Mr. K. Lemasney:

Can I just ask when was the last agricultural loan made?

The Connétable of St. Lawrence:

Before my time. I do not know. Some years back, I guess, but certainly do not make them these days. All we are trying to do is get the money back and it is not easy. There is one, I cannot mention a name, but there is one situation where we have a glasshouse grower who is no longer in the business but has not really got the money to repay. We have got some security but we cannot very well throw them out on the street which is what we have to do so we are finding other ways of dealing with that. So, each one is a case on its own.

Senator P.F.C. Ozouf:

Any write-offs come directly off our budget?

The Connétable of St. Lawrence:

Yes.

Senator P.F.C. Ozouf:

Treasury does not give us any remission.

The Connétable of St. Lawrence:

But we are keeping those write-offs as low as possible. James gets involved in those as well.

Mr. M. King:

If I could comment on the single area payment, there is a pretty rigorous system which is run by the Rural Economy Group up in Howard Davis Farm that you have to submit, and you submit it as part of a

pretty rigorous reporting regime, what area of land you have under cultivation and that is what is used. Now, what also happened, because we changed the definition under the rural economy scheme of a farmer, for want of a better word, to introduce more small holders into it, so it is a bit more complex than it was, but it is now based on a much more accurate view of the actual amount of land that is under cultivation and that is what you get the subsidy for, not just for owning a field and doing nothing with it.

Deputy J.A. Martin:

Sorry, what was the guy's name?

Mr. M. King:

Paul Le Miére.

Senator P.F.C. Ozouf:

Dr. Paul Le Miére.

Deputy G.P. Southern:

Again, can I come back to the differences between the functional presentation that we have got with the budget and the service delivery aspect? I have got a statement here from James: "The movements, the changes in emphasis within the budget are difficult to reconcile with a sectoral budget" and as in February we have agreed that we will get a breakdown of that. They do not appear as dramatic in this presentation. Now, this is the statement I want to discuss with you: "However, it is still the intention of the ministry to redistribute funds to the activities that bring the best overall economic return" and for those, say, in tourism and marketing or in the rural economy who cannot up their GVA or whatever, are you still saying that they will be in business in 3 years' time or will we see them going out of business? I mean, best GVA is obtained in finance and high value areas surely.

Senator P.F.C. Ozouf:

But what we want to do is we want to get best in class in all sectors and people have said that there has been some comments that Jersey is simply moving towards a 4-star, 5-star tourism accommodation base. I visited last year, I cannot remember how many, but a lot of hotels and guesthouses and if you take - and he knows I talk about him because I think he is a fine example - Panorama Guest House in St. Aubins, it is best in class in his guesthouse with a particular niche area of continental European walking visitors. You cannot get in there for love nor money. Running a fantastic business. Best in class in his guesthouse. There are other areas, the Merton, in terms of the family destination and family hotel. Best in class as far as I am concerned and we want a range of accommodation and we want to help each one of the businesses to achieve the best in class in their chosen category. That does not mean to say that Jersey is going to be entirely 4-star and 5-star. That is not what we want. We want a diverse range of accommodation helping Laison(?) in relation to doing their -- we have supported them a lot in relation to

their Jersey cabin with their planning application. Amaizin Maize, another example of a very good --

Mr. M. King:

It did not cost anything to do either.

Senator P.F.C. Ozouf:

Just advice, yes. Amaizin Maize another very good example of a farming family, who I know well, who has reinvented themselves in terms of being now in the Sunday Times in the top 50 fun things to do in the weekend. We have given Amaizin Maize, I am sure they do not mind us mentioning, a lot of help and advice and we have given them --

Mr. M. King:

Very little money indeed. The advice that we have given them is effectively enterprising business development advice that has not led to a requirement to give them funding because they have gone and developed on the back of that and they will continue to develop. Their numbers were 56 per cent last year. They are up again a further 20 to 30 per cent this year over and above similar periods last year because they have developed their business with the aid of the advice. We allow companies like that to see the art of the possible and away they go. It is great.

Senator P.F.C. Ozouf:

Fauvic farm, Rondels farm shop, La Mare vineyards, Jersey Pottery, all examples of hand up, not hand out and all businesses that are having to reinvent themselves, and we have not spoken at all about the financial services sector, but the financial services sector is constantly reinventing itself all the time. The competition in the financial services markets is ferocious and so we have to keep ahead of the game and that is smart law, useful law, which can be used by the piece of REETs(?) legislation that we passed in the budget in December of last year. I learnt a couple of days ago that there has been a multi-billion dollar fund which has used the piece of legislation which is now based in Jersey. If we would not have passed that piece of legislation, we would not have had that business. The funds business did not exist in Jersey 10 years ago and so, in every sector, in every business, it is hand up, hand out to help to assist them in a ferociously competitive market which never ends, and once you have got there, if you think you have got there, you are dead because you have got to constantly change.

The Connétable of St. Brelade:

I think you would agree, I am sure, that no business can stand still and if it stands still it goes backwards so it has to move ahead and I am happy to see that you are moving that on.

Senator P.F.C. Ozouf:

And we want to help that. Absolutely, and what we do not want to do is use the limited resources that

we have got to keep the economy in aspic. We want it to move on and to help them and that is why Andrew's department, which we are going to talk to you about in more detail, which is on the recommendation of Mike, which I completely agree and we all agree on, is absolutely designed to do just that, to help people through difficult transitions and give them advice and where, in limited circumstances, small loans guarantee, export initiative, where some money is available, to give them a handout, to give them a hand up.

The Connétable of St. Brelade:

Picking up on the finance industry, if I may briefly, Chairman, how much skill have the department got to do this because clearly it is a market driven thing?

Senator P.F.C. Ozouf:

You are talking about the finance industry now?

The Connétable of St. Brelade:

Yes.

Senator P.F.C. Ozouf:

Right. I mean, the finance industry, there is a very interesting debate because we inherited a position where we have got Jersey Finance which has been supported by a grant from Economic Development. Just as we are searching and tough with any organisation that gets money from us, whether it is the Consumer Council or whether or not it is Jersey Finance, we are requiring Jersey Finance to up their game also in relation to meeting our objectives of getting in with investors, growing existing businesses. So we are, and Geoff Cook is doing a very good job and maybe he could come and give you a briefing as well on what Jersey Finance do confidentially in terms of -- and the networking that we have now got between Jersey Finance, Martin De Forest-Brown and now, in the future, Andrew, is also going to be vital. I want to know what our top 5 target England investors are in banks, funds and if there is any people that we are not operating in the trust sector. We need to know who we need to get into Jersey. Have we got a Japanese bank? Is there an Australian bank that we need to do? Earlier this week we had a briefing on the opportunities that Jersey has in Indochina. Huge opportunities which we are now working on and we have now got a sketch of the idea of how we are going to help Jersey Finance go and identify who the biggest corporate players in the Indian market is. Huge opportunities for Jersey in future. We have got to get in at the ground level. And tomorrow, by the way, we have got, we will not mention any names, but we have got a further visit of a very exciting opportunity in the intellectual property field. We think that Jersey can be used with the corporate structure of Zero/Ten. We have got to up our game in terms of legislation, in terms of IT legislation. We think there is a huge opportunity for developing Jersey as a centre for intellectual property excellence and for holding of intellectual property assets, diversification of the economy and linking on to the finance sector. Jersey

as a maritime destination, Jersey as a golfing destination. All of these future issues, all of which, if you look at our breakdown in our budget, there are specific projects looking at to identify the opportunities and to help players get there. If we use Jersey fishing --

Deputy G.P. Southern:

And I look forward to seeing it in the breakdown in the budget because you cannot make out very much from the new presentation, I do not think, in terms of the sectors.

Senator P.F.C. Ozouf:

But the drilled down version --

Deputy G.P. Southern:

And what is being done.

Senator P.F.C. Ozouf:

Yes, but the drilled down version --

Deputy G.P. Southern:

So, I look forward to seeing it. Can I return to a question because I see you are in full flow and I think we are coming towards the end of our time, more or less, as scheduled? Can I return to the question? This statement that it is still the intention of the ministry to redistribute funds to the activities that bring the best overall economic return, and we have seen the difference between high value industries and low value industries. Can you guarantee -- you cannot guarantee. What assurance can you give to a farmer who has got little scope for being the top of his particular market and is plugging away earning a living that you are still going to be supporting him or you are going to be assisting him in some way?

Mr. M. King:

I mean, with respect, that is quite patronising to the farming community. I do not think there is a single farmer out there whose business does not have the potential to be more profitable or productive. Are they ever going to be the world's highest value --

Deputy G.P. Southern:

It is not my intention to patronise anybody.

Mr. M. King:

But what we are saying is that we are happy to work right across the board with all of those businesses to see if we can make them more efficient, more effective. That is what Enterprise and Business Development is about. It is not sectoral. It is about recognising that every single business and, indeed,

every individual in Jersey has got a role to play and can be improved. If we had been giving you the presentation that we were originally going to give you, there is a diagram that we will show you that describes that. If a business is in decline we look to reverse that decline. If it is a lifestyle business we look to put it into growth mode, and if it is in growth mode we look to make it grow even more than it is at the moment. That is the job and that does not matter whether it is agriculture, tourism, intellectual property, IT, finance, whatever. That is what the plan is.

Deputy G.P. Southern:

Fine and the --

Senator P.F.C. Ozouf:

And by the way, Chairman, I just want to say one valid thing, if every single -- in the breakdown, and I would like your panel to see the breakdown, there are 2 elements of our budget. There is indirect costs and staffing costs and the rigour that has gone into the budget allocation means that there is even an amount of staff time allocated to each of the individual projects. So, when I am talking about Jersey as a golfing destination, when I am talking about Jersey as a maritime destination, there is an officer who is charged with a part of his time to deliver on that project. I do not think there are any other departments that have gone through this area, of this level of detail, and the ministerial team in our weekly meetings hold the department to account to say: "Right, this is what you said you were going to do. Where is it?" And by the end of the year I expect ticks on --

Mr. M. King:

Every box.

Deputy G.P. Southern:

Do not start me on your green ticks. That is another issue altogether. You can tick anything that is a year behind schedule but never mind, I can return. I believe we are coming to the end of what we can get out of this session without seeing some comparison which we can effectively do between 2007 and 2008. That phrase, overall economic return, are you talking about all the business or are you talking about the tax return in terms of Jersey PLC want better as an Island? We are talking about tax return.

Mr. M. King:

Well, I mean, if a business is more profitable and the individuals are more prosperous, both the owners and the employees, by definition the tax contribution is going to be greater. I am charged, whereas the Minister has political responsibility, as accounting officer. I am charged with delivering best economic value for that £16 million and if I do not I am in breach of the Public Finance Law and will be held accountable by the Public Accounts Committee, and that means that we make very difficult decisions and we have to balance the return that we get, both in terms of the fiscal benefit but also in terms of the

impact that those decisions make, and that is what we do on a day to day basis. We are charged on getting the highest level of return for our public sector investment and that is what we do.

Deputy G.P. Southern:

But return is more than just an economic bottom line. As you so greatly said, the balance of the economy.

Senator P.F.C. Ozouf:

But let us paint the picture of the Jersey we are trying to create. Let us fast forward to 5 years. What is the economic landscape of Jersey that we want to see that our policies are trying to achieve? It is a Jersey which has full employment. It is a Jersey where every Islander has the opportunity of reaching their full potential in their chosen field whether it be plumbing, whether it be hairdressing, whether it be in financial services or the tourism economy. It is an Island with a diversified economic base which has a prosperous financial services sector with new lines of business. It has a tourist economy which is here to stay which has got everybody in the sector up operating to their full potential and the countryside being looked after with cows in fields, with Jersey Royals being grown and with the countryside being looked after. That is the Island we are trying to create within the context of Zero/Ten, and GST (Goods and Services Tax) and the tax system.

Deputy G.P. Southern:

And we are talking about mechanisms by which we get there.

Senator P.F.C. Ozouf:

Yes.

Deputy G.P. Southern:

We are not arguing and nor would we. I mean, anybody on this side of the table could give that same speech. We are not arguing with that. We are talking about the mechanism of getting there and whether we can deliver. Okay. Judy?

Deputy J.A. Martin:

Nothing to do with necessarily the figures. I cannot see in here though the figures for Jersey Finance Limited. I mean they probably are --

Senator P.F.C. Ozouf:

There is one line only, Judy.

Deputy J.A. Martin:

Is that the yellow sector?

The Connétable of St. Lawrence:

Appendix 3, £1 million finance industries and development.

Deputy J.A. Martin:

Oh, that is the finance -- and then my other question on that part about prepare a report about possible ombudsman. We had a very good -- the ombudsman -- yes, the financial ombudsman at the AGM (Annual General Meeting) the other night, and it was very good talk he gave. But you say their report is completed for States' Members?

Senator P.F.C. Ozouf:

The report was lodged a number of months ago. Yes, it is there and I mean I have to say we have not got Martin De Forest-Brown here who is the --

Deputy J.A. Martin:

No, I apologise then. I have just missed it.

Senator P.F.C. Ozouf:

Yes, it is there and there is -- I mean, I share the view and I know that Deputy Breckon does, that we have got to do more and we have got to think more about what we are doing in terms of the domestic financial services agenda. But, unfortunately, the financial services ombudsman that they have in the Isle of Man comes at a cost of, I think, it is £600,000, Alan? Something like that and most of it is for non-Isle of Man people which is what we do not want to do. But there is a continuing dialogue on that.

Deputy A. Breckon:

I think we still have that debate as well because the financial services can help fly the flag and say we give a cast iron guarantee if things go wrong and Judy is right, the ombudsman and the UK ombudsman said we could provide this service for you but it is not legal. It is dispute resolution. So, you know --

Senator P.F.C. Ozouf:

But we have got dispute resolution in part. I mean, the recent investor scheme that was in the Royal Court indicates that we have just got legislation and we are in the process of putting in place a protection scheme for those people who lost money in that scheme at the moment. We have got the law to do it.

Mr. M. King:

The £1 million for Jersey Finance has been inflated to 2008 by 2.5 per cent and that is what is in this. So, effectively it is in real terms.

Deputy J.A. Martin:

So, this money where it says finance industry development, and you talk about laws and regulations, the actual monies are all directed at Jersey Finance Limited?

Mr. M. King:

If it is the line --

Deputy J.A. Martin:

Yes, there is just one line. That is where I think --

Deputy G.P. Southern:

You have come back to where you were going to start on 2008. You were going to add something like that £120,000 to their budget and building up to £750,000 by 2010. Is that still part of your strategy?

Mr. M. King:

What, for financial services?

Deputy G.P. Southern:

Yes.

Mr. M. King:

Because as I said at the outset, there are very, very significant competing demands for a fixed sum of money. What we have decided to do, as far as Jersey Finance in 2008, which is still subject to final discussion with them, is to change their allocation and just effectively inflation proof it.

Deputy G.P. Southern:

Looking longer term, have you still got the idea that you will be pumping more money into finance development through the development end?

Senator P.F.C. Ozouf:

Absolutely. The competition are doing it and we have got to do it too. But what we are asking Jersey Finance to do is to -- they have done a good job in raising the flag and flag waving in markets such as the Middle East, but we have got to raise our game as an Island and Jersey Finance are helping that and Geoff Cook is dealing with, effectively, a reinvention of the way that he is spending that £1 million and he has to account to us. A business plan must be provided. Geoffrey is on the board with Martin De Forest-Brown as my 2 nominees. They have to produce a Business Plan and we have to sign it off.

Deputy G.P. Southern:

And you are doing that within a budget which is only going up by inflation so it has come from somewhere. Any idea where it is coming from?

Mr. M. King:

Where what is coming from?

Deputy G.P. Southern:

In 2010 in the original version that we got via the Chief Minister you were going to build up so instead of £1 million it was £1.75 million or thereabouts. Is that still the plan? It is within a budget which, at the moment, 2010 is staying just in inflation --

Mr. M. King:

We have made the decision that what they will do, certainly for 2008 and we may very well do it for 2009 and 2010, is lever more productivity out of Jersey Finance by giving them inflation protected budget but asking them in the same way that we did, for instance, with potato marketing to extract the same output for a lesser sum of money. That increase in productivity is wholly consistent with what we should be trying to do.

Deputy G.P. Southern:

I am hearing 2 answers. The Minister has apparently said: "Yes we will put some more money in." You have just said: "No, we will extract more value from them."

Senator P.F.C. Ozouf:

No, I said we are putting --

Mr. M. King:

It is an ongoing process of discussion between us and Jersey Finance. I say, us and Jersey Finance because I am Jersey Finance as well as us but anyway --

Deputy J.A. Martin:

Who measures the boundary?

Mr. M. King:

Over a period of time we are working with them and, in fact, Geoff Cook wants to talk now about their forthcoming requirements and we will continue to discuss with them their needs but they will have to justify why there should be any increase.

Senator P.F.C. Ozouf:

Yes, and there is a real issue in terms of development of the financial services sector. I mean, the marketing is going well and I think going very well in terms of getting into markets such as the Middle East but the real problem that we have got is that we have not got enough research and development and law making time allocated. Not law making time as far as the law draughtsman, but law creation time. We have only had Martin De Forest-Brown and one other official, who is now leaving, who has been replaced and we are thinking of working with Jersey Finance and EDD as a whole and the Chief Minister's Department how we can bolster that because we do need company law. Amendment No. 9 needs to be done. There is the issue of foundations that need to be done and there is a whole suite of financial services legislation which needs to be delivered quite along with our rather interesting programme of intellectual property legislation to deliver, which we want to deliver in the next 18 months. So, we may well be talking to Jersey Finance about using some of those resources and sticking them into our ED Department, for example, in the law draughting area. Yes, research and development. And how are we going to get into Indochina? What are the products that are required? Do we need to make some changes?

Deputy G.P. Southern:

Sorry, can I just clarify what funding is going into this? Funding from Jersey Finance?

Senator P.F.C. Ozouf:

Well, we are talking about it. We are talking about it but this is an example of the fact that we are constantly looking at the way in which we are spending money and 2008, when we approve as an Assembly the budget allocation for economic development in a certain categorisation, I am given a budget and I may well, with Mike and the team, we may well redirect some of that if the needs arise. If we see a particular opportunity, for example, that REETs opportunity that we saw at the end of last year, well then we will say: "Right, we are going to stop doing that and we are going to all hands to the pump in this particular area of law draughting." I am very proud of what we did with that piece of legislation because we made something happen quickly and, on the back of that, significant business has come to Jersey and we have to be nimble and ready to be flexible in order to take those opportunities when they come and I do not know when they are going to come.

Deputy J.A. Martin:

How much do the industry give to Jersey Finance?

Senator P.F.C. Ozouf:

£400,000.

Mr. M. King:

£450,000.

Senator P.F.C. Ozouf:

£450,000?

Mr. M. King:

Yes. I had a meeting with Geoff yesterday and I think it is fair to say that we are taking a pretty forensic approach to how they will spend their money and questioning the proportion of their grant that is directed towards their fixed costs, property, salaries, et cetera, and the proportion that is directed to actual activity related to promoting the Island in the community. We feel that that balance is not right. We will continue to challenge that to make sure that spend delivers because it is our largest single grant by a very significant amount and we are spending a lot of time working with Geoff Cook to make sure that the Jersey Finance Limited money delivers quantifiable identified outputs.

Deputy J.A. Martin:

Yes, but how is that measured? Who measures it? I mean, I know it is probably a very hard thing to do and I would not know where to start but there must be a measure.

Mr. M. King:

We measure the whole thing. But where Geoff is moving, and as a result of the discussions we have been having, is that expenditure is related to activity and ultimately that activity has to be captured in terms of new business written by financial institutions or the arrival of new institutions. Now if you are doing trade development work anywhere else, what you do is -- for instance, the Middle East visit. As a condition of setting up the visit and providing funding for the institutions to go on it, they have to have an obligation to report the amount of business that is written and that is the type of thing we need to see. So then you link benefit to spend and that is what has not been done to the extent that it should be prior to that. So, believe you me they are not getting away lightly.

Deputy J.A. Martin:

No, it is good to hear that they are being looked at.

Senator P.F.C. Ozouf:

I nominated an additional member. It was formerly just Gerald Voisin that was on the board. We have now got Martin De Forest-Brown plus Geoffrey on the board and a much more forensic approach in terms of the Business Plan and we will be taking them through the hoop.

Deputy J.A. Martin:

Thank you.

Deputy K.C. Lewis of St. Saviour:

Chairman, did you want to come back on VRD?

Deputy G.P. Southern:

He did say, yes. Well, starting with VRD. Okay, a totally open question.

Senator P.F.C. Ozouf:

We gave a subsidy. My predecessors gave a subsidy on 50 per cent deductions on tractors. Is it 100 per cent?

Mr. M. King:

100 per cent on tractors.

Senator P.F.C. Ozouf:

100 per cent on tractors and what was the --

Mr. J. Dixon:

The 2008 budget is for 25 per cent relief on the payment.

Mr. M. King:

And that will be phased out completely by then.

Senator P.F.C. Ozouf:

But I mean VRD was going to be changed anyway. I think we all know that the Treasury Minister is fully intending to change VRD anyway so we are praying for it to go.

The Connétable of St. Brelade:

Just a couple of quick points, Mr. Chairman, if I may? Coming from the marine leisure industry background, I note in a response that you gave the Chairman to a question at the last sitting, with regard to enterprise and business development, I think numbers of sectors were listed and I noted, I think, 20 in the marine leisure industry which surprised me a little bit because I thought there were only 14 in the marine trades federation. Now they were all very sharp and all taking advantage of the system or there are a few strays and I would just say proceed with caution. Perhaps I am not the right person to be analysing --

Senator P.F.C. Ozouf:

You probably need to declare an interest but that is fine.

The Connétable of St. Brelade:

But I am just saying to analyse that. But I would also re-emphasise the point I made earlier about the skills aspect of that particular industry which are dire and my comment would be at your meeting with Ivan(?) tomorrow or whenever that it needs to be kept simple. We had quite a good system some years ago whereby the potential principle set up a (several inaudible words) employed for the day release feedback all went terribly well and then they over-complicated the system and it all fell apart. So, whatever is done must be kept simple. Second point really goes to Battle of Flowers and agriculture and tourism. Battle of Flowers you are supporting. Let us have flowers. We have got empty greenhouses, we have got empty fields but why are we not growing the flowers? Why are we importing them all from Holland at a great expense? It just seems to me, yes I know it is probably cheaper to import them from Holland but there is tremendous potential for the Island to be doing something here and utilising perhaps some spare resources.

Senator P.F.C. Ozouf:

The reality is that the flowers that are used are outdoor flowers in large measure. They are grown in fields, as I understand it, in Holland on a scale which we could not even deal with here. It is a point well made. We have been spending a lot of time -- Mike has been spending a lot of time in dealing with --

The Connétable of St. Brelade:

Essentially what has happened with the flowers is turned. I mean, years ago it was all outdoor stuff as we all well know and it has all gone to perhaps some level which demands flowers to come from Holland. Perhaps we ought to turn it --

Senator P.F.C. Ozouf:

The problem is, Connétable, the certainty of getting the flowers on the day that you require them. I spoke to a nice gentlemen who rang me yesterday who suggested that he was putting my name forward to become Mr. Battle which I declined. **[Laughter]**

Deputy G.P. Southern:

I look forward to the prospect.

Senator P.F.C. Ozouf:

I could not quite believe it. I thought he was pulling my leg but he was deadly serious and he said that is it not a shame that we do not have Jersey flowers but he remembers, he was a St. John who had been on the float in the 1950s and remembers the time when the Jersey blooms -- because the sun came out and the blooms were effectively 2 weeks early, they did not have any flowers for their float. So, it is a scientific business and I am not sure -- we will try. We will ask the questions but I am not sure. I am

not that optimistic, if I am honest with you. I would like to see it but ...

Deputy A. Breckon:

I just have one more point. I notice in the other one there was the thing about the skills audit and about asking employers. I think we might have done this to death. It is probably still the same. If you look at the last one and the problems are still the same, you know, at a basic level of IT, skill and trades training and then filtering up through people at the higher level.

Senator P.F.C. Ozouf:

I mean I think the way in which we understood and delivered improving skills in the Island has not worked to a significant extent and we have to bring the universe of the economy with the universe of education and we are the intermediary. We regard ourselves, I think, as the intermediary between education and the economy. The skills audit, Alan, has been redone. It is being redone at the moment. I did not think it would be finished. It has been redone and it is important for us to understand where the problems are and to track to see whether we have made any changes. Frankly, I am not expecting a particularly pretty result for the skills audit and we will use that to fortify our arguments for the setting up of the skills executive which there is some resistance for. I think the skills issue in Jersey is, and we have spoken about a lot of important things this morning, but I almost think the work that we are doing, or we are trying to get done, which there will be some more announcements in the next few weeks, is almost the most important thing we have got to do and if we achieve anything, if there is one green tick that we need to do is we need a big green tick in solving, setting up skills executive and rolling out --

Deputy G.P. Southern:

If you can get a green tick on the skills area, you will not only be leading off the Battle of Flowers but you will be walking on water. **[Laughter]** Since it is you who decides whether it is a green tick or an orange tick or a cross maybe you will get it.

The Connétable of St. Brelade:

Where is the resistance from, would you say?

Mr. M. King:

I think resistance is too strong a word. I mean, the establishment of the skills executive which properly captures the nature of demand at a skills gap and directs the educational provision to adjust itself and combines both public and private sector training development is a pretty fundamental change for the way we work because the 2 have worked rather in isolation. So, it is an issue of change management more than anything else but we had a meeting earlier this week and I have to say that certainly around that table with the people from ESC (Education, Sports and Culture), Social Security and Economic Development, there is a very broad consensus. Now, we are going to present the way forward, I think,

to the Council of Ministers on 26th July but it does involve -- there are issues such as budget allocation, budget from the departments being dedicated to the skills executive, people being dedicated to the skills executive, direction being dedicated to the skills executive. So this is an interesting departure from the departmental solutions that we have got at the moment. But it has worked for the children's executive I think but whether that is the model it will be based on.

Senator P.F.C. Ozouf:

Chairman, I think we are going to have to draw this to a close. But can I just summarise by just, sort of, stating what we would like to invite you to and what we have committed to give in terms of information. We have committed to give some detailed information in terms of some of the stuff to do in the rural economy. We have not given a drilled down version of exactly the component parts of the new approach, and I think if you do want to examine us on the areas of money that we are spending, I think if you would examine us on the new breakdown then at least we are going to be talking the same language over the next 18 months because that is going to be the area. We will give you the reconciliation of the previous headlines to the current one so you know where it has come from.

Deputy G.P. Southern:

That is the essential.

Senator P.F.C. Ozouf:

Yes, fine.

Deputy G.P. Southern:

That is what we have been working on previously.

Senator P.F.C. Ozouf:

Okay, so there is some information that we are going to give you and we would like to invite you to 2 briefings. We would like to do the briefing on the Enterprise and Business Development strategy and I would like to do that as soon as possible, if diaries permit, and ask Nathan and Kevin to sort that out. Secondly, I think there would be a useful briefing on the update of the rural economy and strategy and get Paul Le Mière to come and explain to you certainly some of the background of the glasshouse initiatives and what we think is going forward in terms of the rural economy. I may well step out of that, if you do not mind, because I am hopelessly conflicted as a farmer's son and particularly with the milk stuff so I will ask the Assistant Ministers and Mike and Paul Le Mière to brief you on that.

Deputy G.P. Southern:

I am sure we can arrange something.

Senator P.F.C. Ozouf:

I think that dovetails well with your work on milk stuff. It may well construct some of the arguments about how to deal with the knotty subject of the milk sector.

Deputy J.A. Martin:

Yes, fine. Thank you.

Senator P.F.C. Ozouf:

But I shall not have anything to do with it.

Deputy G.P. Southern:

Okay. Well, thank you very much for coming along.

Deputy J.A. Martin:

Thank you.

Deputy G.P. Southern:

I think it has been productive in a different way to which we envisaged anyway.

Senator P.F.C. Ozouf:

Okay. Good. Thank you.