

# STATES OF JERSEY

## Corporate Services Scrutiny Panel Comprehensive Spending Review Hearing

**FRIDAY, 18th JUNE 2010**

**Panel:**

Senator S.C. Ferguson (Chairman)  
Deputy T.A. Vallois of St. Saviour  
Connétable D.J. Murphy of Grouville

**Witnesses:**

Senator A.J.H. Maclean (The Minister for Economic Development)  
Mr. M. King (Chief Executive of Economic Development)  
Mr. D. Houseago (Director of Environmental Management and Rural Economy)

[14:06]

**Senator S.C. Ferguson:**

Welcome to this public hearing for the Corporate Services Scrutiny Panel review of the comprehensive spending review. I wonder if you could possibly say your name and position for the transcription.

**The Minister for Economic Development:**

Senator Alan Maclean, Minister for Economic Development.

**Chief Executive of Economic Development:**

I am Mike King, Chief Executive of Economic Development.

**Director of Environmental Management and Rural Economy:**

I am Dan Houseago, Director of Environmental Management and Rural Economy.

**Deputy D.J. Murphy of Grouville:**

Dan Murphy, Connétable of Grouville.

**Deputy T.A. Vallois of St. Saviour:**

Tracey Vallois, Deputy of St. Saviour.

**Senator S.C. Ferguson:**

Sarah Ferguson, Chairman.

**Mr. M. Robbins:**

Mick Robbins, Scrutiny Officer.

**Senator S.C. Ferguson:**

Super. So what services do you have to provide statutorily? What are you legislated to provide?

**The Minister for Economic Development:**

We provide services relating to the policy and regulation of areas like gambling. We look after regulation of beaches and concessions related to those areas. We provide funding for the Competition Regulatory Authority. We provide funding across the rural sector, tourism, we look after the trading arms of the harbour and the airport. We have a function obviously with enterprise for business development.

**Senator S.C. Ferguson:**

Yes. Have you had a review of what you are meant to do on a statutory basis and considered whether the things you are doing you should be doing, or whether there are things you are not doing you should be doing? You have already said that you are going to put tourism out into the P.P.P. (private public partnership). Are there any other areas that you think you ought not to be doing?

**The Minister for Economic Development:**

Well, a high percentage of our budget is effectively discretionary, so there are a number of areas that we can certainly and indeed are appraising as part of the C.S.R. (Comprehensive Spending Review) process to see first of all whether we are delivering the services as efficiently and as cost effectively as we could do, or indeed, as to whether or not those particular activities could be put - as you have mentioned, tourism - into a private public partnership or a similar structure. Indeed, there are a number we believe within the portfolio, which is a very wide, diverse portfolio that the E.D.D. (Economic Development Department) has responsibility for, where there are a number of other services like tourism that we could do a similar thing. For example, enterprise and business development, we have currently Jersey Enterprise, which falls under that category. There is also of course a private sector business, the Jersey Business Venture, for which we provide some funding. This is a good example that we are looking at. There is a new Memorandum of Understanding between ourselves and Jersey Business Venture. What I would like to ultimately see is those 2 organisations merging into one organisation and indeed probably it would be more efficient to deliberate outside of the public sector, so another possibly P.P.P. style and structure, or some form of contractual arrangement of grant funding from government to allow it to operate in a more independent role. That is an example of the type of thing we can do, and I think if you look across the broad portfolio that Economic Development operates, there are a number of other areas like that that we need to be looking at what you might describe as some radical solutions moving forward.

**Senator S.C. Ferguson:**

Yes, because there are obviously areas where you are doing something, another department is doing something - I suppose the rural economy is one

of them - where you have got all sorts of departments have all got their fingers in the pie. Would you see those working in a more unified manner?

**The Minister for Economic Development:**

Well, you raise a good point. There are examples elsewhere outside of Jersey where the delivery of economic growth looks at various functions, for example, housing, planning and the functions that we fulfill as Economic Development, and create a body that can discharge those functions. So you could, for example, take or create a structure where the functions of Economic Development, planning and housing sat under one body with perhaps one chief officer, so of course you have got economies of scale there, and a much slimmed-down structure in order to facilitate the operation of that particular function, and perhaps 2 or 3 Ministers that could all report in and operate within that structure. That would be a more efficient and effective way of delivering a service and a more joined-up way of doing so.

**Senator S.C. Ferguson:**

Yes, you would have a flatter set-up with fewer silos.

**Chief Executive of Economic Development:**

I think it may be worth saying, since you brought the specific issue of the rural economy up, and you are right in that there is a budget for the rural economy held both in planning and environment and Economic Development, but I think it was more than 2 years ago now probably we merged the 2 teams into a single team which Dan heads up at Harold Davis Farm, so we do not have 2 separate teams. So there has already been an integration.

**Senator S.C. Ferguson:**

I stand corrected, thank you; 2 years is a long time in politics.

**Chief Executive of Economic Development:**

I am sure it is.

**Senator S.C. Ferguson:**

What impact will the 2 per cent cuts have on the overall performance of the department?

**The Minister for Economic Development:**

Well, it is my belief that it will not have a significant impact. I think 2 per cent is relatively small in the greater scheme of things. I would certainly expect Economic Development to be able to cope with that, as I do other departments within the States. We have got the delivery of the 2 per cent. It is a total of £346,000, and just over £200,000 of which are general efficiency savings and there is some impact on certain delivery of grants and other bits and pieces. What is more significant with the way in which we have dealt with this process is not a 2 per cent cut, but it is the fact that we have had for 2011 significant unfunded pressures coming forward like, for example, anti-money laundering that we have an obligation to find funding for. We have a total of about £1.1 million of unfunded pressures on top of the 2 per cent cut, so you are looking at a total of something like £1.5 million that we have had to deal

with. Now, what we have done is we have had to reprioritise our budget. We have not gone back to the centre and said: "Well, we have got unfunded pressures here. We would like some extra money." Having delivered our 2 per cent, we have taken the cumulative amount of our 2 per cent cut plus unfunded pressures and we have reworked our budget to accommodate it.

**Senator S.C. Ferguson:**

Yes. Well, with the 3 per cent and 5 per cent cut, we will probably need some fairly harsh and fundamental political decisions on the structure of department and delivery of the change services. What resolution do you have to complete such a strategy?

**The Minister for Economic Development:**

Well, we will complete it. It is not going to be easy. You are absolutely right, and unfortunately when you move into 3 per cent and 5 per cent cumulative effect, it is going to have a far greater impact on the organisation both in terms of size and shape, but also in terms of the delivery of services and how we go about delivering them. We have a role to deliver economic growth. Clearly, it is a very difficult climate that we are living in at the moment in order to do that. You will be well aware that one of the main aims of delivering economic growth is also to ensure that we sustain jobs within the Island, which is clearly very important. So the role moving forward in terms of how we are going to deliver 3 per cent and 5 per cent will mean that a number of the services that we carry out which are under review at the moment - clearly we have not come forward with the exact proposals yet, they are being worked on - we will have a fundamental overhaul.

[14:15]

We are looking at every aspect of the services that Economic Development delivers, whether indeed we are delivering them in the most efficient way, whether we should be delivering them - which goes back to your first early question - and I can assure you that there is no area that is not being looked at, and that includes importantly the trading aspects that we look after in terms of the airport and the harbour.

**Senator S.C. Ferguson:**

All right. So when you were considering the 2 per cent savings, what savings did you reject?

**The Minister for Economic Development:**

We started a process where we had from a political perspective myself and my 2 Assistant Ministers met with the senior management team at Economic Development and gave them a broad remit to look at every area of the department and to come forward with some suggestions as to the easiest way in which we could deliver the savings that we were going to. That was the start of the process. When the first cut came through, the distribution was broadly right, although from a political perspective, there were some aspects that I felt were not going to be acceptable: the level of cuts, for example, in tourism. Although, as you can see from the list, we have got broadly

£300,000 split between events and direct marketing, that originally was significantly higher, so we have had to rework the numbers to accommodate a lower figure to ensure that we maintain a reasonable level of support for tourism. The proposals put forward commercially were absolutely right and it was effectively moving funds from lower return sectors into higher return sectors to deliver higher economic results and to sustain jobs in key areas. However, there has got to be an appropriate balance and I think what we have put forward here in these proposals delivers that. I accept, however, that there are some sensitive areas that we are going to have to deal with. The subject of the school milk I hate to raise, but it is a highly emotive subject. It is curious, I might add, that it is falling within our remit, but nevertheless it is within Economic Development and the arguments have been well rehearsed as to whether or not school milk should indeed be delivered, as to whether it is a subsidy from the dairy industry, which effectively it is. In my view, we are going to have to work hard in order to deliver that with I suspect the emotions that will run high with other States Members. But commercially it is the right thing to do and we should not be funding school milk, both from a commercial point of view, or for that matter, from the perspective of the value that it gives to the children. I am led to believe from the Health Department that there is no great benefit in delivering milk. There are better ways in order to ensure that children get their sustenance and so on.

**The Connétable of Grouville:**

When you say there is a better way, are you thinking of switching into something else, another benefit?

**The Minister for Economic Development:**

Not from an Economic Development point of view, no. I know the Medical Officer of Health has a strong view on fruit, but clearly, that has to be funded from somewhere. If that were to be progressed, that would be a matter I would suggest for health to consider or perhaps education, but nevertheless, she is equally concerned about the effect of obesity, which is growing, and of course we have a very rich milk source, and I think that is a concern. But the point is from a commercial point of view, we should not be providing any additional subsidy above and beyond what we already do to the dairy, and there is no sensible reason. The agreement was made at the time the last proposition was brought forward by Deputy Southern that when the dairy was up and running and the dairy plan was in place that school milk would be withdrawn. That fundamentally is the rationale behind withdrawing at this stage. That was part of that original debate.

**Senator S.C. Ferguson:**

What sort of appetite is there in your department for the abolition of sections of products, rather than just slicing from the top? I suppose it is a follow-on from: "What are you doing that you should not be doing?" Are you seriously looking at cutting sections of your activities, rather than 2 per cent over the top, along the top?

**The Minister for Economic Development:**

Well, it applies to the 3 per cent and the 5 per cent. I do not think that you can look at it and just simply say: "We are going to take away the percentage across the piece." I think you have to look at every activity in its own right, assess its merit and decide whether or not it is appropriate to either reduce it in terms of the cost of the delivery or cease doing it. There are some activities that can be reduced and others that could perhaps be cut and others which frankly you should look at a totally different model, like tourism and the P.P.P. and enterprise is an element, as I was saying, which I think also should be perhaps spun out.

**Senator S.C. Ferguson:**

Yes, but your 2 per cent leads on seamlessly to your 3 per cent and 5 per cent, yes?

**The Minister for Economic Development:**

Sorry, yes, the process will be followed through in the same way in terms of the assessment. I mean, clearly we are at the early stages of deciding on the actual split for the 3 per cent and the 5 per cent. There will be some difficult decisions clearly to make as part of that.

**Senator S.C. Ferguson:**

Yes, we have heard from a number of people that the 2 per cent is more a holding action, they then get on to the 3 per cent and the 5 per cent and do the big work.

**The Minister for Economic Development:**

Yes, I mean, 2 per cent you could describe as, I do not know, business as usual. An organisation should be able to deliver efficiencies of 2 per cent with a few other tweaks, which is exactly what we have been asked to do and exactly what we have done. When you move into higher amounts, clearly the impact is far greater.

**Senator S.C. Ferguson:**

What would happen if we scrapped E.D.D. entirely?

**The Minister for Economic Development:**

Well, there would be an extra £16.5 million and X number less jobs, I suppose.

**Deputy T.A. Vallois:**

What effect would that have on the community?

**The Minister for Economic Development:**

Well, I think Economic Development and the way in which we support the economy, which is part of this process in terms of looking at every service that we deliver and the effectiveness and return on the economy, I think we need to change. There is going to be a change as a part of this process without doubt in terms of service delivery. Could we do without an economic development function? No, I do not think we could. I think there are certain functions the department carries out which are important, certainly on the

regulatory side, the regulation of undertakings and so on and so forth which are essential and need to be facilitated.

**Senator S.C. Ferguson:**

Yes, so what would happen if you have only got half your budget?

**The Minister for Economic Development:**

I do not think you could function with half the budget. I think we can reduce our budget. I think we can do things in a different way. I think we should do a number of things in a different way and I think we can therefore reduce the headline budget of Economic Development. I do not think you can halve it.

**Senator S.C. Ferguson:**

Yes. Whatever happens to your budget, have you got safeguards in place for things like the sort of main events, Battle of Flowers, the air display, those sort of things?

**The Minister for Economic Development:**

Well, from the 2 per cent cut that you can see for 2011, part of that element, the total tourism support of £300,000, £138,000 is grants. However, there is going to be a reduction in grants. I would make a comment about grants, which has been my view and the department's view for some time. We get applications for a large number of grants from a large number of organisations. Our view is that we assess them. The grant is there as, if you like, initial funding in order to allow the event to take place, if we believe it has a sustainable future and will be able to, once it has got itself established, develop in the future. I am not sure we should be looking necessarily at long-term grants for events if they are not sustainable, and I think that is a little bit of a simplistic view, but nevertheless, the principle is absolutely right, that we need to look very carefully at how we deliver events and ensure that they are commercial enough to be able to generate enough private sector support, which a lot of them do. Branchage has been a very good example; Jersey Live, which had some initial support from us and has now gone on to be self-sufficient, is another very good example. Those are good models that we should be looking to replicate. Events are a very important part of the programme. I think in the past there had been too much of this hand out culture as opposed to a hand up.

**The Connétable of Grouville:**

I am sure the Chairman is going to follow me in on this, but the Battle of Flowers I am sure you are aware now is creaking at the hinges. There is just not enough money available in the parishes to support these events and there is no return whatsoever to us, and also I would say the Britain in Bloom, I mean, we have done so well there. It has really made us headlines in the horticultural world, where we are headliners every time, and yet we are having to scratch around with sponsors and everything else, which is good from your point of view, but at the same time there is no underpinning. I have got to tell you now that they are right on the edge now with these grants not cut, and we are going to have a real problem with Battle of Flowers.

**The Minister for Economic Development:**

I mean, Battle of Flowers is an exceptionally important event, obviously, and it has received support for many years and that support will continue. Whether or not it can continue at exactly the same level is questionable. What we need to do is ensure that the event is not going to be threatened and that we can help the event to be able to continue, but perhaps with funding from other sources, and that is where there is willingness in the private sector to provide support. It just needs to be commercialised a little bit more and that is where the fundamental problem has been in the past.

**The Connétable of Grouville:**

Yes, as long as you do not think you can get away with just dumping the Battle of Flowers and saying: "Right, 20 per cent off that" without recompensing it in some way or another, either - as you say - from commercialisation, which would probably be the answer to Battle of Flowers now, as far as I can see.

**The Minister for Economic Development:**

Well, it is very much in my view a handholding exercise to get some of these events, some of the sort of legacy events, valuable events to the Island, from a position where they have continuous handouts from government. There should be an underpinning, there is no question or doubt about that, but there is an opportunity to be able to commercialise more, and there is a willingness in the private sector to provide funding for key events, but there is also a frustration in the private sector that they cannot get the money in, they cannot get proper commercial packages in terms of support. I know the difficulties parishes have with floats, for example, and the funding of floats.

**The Connétable of Grouville:**

That is the main problem.

**The Minister for Economic Development:**

There is a willingness, if it could be properly commercialised, to get some funding into floats, individual parish floats, and support from certain sectors within the private sector.

**The Connétable of Grouville:**

Well, I know in Grouville we are going to commercialise our float this year, and it is a shame that we have got to do it, but I think it is going to have to be done, we have got to be realistic. But I am thinking as a whole, an entity, you should be commercialising the whole Battle of Flowers itself. We can go back a couple of years, if you like, but I can remember when we had, what is it called, Pathe News and things like that over here doing it, and it was showing in every cinema in the U.K. (United Kingdom). It was wonderful, but we are not getting that any more. It is just not commercial enough, I suppose, for the U.K., but I think we are going to have to do something on those lines, just package the whole thing up and sell it, because we are just not going to be able to do it without extra help coming in very quickly.

**Chief Executive of Economic Development:**

Just on the Battle of Flowers specifically, I think this was said, and I think that last year the Battle of Flowers made a surplus, which is good, because there had been many years where it had not made a surplus. I think they raised this with the Auditor General. We did a lot of work with them at that time and have come on significantly. Interestingly, I think this year they have got themselves further organised in terms of publishing what are effectively offers to potential sponsors in terms of packages in exchange for different levels of sponsorship. We have passed that on, or I have passed that on as a board member of J.F.L. (Jersey Finance Limited) and what I would like to see is Jersey Finance use their network to get out to their membership, because I really believe there is a tremendous win win here if the finance industry could be seen to sponsor the float-building. I think it would engender quite a lot of community involvement that has never been there before. So hopefully something will come of that.

**The Connétable of Grouville:**

When you are saying about the surplus, the parish investment has gone in already.

**Chief Executive of Economic Development:**

Also the E.D.D. grant of £140,000.

**The Connétable of Grouville:**

I am sure the Chairman is going to follow up with the Battle of Britain.

**Senator S.C. Ferguson:**

No.

**The Connétable of Grouville:**

You are not? Oh, I am surprised. I am leaving an opening for you there.

**Senator S.C. Ferguson:**

No. What level of consultation have you had within the department about all the changes? Have you gone right the way from the top to the bottom?

**The Minister for Economic Development:**

You are talking internally with staff?

**Senator S.C. Ferguson:**

Yes.

**The Minister for Economic Development:**

Well, from a political point of view, we have had discussions. We have started the process with the senior management team and the senior management team have then gone down through the organisation.

**Senator S.C. Ferguson:**

How many people do you have working in the department now? I am sorry, the number escapes me.

**The Minister for Economic Development:**

Well, excluding the harbour and airport, I assume you are asking, the core E.D.D. it is 71.

**Senator S.C. Ferguson:**

Oh, so it is relatively simple for them to tell you what they think and for you to ask them for their opinions?

**The Minister for Economic Development:**

Yes, indeed, and we are fairly centrally based now. Having originally some years ago been in a number of different offices, we have consolidated into one particular place largely, which makes it a lot easier to see people, and also it is more cost-effective.

[14:30]

I will come on to the subject of cost-effectiveness and office space in a moment.

**Chief Executive of Economic Development:**

I think it is worth mentioning, Minister, that I think I said this when I came in and had the discussion with you, the process that we have put in place to deliver 2011 is business as usual for us with a slightly lower cash limit, and that is a process that does engage pretty much everybody in the organisation, because they all have to build it up from the bottom up, and that is what has happened here to a very great extent. So I think there has been pretty wide-spread involvement of most of the people that we have, and as you quite rightly say, we feel lucky that we do not have hundreds of people to engage with. So it works fairly well.

**Senator S.C. Ferguson:**

Also your process of zero-based budgeting each year obviously gives you an advantage there.

**Chief Executive of Economic Development:**

It does, and coming back to your initial question, one of the first things we do is we look at the cost, the minimum cost required to discharge our statutory obligations, because that effectively has to be taken off before what we have from a committed or a discretionary perspective. So people often use statutory as a way of preserving, but we use it as a way of minimising the absolute cost that those things are delivered at, and I think that is the right way to approach it. But yes, as the Minister said, I think the 2 per cent, it is the sort of thing that organisations should be expected to do on an annual basis anyway probably through efficiencies.

**Deputy T.A. Vallois:**

What about the consultation you have had with the places you have taken savings or grants from or things like that? Obviously you said that you provide a certain amount of money to grants for businesses or particular

areas. What consultation have you had with them prior to releasing any savings, or what consultation will you have with them?

**The Minister for Economic Development:**

I mean, let us make it plain that these are proposals at this stage, and clearly once we are through the business planning process, then discussions will obviously go forward with the various trade groups and what have you to look at ways in which we can assist and minimise any impact that may result from the reductions in grants or whatever other reductions we have to impose as a result of the cuts. There is a far greater engagement I think now than there has ever been with different trade representative groups that we meet on a regular basis, whether it is the Chamber of Commerce, whether it is specific groups like the J.H.A. (Jersey Hospitality Association), or indeed the drive that we have made to set up specific groups like the tourism marketing group where we have got experts from the industry. This to me is a really important point: it is all very well the tourism department deciding on the strategy of where we are going to market the Island and so on, but it is the industry that know better than anyone else or certainly should have a valuable input. We have got some wonderful expertise on that particular group. So there is a lot of engagement with our clients, if you like, and people that we provide both services and grants to.

**Senator S.C. Ferguson:**

Yes, because you have got something in the order of £7 million that you pay out in grants of one sort or another, so it is quite a lot of consulting to do, but you feel you have been engaging with them?

**The Minister for Economic Development:**

We have. I mean, the process is at an early stage in many respects, because these are just at this particular point proposals that have been put forward. Yes, I have no doubt. I mean, I also have no doubt that - and I am sure you will appreciate this - nobody likes cuts, nobody likes change, and you can be absolutely certain that we are not going to get 100 per cent support. It is just the nature of the beast that we are unfortunately dealing with.

**Chief Executive of Economic Development:**

I think it just worth adding one thing, Minister. I mean, for the avoidance of any doubt, the grant levels for any individual institution are not preserved from one year to the next. It is subject to negotiation on an annual basis.

**Senator S.C. Ferguson:**

Oh, right.

**Chief Executive of Economic Development:**

So there will be a process of consultation and negotiation, not just with the large grantholders, but some of the smaller ones as well about what the effective level of their grant is going to be during 2011, and it will add up to what it says on the paper ultimately.

**The Minister for Economic Development:**

That is absolutely appropriate, because market conditions change on a regular basis and we have to be in a position to adapt to the conditions within the market.

**Deputy T.A. Vallois:**

How will that affect changing to a 3-year cash limit plan? You are saying the markets change. If you are doing it on a yearly basis, how will that affect 3-yearly?

**The Minister for Economic Development:**

I think in many respects having a 3-year cash limit gives more flexibility and there are contingencies built in.

**Chief Executive of Economic Development:**

I think the important thing about a 3-year cash limit is it is a departmental cash limit. E.D.D. being a very broad church that has to respond to market conditions does, and it does it on an annual basis anyway, is change the distribution of its funding to meet an opportunity, which is what you have seen in 2010 and the proposals that are on the table for 2011. There are quite some fundamental shifts in the emphasis, but all within the cash limit.

**Senator S.C. Ferguson:**

Yes, we have had Jersey Enterprise and Jersey Business Venture. Well, you have mentioned these already, in fact, that you are obviously looking for them to work together, but they have also been described as kissing frogs in the hope of finding a prince or 2. Would new enterprise grind to a halt in the Island if the funding in these areas was stopped completely?

**The Minister for Economic Development:**

I think it would be a great mistake to stop funding completely in these areas. I think it is one of the fundamental things that we do, support local business. I think that both organisations fulfill a valuable role. I think there is some duplication, which is why I would like to see them merging more together, but I think it would be a fundamental mistake to stop the funding. You can see just from the statistics, if you look at the support that Jersey Enterprise, for example, has delivered to the private sector over the 2009 period, there was something like 650 new start-up businesses that they assisted directly, a whole range of different events that have been important to help support and underpin businesses, vital areas like raising finance, seminars on raising finance - which clearly in the current climate is really important - networking events, bringing businesses together. There has been a lot of activity and a lot of output which I think is valuable. The duplication concerns me. I would like to see a closer working relationship between the 2. There is a working relationship, do not think that there is not, and they do cover different areas to a degree. I just think there are economies to be had by merging the organisations to a greater degree in the future, and probably outside of the public sector. So I would like to see whatever the new entity would be as a grant-funded organisation which is self-sufficient outside of that.

**Senator S.C. Ferguson:**

Yes, because obviously I think we all agree that government is not the best person to identify good businesses to invest in. It is not the function of government. What sort of follow-up process do you have to see which of the businesses that have received this assistance and support turn out to be princes?

**The Minister for Economic Development:**

Well, government's role is very much one in this instance of facilitator, of bringing together, and certainly from an inward investment point of view, which is another important aspect Jersey Enterprise covers, bringing together all the functions of government, the regulatory aspects and what have you, so inward investment organisations get brought in and taken through that particular process. But in terms of outputs and establishing the success, you can see that from the number of start-ups you get, the number of additional employees that are created. There is a lot of statistics that begin to feed through and show the success that you are having.

**Chief Executive of Economic Development:**

I think it is worth saying that one of the things that we did when we established Jersey Enterprise is we also built or bought a customer relationship management system, which means that we can track - to use an Americanism - our assistance from soup to nuts, so from the moment that we have the first point of contact and then we track the regulation undertakings so we can measure what percentage of those businesses have been successful. One of the things we measure is what percentages of the businesses that we started eventually go on to be G.S.T. (goods and services tax) registered, therefore their turnover is more than £300,000. That is a measure of sustainability. One of the other things we do in the area of inward investment, and I saw these figures yesterday, is that we measure the ratio between the number of contacts we make and the number of people in the Island as registered companies employing people. Last year, I think we brought 20 new companies in, purely through our inward investment activity alone, and the hit rate in terms of inquiries versus lending was somewhere between 2 to 3 to 1, which is an incredible performance, but that is because we now do that as government and we did not before. We did not give the message that Jersey was open for business, or we may have given it, but we did not walk the walk as well as talking the talk.

**Senator S.C. Ferguson:**

Yes, you talk about local start-ups and inward business. What is the sort of proportion of time spend, for instance, with inward business as opposed to local start-ups?

**Chief Executive of Economic Development:**

I would suggest that it is probably about 80 per cent local, 20 per cent inward investment, and I think that is borne out by the statistics. I mean, that is not a precise figure, but if you think last year we directly assisted over 650 business start-ups in the Island and we gave direct assistance to, I think it was, about 1,800 existing companies of the 4,500 that are registered, and we brought 20 inward investment companies in. So the balance is very heavily in favour of

supporting local companies, to either establish themselves or indeed to grow. That is what the main emphasis is.

**Senator S.C. Ferguson:**

Yes, and I suppose historically in a period like this, it appears that there are more start-ups because there are more people being released.

**Chief Executive of Economic Development:**

Yes, and I think it is the spirit of enterprise and entrepreneurship is something we should be proud of, and we should be proud that people are doing that, rather than sitting at home watching the World Cup or whatever it is people do.

**The Minister for Economic Development:**

You are absolutely right though, because a number of the start-ups were one-man businesses and a fairly reasonable percentage of those were as a direct result of redundancy. What we have got to do and what Jersey Enterprise works to do is to continue to assist those businesses. It is all very well starting. They have got to remain in business and hopefully grow and hopefully employ more people, and it is a relationship that is ongoing. It is not just a one-off, and that is very much what the department is working towards.

**Senator S.C. Ferguson:**

Now: "Reform can only be implemented successfully if there is a genuine culture of change within the department. Reform will not take place where the department see the reforms as hostile." I mean, you sound as if you have managed to do this, but how are you going to make sure you have got this achieved in your department?

**The Minister for Economic Development:**

Well, I asked the Chief Officer to progress that. I am very lucky with the attitude of the Chief Officer, with his background in the private sector as well as the public sector, and the senior management team. There is a genuine willingness and understanding that this is something that has to be done. There is very much an understanding, which I think is essential, and I would certainly hope is reflected elsewhere in the States, that it is very much a partnership arrangement. This is something we need to deliver and we need to do it together, and I think there needs to be a clear understanding that this is not being done for the fun of it, it is being done to deal with some very serious issues in terms of budget deficits, which I do not think are widely understood. I do not think they are widely believed necessarily, because in the past we have almost always managed to whistle up an extra £10 million, £20 million, £30 million of tax receipts. The reality is, despite the recent announcement of additional tax receipts, which are very welcome, they do reflect of course 2008. We are moving into a different world. This is something that has to be done and there is a definite willingness within Economic Development to move forward in a progressive and positive way to deliver.

**Senator S.C. Ferguson:**

Yes. You reckon you have managed to convince your workforce that the extra £20 million that turned up in the States accounts, we should not rush out and spend it and use it to fill the gap?

**The Minister for Economic Development:**

Well, the extra £20 million is clearly very welcome, but it is relating to 2008 activity. 2009 was very different; 2010 is going to be the same. We have a position that is going to result in a structural deficit probably as we move forward. There is not going to be an immediate return to the levels of economic growth we have seen historically, of 2006/2007, for example. So we are in a different world. There is a combination factor here of cutting costs, £50 million worth of savings that need to be delivered, and there is going to be a requirement for some increases in taxes to plug the gap, because neither one nor the other will work in their own right. It is a package that is going to have to be delivered here and if we do not deliver on the savings, then of course the likely impact of potential future tax increases is going to be far worse. I think that is unacceptable.

[14:45]

**Deputy T.A. Vallois:**

Could I just make the point that the same mantra that is being churned out there is exactly what was used in the last spending review, arguably because we were introducing the Zero/Ten policy, which would provide a structural deficit, which therefore we had to make savings of £35.8 million, I think, but at the same time also agreed £69 million worth of growth, but had more growth than what was originally agreed. What is your forecast looking at sustainable saving, sustainable taxing system from your point of view and Economic Development?

**The Minister for Economic Development:**

Sorry, you have asked a wide question, States-wide, and focused it on Economic Development. Could you just clarify?

**Deputy T.A. Vallois:**

Economic Development looked at a certain percentage of growth which the States agreed and which went out of fashion in 2009. Now we do not have anything set, a particular amount.

**The Minister for Economic Development:**

Oh, growth rate, you mean?

**Deputy T.A. Vallois:**

Yes, so now we do not have anything particular set, but obviously being Economic Development, I would imagine you would keep your eye on these kind of conditions. So from your point of view, obviously we had the mantra before from the last spending review which never really established very much. I mean, if we had made the savings et cetera from before, we would not be in such a position.

**The Minister for Economic Development:**

Well, there are a number of points there. In terms of economic growth, 2 per cent was the figure that was set originally. If you look at most of the forecasts, the way in which the current position is going to be dealt with is effectively threefold. It is going to be efficiencies, which is what we are driving towards, that is the first stage, which is £50 million worth of efficiencies, there is going to have to be an element of tax increases which will be consulted on and so on and so forth as part of that package. A third leg of that is going to be economic growth, and widely within the calculation a figure of 2 per cent is being considered. Now, historically, we have managed to deliver much more than 2 per cent in 2006 and 2007 in particular, but I think it is important to put it into context, because you cannot just consider one year or 2 years, you have got to look over an economic cycle, so you have peaks and you have troughs. You would be looking to get an average of around about 2 per cent. If we can deliver that sort of level of economic growth, together with the other measures - assuming that they are successful - that would put us on to a sustainable footing for the future.

**Chief Executive of Economic Development:**

I think it is worth bearing in mind that the Treasury forecasts, which were captured in the C.S.R. document which has the graph in it, assumed that after 2011 the economy will return to trend growth of around 2 per cent. So that is kind of the minimum target. Now, that still leaves you with an ongoing structural deficit, so really we should be trying to exceed that in order to reduce that deficit and make the contribution to balancing the books.

**The Minister for Economic Development:**

At times in the past, we obviously have exceeded it. Successfully or unsuccessfully, some would have the view that 7 per cent growth was too much, it had unintended consequences, but it is very difficult. There is no exact science, which is why you have to look at the equation over a period of an economic cycle as opposed to just one or 2 bits, so the peaks and troughs are smoothed out. As Mike was saying, the forward projections would be an average of 2 per cent over a period.

**Senator S.C. Ferguson:**

But the Treasury Minister is looking at something in the order of ... I think he said to the Chamber of Commerce something in the order of £50 million from taxes, so how is that going to affect the work of your department and the growth?

**The Minister for Economic Development:**

Well, the forward projections are that we will move to an average of 2 per cent over a period of an economic cycle, so we will continue to aim to deliver as much economic growth as we can and which is going to be sustainable in all the activities. Key to that is getting into low footprint high value areas, ensuring that the money that we invest is invested in ensuring that we get the highest return we possibly can, which is why a lot of these decisions are very difficult, because we have to get money into the sectors that are going to produce the highest returns while ensuring that we still maintain and look after

some of the other legacy areas, if you like. It is a difficult balancing act. It is challenging, but it is deliverable, in my view.

**Senator S.C. Ferguson:**

Yes. Well, if we go on to that, in your figures you have reduced the grant to the J.C.R.A. (Jersey Competition Regulatory Authority) by £100,000. Would that not suggest a lack of confidence in the results being achieved by the authority?

**The Minister for Economic Development:**

No, not at all. I would comment first of all I am sure there are some who think that the reduction in the J.C.R.A. is a positive thing. It should not be read in either that way or the way that you depicted it. Quite simply, we believe that the J.C.R.A. can deliver the function that it carries out, an important function, and I think it is delivered exceptionally well over the period in terms of delivering a good level of regulatory oversight in the markets that it regulates, like telecoms, for example, but I also think from a competition perspective, there have been demonstrable gains from the consumer perspective. Using the telecoms market as another example, you have got more operators creating choice, driving down prices. Consumers have been the net beneficiary, and overall, if you look at the number of people employed in the sector as a whole now compared to previously before the market was opened up, you have got the same number of people or slightly more employed in telecommunications in Jersey than was the case previously. I think there are lots of examples where the J.C.R.A. have had a positive influence on driving prices down, creating additional choice for consumers, so from the consumer perspective the J.C.R.A. has been a great success. Of course that helps to bear down on inflation, which is positive for the economy and positive for the Island as a whole.

**The Connétable of Grouville:**

But of course you are costing the taxpayer money because you are devaluing the present monopolies that are in place and also reducing the taxation received by the States from the companies. So you have got to balance that. Perhaps consumers are happy but the taxpayers are not.

**The Minister for Economic Development:**

Yes, you have 2 elements: the contribution that the entities make in terms of contribution to the Treasury, there is no reason that a re-engineered organisation like Jersey Telecom cannot make a positive return to the Treasury and continue to do so. They have had to go through a considerable change from a public sector organisation to a more commercially orientated incorporated body which they are now. Jersey Post are in similar territory. All of which is difficult. The capital value, you can argue, which was your other point, I concede clearly one could take the view that if the States wanted to capitalise on their investment they should have done that some years ago.

**The Connétable of Grouville:**

It does not help us today though with the structural deficit looming. Would it not be possible to re-engineer the J.C.R.A. so that it is to take into account

social and the interests of the shareholders, the States in other words, and balance it with the benefit to the consumers? They do not seem to take that at the moment.

**The Minister for Economic Development:**

The law to establish the J.C.R.A., which was clearly approved by the States, was fairly specific in terms of the powers that it gave to the J.C.R.A. It is important that it had a high degree of independence. However, there are some provisions in there with regard to social and environmental issues, which give the power of guidance and, in some limited circumstances, direction to the Minister. So, there are some protection points there.

**The Connétable of Grouville:**

The last time you tried to give them direction they ignored you, is that right?

**The Minister for Economic Development:**

No, it was not direction. It was guidance. In fact, it was not even that. It was, if you recall in the States, there was a specific request for me to write to the J.C.R.A., which indeed I did, but it was not under social or environmental, it was simply writing to them to clarify a point that a particular States Member wanted to be raised, which I did and they considered it and, of course, under the terms of the law they were perfectly at liberty and right to make a decision as a board and they rejected the ...

**The Connétable of Grouville:**

You would not consider bringing in an amendment to bringing these social issues more to the fore? I am not normally banging a drum on this particular thing, as you know, but I would suggest that creating unemployment through these laws is probably not terribly helpful.

**Chief Executive of Economic Development:**

I think we are saying the Minister does have powers under the Postal laws, is the one you are probably referring to, perhaps a direction under social and environmental grounds. One of the things the department is looking at, at the moment, is the extent to which those powers affect all the interpretation of, for instance, the universal service obligation, the day-to-day postal service as delivered by Jersey Post, and to what extent any competition that impairs fulfilment revenue may have an impact on that U.S.O. (Universal Service Obligation), so that is something that is under active discussion within the department. It is not as if, I think, the Minister is powerless but we need to make sure that we have a proper evaluation of what that means, and that is in train at the moment.

**The Minister for Economic Development:**

To be absolutely clear on that, the Universal Service Obligation is, in my view, key at the moment, which is the reason that we have announced we are going out to public consultation because I think it is absolutely right that the public have their say on what the future size, shape and look of the Universal Service Obligation should be. Indeed, the public should have a say on what they feel is value for money. Do they feel they are getting value for money for

what is being delivered at the moment? This is key to any of the future decisions that may or may not be made by the J.C.R.A. with regard to opening up the postal market.

**The Connétable of Grouville:**

It still does not attack what I think is the core problem, which is that they are not taking into account the effect on the taxpayer of the decisions made by the J.C.R.A. They are not balancing the taxpayers' problems with the consumer problems. The consumer is all paramount and the taxpayer does not seem to have any input.

**The Minister for Economic Development:**

To be fair, it is not directly their view to do that.

**The Connétable of Grouville:**

What I am saying is, would you think of amending the legislation in order to make that a part of their remit?

**Chief Executive of Economic Development:**

It is just worth making a point that benefits to the consumer ... these things need to be looked at in terms of the net economic benefit. If the consumer spends £10 less on procuring a particular service he or she may be able to spend that £10 in a business that extracts more profit and pays more tax on that £10, so there is a net positive economic benefit. It is not always a negative. Competition and the implications of it to one company are not always a net economic dis-benefit to the broader economy.

**The Connétable of Grouville:**

But that is not coming forward at all. That is not being presented to us as a taxpayer.

**Senator S.C. Ferguson:**

I hate to interrupt but if we can move on on that. I think the point has been made that you feel strongly that the social benefit has not been taken into account, even though they may have taken the social benefit into account when considering the Cadbury Kraft merger.

**The Minister for Economic Development:**

Just to give you some degree, I hope, of reassurance. The social aspect has been taken into consideration. It is very clearly on the agenda from an Economic Development point of view, which is why we are going out to public consultation and why we have expressed to the J.C.R.A. the fact that we would expect and hope that they would wait until the end of that process before making any determination on any potential future licences that they may do, and I think that is very much taking the important social element into consideration. I just finally would say with regard to postal, it is an extremely complex issue. It is not straightforward in any frame of the imagination. There are considerations for business, the fulfilment business that Jersey Post have got, the fulfilment business that contributes more than £5 million of their revenue and totally cross-subsidises the postal services that are carried

out. The fulfilment industry that employs considerable numbers of people, pays millions of pounds in taxes and could very easily go elsewhere if Jersey Post are not more competitive. There are lots of issues here that need to be considered and it is not an easy answer, but starting with the U.S.O. it is something that we do need to establish and that is why we are doing the public consultation which will roll out over a period of 8 to 10 weeks.

**The Connétable of Grouville:**

Can I just have one further point to make?

**Senator S.C. Ferguson:**

Very quickly.

**The Connétable of Grouville:**

Would it not be sensible to make the J.C.R.A. a regulating body and not a licensing body? In other words we have really given up the licensing role as a government, which I think is very sad. But if you made them a regulating body against a licensing body that probably, to me, would solve a lot of problems.

**The Minister for Economic Development:**

You are moving then more to a model that they have got in Guernsey with the O.U.R. (Office of Utility Regulation) which is not necessarily, in its own right, the best way of dealing with both regulation and competition.

**The Connétable of Grouville:**

We will agree to disagree at the time being.

**Senator S.C. Ferguson:**

I am sure you can think of a question for the Assembly. How do you consider that reduction to zero by 2013 of the grant for the Gambling Commission is not asking a new body to run before it can walk?

**The Minister for Economic Development:**

We are being reasonably aggressive with regard to moving to zero within a 3-year period. Originally we had anticipated or identified a 5-year period to run down to zero. But certainly the work we have done in assessing the market, the potential for revenue generation from licence fees we think is considerable enough to make that a feasible target.

[15:00]

**Chief Executive of Economic Development:**

I think it is also important to mention that that also imposes a greater degree of cost down pressure on the Commission in setting up its activity, therefore for instance, my advice to the Minister is that we do not and we never sanction it having separate premises, for instance. I think that would be very costly.

**The Minister for Economic Development:**

On that particular point, if I could just come in on the premises side of things in terms of cost efficiencies, and you have asked previously about the 3 and 5 per cent. I think I made the point that nothing has been counted out and nothing has been counted in. We are looking at every aspect of activity and actually it is not just activity and structure, we are also looking at premises. Although we have consolidated into largely the one building above tourism at the moment we are ... I have asked Mike to look very closely at the premises we occupy, whether indeed we could relocate to a more cost effective solution in terms of office premises, everything is being considered at the moment and I think it is only right that we should do that.

**Senator S.C. Ferguson:**

We were thinking about finance houses which are very shrewd organisations which do not really have a great deal of loyalty to any one place. They move to where the markets suit them best. What impact would reducing or withdrawing the grant to J.F.L. have?

**The Minister for Economic Development:**

I think that J.F.L. do a very good job in terms of promoting. They are obviously the marketing ... effectively their primary aim is of marketing the Island and developing new markets. I have no doubt that in the current climate that we are working in at the moment there is going to be a certain degree of consolidation. Now consolidation can be a good thing or a bad thing. You can have consolidation into a jurisdiction like Jersey with our strong reputation, regulatory framework, expertise and so on. Equally you can have consolidation out of somewhere like Jersey where, for example, banks. We are looking very closely, as all organisations are, at their cost base, may well say: "Do we want to be in 2 or 3 or 4 offshore centres? Should we consolidate into one or 2?" Jersey Finance play an important role in terms of identifying where risks are and ensuring that we spot new opportunities, both in terms of businesses that we can look to attract inward investment propositions. In fact before this meeting I was at a meeting that was facilitated by Jersey Finance of a new organisation looking at moving into Jersey and that was a lead that came through Jersey Finance and has been picked up now by our inward investment function within Jersey Enterprise, and that is how the 2 sides work very effectively together in delivering some of these inward investment opportunities.

**Senator S.C. Ferguson:**

In relation to the rural support, the single area payment in particular. How can the administration and payment of £37 a vergée a year be viable in this day and age? It sounds as if there is an awful lot of paperwork sort of goes through this. It is very bureaucratic.

**Director of Environmental Management and Rural Economy:**

I think it is probably one of the most streamlined mechanisms that we have got, to be fair.

**Senator S.C. Ferguson:**

Excellent.

**Director of Environmental Management and Rural Economy:**

I mean, the justification goes back many years really to the point at which the U.K. joined the Common Agricultural Policy and at that point the States made a commitment not to disadvantage our farmers as a consequence of that happening. I think the important thing to bear in mind is it is not income support. I think there is a misconception that it is. Because if it was income support we would be looking at should rich farmers be getting £37 a vergée and my argument against that is that what we are using the single area payment for is to not disadvantage farmers and their export markets, where they are getting £37 a vergée and sometimes more than that. If you turn that argument on its head, what would the argument be for disadvantaging Jersey farmers and their export markets? So there is an issue around equity in their marketplace, but the other thing the single area payment does is, and the reason it is not income support, is it buys the provision of public goods and services. So for the £37 a vergée you have to do something that is of benefit to the environment and to society as a whole as a consequence. That is the justification. Now if you, I suspect, got rid of agriculture and tried to deliver the environment in the countryside it would cost you many, many times above £1 million that we put into that. So the justification is not just about supporting Jersey farmers and their export markets, which increasingly includes the dairy sector as well, as they look for new markets in the U.K., but you need to accept that there is a certain provision for the goods and services that comes with that. What the rural economy strategy is trying to do going forward is, I think, to get a slightly better deal for the taxpayer in that respect. At the moment, if you compare what you have to do for the single farm payment, which is the U.K. equivalent, the range of good agricultural environmental conditions and the range of statutory management requirements are huge and, in my view, having experienced it as a farmer in the U.K., unworkable. But I think what we need to do forward is make sure we are getting, at least, the protection of things like soil and water on renewable resources as a consequence of giving that money to farmers. So we are not supporting low income farming families, that is the job of Social Security. What we are doing is we are not going to disadvantage the export markets but also at the same time we are going to recognise that there is a contribution to society though the landscape that has been provided by the agricultural activity.

**Senator S.C. Ferguson:**

How do they compare to the U.K. ones now then?

**Director of Environmental Management and Rural Economy:**

Going back to the 1972 agreement effectively the States made with Agriculture saying: "We are not going to disadvantage you", what we have done is we make sure that the £37 a vergée is broadly comparable with what one is being paid in the U.K. for their lowland agriculture. In other words, not comparable with upland agriculture which is effectively very disadvantaged because of height and rainfall and so on and so forth. What we are doing is saying, you know, you have got good lowland agricultural equivalent in Jersey. Some arguments suggest that we are marketing a very specific project, for example, the piece of produce, i.e. the Jersey Royal potato, but

there is strong competition in what would be described as the International Kidney potato market. There are Premature Royals, there are Suffolk Royals, there are all sorts of potatoes that will compete with Jersey Royals in the market. I think the fundamental point is the single area payment has been misunderstood in the past, that it is this kind of idea of income support, when it is not. It is there to provide for us to buy public business services in the countryside to make sure our farmers have got a fighting chance in their export markets. It is pretty comparable with what those other competitors are getting from their own governments.

**The Connétable of Grouville:**

I wonder if that money would not be better spent on advertising promotion.

**The Minister for Economic Development:**

Advertising promotion for the agricultural industry ...

**The Connétable of Grouville:**

Yes.

**The Minister for Economic Development:**

... or are you talking about tourism? I mean I think if you are looking at the way in which the market has sort of consolidated into 2 major producers in the potato sector, for example, we used to have a representative in the U.K. which is something we have just cut, £44,000. That mainly is because that function is largely taken up now by the supermarket groups themselves. They do a significant amount of marketing and promotion that we benefit from as an Island with regard to the Jersey Royal.

**The Connétable of Grouville:**

They are always looking for promotion money. For instance, if Tesco or Sainsbury's do a promotion, they are not doing it all on their own, are they? They are doing it with the help of the growers who are supplying it.

**Chief Executive of Economic Development:**

Which is where some of the single area payment offsets the cost for that. But I think in terms of ...

**The Connétable of Grouville:**

You think they directly affect it?

**Director of Environmental Management and Rural Economy:**

I think a huge amount is being done. If you work with Bartletts and the Jersey Royal Company, you see how much money is put into marketing, Bartletts in particular recently, and if you do £1 million of it, from the market perspective, I think that would be lost in the huge sums of money that we are looking at in terms of marketing.

**Chief Executive of Economic Development:**

You would be giving them private sector money they do not need.

**Deputy T.A. Vallois:**

What is the difference between that and financing?

**Chief Executive of Economic Development:**

I think the thing is that you are not promoting the Island for the process of agriculture based on its strength of regulation and its international profile. The product is being promoted very strongly by the retailers who sell it to the customers in the U.K. and the 2 main players here, Jersey Royal and Bartlett, create enough profit to, if they need to make a contribution to the Sainsbury's and the Tescos of this world. I think what Jersey Finance does is that it establishes the jurisdiction as a potential location for investment to either business to the existing players or new businesses to form their tax and employment base. But I think the 2 things are not directly comparable in my mind.

**The Minister for Economic Development:**

It is quite interesting that the grants, if you look back over the last 5, 10 years, the grants paid to the ecological industry have consolidated, they have been simplified and they have been reduced on an ongoing basis. Yet you can see a fairly healthy agricultural industry. You have got 2 particular big groups in the potato market. You see significant investment, look at what Bartletts have done in their new facility on Trinity Hill. Massive investment has gone into agriculture in lots of different areas which shows that we are beginning to move productivity up, make it more profitable. What we have got to do for long term sustainability is to encourage younger people to get involved in the industry. We will achieve that by having a more profitable and successful industry with businesses that are actually making money and putting more money into skills, which is what we are doing through Economic Development as well, to try and get some more programmes in place for encouraging people into the agricultural industry.

**The Connétable of Grouville:**

I do not see how you can encourage younger people to get into the industry. It is far too capital intensive. Of course you have got the 2 main groups dominating it and now they are not going to have any spare land that is going anyway.

**The Minister for Economic Development:**

It is not just from necessarily setting up their business. I mean historically you would go down the route or you could see over a period of time young people going through the succession of inheriting property from parents and so on. I accept there is probably less of that going on now, although there is still an element. But there are young people who want to get in from a career perspective, not necessarily to set up their own business but to be employed and work for good businesses that are profitable and successful and can afford to pay a reasonable salary.

**Senator S.C. Ferguson:**

Finally, very quickly, how would a public-private partnership with tourism save the Island money?

**The Minister for Economic Development:**

I think it will be a far more effective way of marketing the Island by leveraging not only the expertise within the industry, which is vitally important, but by doing that, giving confidence to the industry themselves to put more investment in and be more accountable. The model ultimately, in the future, with greater involvement of industry, will utilise their expertise and leverage traditional funding from the private sector.

**Senator S.C. Ferguson:**

Where are you going to save money?

**The Minister for Economic Development:**

Where are we going to save money? It is a similar model to ultimately the other P.P.P., Jersey Finance, and others that I would like to see be established in the future, where you will see effectively a much smaller organisation in terms of the delivery of marketing services, which will be more cost effective and allow more funding to go into frontline marketing activities.

**Senator S.C. Ferguson:**

But Jersey Finance continues directly ... I know there are indirect benefits, Jersey Finance continues to cost us money and does this mean that the Jersey tourism one will continue to cost us money? But you are just dealing it out from the centre.

**The Minister for Economic Development:**

I use the term “leveraging more private sector funding” and I think you will see a shift. I mean with Jersey Finance you have got a similar model where you have got about a third of the funding, about £600,000 the industry puts in and the balance, the two-thirds the Government puts in. I am not saying the percentages are the same for tourism but the potential for getting additional private sector funding to support some public sector, yes, the public sector is not going to step out altogether. There will be some funding clearly into the future of that particular model. It is just it has more accountability, you leverage more private sector funding, and you get a better result ultimately.

**Chief Executive of Economic Development:**

I think it is worth saying, that if Government were to discharge the function of Jersey Finance as it is charged today, it would cost somewhere between £5 million and £6 million.

**Senator S.C. Ferguson:**

Thank you.

**Chief Executive of Economic Development:**

And it costs us too.

**Senator S.C. Ferguson:**

But you are not putting that in as a saving?

**Chief Executive of Economic Development:**

No. We could try.

**Senator S.C. Ferguson:**

Thank you very much indeed. Is there anything else you want to say?

**The Minister for Economic Development:**

I do not think so. I think we have broadly covered quite a complex issue, but more will come out in due course as we work through the 3 and 5 per cent.

**Senator S.C. Ferguson:**

Absolutely.

**The Minister for Economic Development:**

I suppose all I perhaps would say is that both Economic Development and, I think, other departments are going to have to do much the same. There is going to be the need to look at some radical options in terms of redefining the services and the way in which we deliver them in order to be more effective, in my view, in a more cost effective way. I think it can be done. I am confident it can be done and I know that certainly the senior management team in the department share the view. It is not going to be easy, I might say.

[15:15]

**Senator S.C. Ferguson:**

You obviously have not lost the cost-cutting zeal you came into the States with.

**The Minister for Economic Development:**

No. I think it is about being ... you have to have a degree of pragmatism, but there is, even within our department, Economic Development, by that I refer to the traders as well. There is without doubt a duplication and where you have got duplication you have got unnecessary cost. I will give you a very quick example of the Harbour and the Airport. You can look at those 2 trading entities. You have got duplication between them, H.R. (human resources), finance, business development, lots of different areas where there is no need to have that level of duplication or cost. You can have much more effective structures in order to deliver a more efficient, less costly service, but without compromising on the outputs at the end. These are the types of things we are looking at. We are leaving no stone unturned in terms of the way in which we are looking to re-engineer the development and future provision of Economic Development.

**Senator S.C. Ferguson:**

Thank you very much indeed, Minister.

[15:16]