

STATES OF JERSEY

Economic Affairs Sub-Panel

WEDNESDAY, 19th SEPTEMBER 2012

Panel:

Deputy S.G. Luce of St. Martin (Chairman)
Connétable S.W. Pallett of St. Brelade
Connétable M.J. Paddock of St. Ouen
Mr. T. Oldham (Scrutiny Officer)

Witnesses:

Senator A.J.H. Maclean (The Minister for Economic Development)
Mr. D. Bannister (Group Chief Executive)
Mr. M. King (Chief Officer)
Mr. A. Boustouler (Group Resources Director)
Mr. A. Sugden (Deputy Chief Executive, Economic Development)

[11:33]

Deputy S.G. Luce of St. Martin (Chairman):

Good morning, everybody. Good morning, Minister. Thank you for coming this morning to this quarterly hearing. Just to go through the usual housekeeping, no mobile devices, phones all switched off, please, no eating or drinking. People who wish to leave or arrive, please do it quietly. Anything else I need to mention? I do not think so, that is about it. This is scheduled as a quarterly hearing, Minister, but as we both know, there is a reference back for the harbours and airports. Oh yes, we need to go round the table. Sorry, I apologise. I have been here too long already today. If we might just go around the table identifying ourselves for the tape. I might also stress that we are now podcasting these hearings and it is quite important if you get the opportunity to talk into a microphone, as I am not doing at the moment. But anyway, Steve Luce is my name, the Deputy of St. Martin, Chairman of the Panel.

Connétable M.J. Paddock of St. Ouen:

Michael Paddock, Connétable of St. Ouen.

Connétable S.W. Pallett of St. Brelade:

Steve Pallet, Connétable of St. Brelade.

The Minister for Economic Development:

Senator Alan Maclean, Minister for Economic Development.

Chief Officer:

Mike King, Chief Officer, Economic Development.

Group Chief Executive:

Doug Bannister, Group Executive for the Ports of Jersey.

Group Resources Director:

Andrew Boustouler, Group Resources Director for the Ports of Jersey.

Deputy Chief Executive:

Andrew Sugden, Deputy Chief Executive, Economic Development.

The Deputy of St. Martin:

Right, all the housekeeping out of the way. As I was saying, Minister, at a quarterly hearing, normally we go through a broad range of subjects, but today, as you know, we would like to concentrate as much on harbours and airports incorporation. Our Panel have been asked to submit comments to a referred back proposition that will be coming back to the House next month. In particular, we want to make sure we cover all the various points, even many subjects that we have spoken about in the last few months, but we would like to revisit and almost go back as if we are coming to it afresh, so we can use that to inform our comments paper. Deputy Tadier was the States Member who asked for this reference back and he had 3 particular items that he referred to. One was the Symonds report, which he felt was necessary for people to have at their disposal. He referred to a list of properties and he also referred to being informed as to what formal consultation had taken place with the employees and the unions and it appears that there was some conflicting evidence coming out as to how much consultation had been done specifically

with the employees and unions around incorporation of harbours and airports, so I guess that is where we would like to start. It is not a subject we had spoken about a lot previously, but could you update us completely, if possible, on what sort of communication and consultation has been conducted with the staff specifically as regards incorporation?

The Minister for Economic Development:

Yes. Well, it has been quite extensive. I noted with interest your comment that there is some conflicting views coming forward. Certainly you will be aware that prior to the incorporation process, integration of the ports has been undertaken in a period of 6 months, and that started the need and understanding clearly from management that to achieve anything effectively, you have to take people with you. Key to any organisation, the most important asset is clearly the people, and therefore the management took what I believe to be extensive steps to ensure that staff were fully apprised of what the intentions were through the integration process, and also through that process, the aim to move towards incorporation as well. Once the integration was complete, incorporation was also on the agenda and a number of screens were made available for staff to be able to gain information about proposals. That included staff communications forums which were set up that allowed staff to speak directly with the Group Chief Executive. There were 6 meetings held between October 2011 and April 2012. I should also point out that during the process, both myself as Minister and my Assistant Minister, Deputy Baker, who has responsibility for the ports, did attend staff briefings. So the staff did not just have an opportunity through the process to speak to management, but also they had an opportunity to speak the political leadership, so we attended an open meeting at both the harbour and the airport for staff to interact with us. There is also a dedicated intranet site that was set up by the management team to allow staff to communicate on a regular, ongoing basis. I understand that the intranet site has been very successful. It continues to be in play and is still I believe used, and I am sure in a moment the Group Chief Executive will give you more details on that. There have been staff briefing sessions taken out of the ports themselves, so giving staff members the opportunity to come into the town hall to have

organised and structured briefings and ask questions and to take into consideration obviously the working patterns. A number of staff obviously work shifts and so on, and that was done to try and ensure that everybody was included. There have been integration work groups set up and more than 40 per cent of the organisation have participated in those. There have been staff Q and As, which have come up as part of the intranet site that I mentioned. Quite a number of questions were raised; there were something like 67 questions raised on the intranet site in relation to integration and there has been a further 58 specific questions in relation to incorporation, which is another part. An important part of the aspect of communication with staff as far as management are concerned - and I fully endorse this - is the need for staff to be able to also ask some pertinent questions in an anonymised way so that they do not feel that their own position would be compromised in any shape or form, so an anonymised ability for staff to submit questions that would then be answered was also put in place. There were then departmental briefings held, all the various departments between the ports, the airport and the harbour. The managers of those departments also held briefing sessions to make sure that staff within their own particular area could be informed, and then of course not just staff, the trade unions are an important part of the communication process, and the unions have been involved in meetings which started back in September of last year and they have been held approximately monthly to allow unions to understand exactly what the proposals were.

The Deputy of St. Martin:

To be quite clear, Minister, these meetings - and I think I have got from your answer already that the questions on the intranet site have been both concerned with integration and with incorporation, so questions have been asked about both subjects - but the meetings you refer to, were they specifically convened to discuss one item or the other or both or has it always been the intention to discuss incorporation as part of these meetings?

The Minister for Economic Development:

I will let the Group Chief Executive answer after I just make a comment. My understanding is that the first part of the agenda was the integration. That process has largely been completed now, but through that process, there was no hiding from the fact that incorporation was an objective and so it was raised in those early meetings. Since then, there have been specific discussions in relation to incorporation, and just to be clear, the questions that I referred to, there were 67 or so questions raised on specifically integration, but separately 58 or so specific questions on incorporation, identifying the fact that staff were clear that that was a separate and specific topic. I do not know, Doug, whether you want to add anything to that.

Group Chief Executive:

I think it is important to understand that what we are doing within the ports is an overall change programme, and that change programme commenced back in September of 2011, when we announced what our integrated structure was going to look like, and it is going to carry on for the next few years and longer as we start to develop these businesses into high-performing businesses that are concentrated on creating a better working environment for our people, delighting our customers and creating a performing business through our strategic imperatives. The change process started with integration but it carries on through incorporation, specifically with the meetings that we had, and every meeting that we have and every communication with staff has been completely open and transparent, and we publish everything up on to our intranet site that is available for 100 per cent of the organisation to see, and we also share that information with our trade unions colleagues as well. Specifically with the trade union colleagues, we have been engaging with them for about a year now, and starting from February of 2012, we began to discuss what we call the principles of incorporation, and up until the point of lodging our report and proposition, they had some direct input and benefit into not only some of the content with the report and proposition, but then equally the process around which we are engaging with our staff. We made direct improvement into that process by engaging with them in the way that we have. The 50 to 60 questions that we have had on incorporation, what our future change programme looks like, the first 14 of those questions were

jointly created between the management of the ports and the trade unions so that we could get clarity in the overall process and hit things that their members would find challenge with as well and wanted to know more information.

The Connétable of St. Brelade:

The comments from the unions in their document they released to States Members was that they asked States Members to be cautious of the proposition. What concerns do the unions have? Were they listened to? Were they incorporated in some of issues that were brought up within the proposition? Really what I am asking you is did you listen to the unions, because it seems to me that - or seems from the comments that are coming out - maybe they were not listened to as much as they should have been.

Group Chief Executive:

I think yes is the answer, we have listened to them, and we have adapted not only our approach but also some of the underlying things. One of the early challenges that we had from our trade unions was around the protection of terms and conditions for staff, and so directly into the report and proposition we put in: "Staff will transfer from the States department into an incorporated entity on their existing terms and conditions." That was something that we specifically addressed while we listened to that.

[11:45]

Some of their questions that they put in that letter to States Members run again from what is a union representative standpoint, protecting their members, to what is a view of a citizen of Jersey, and there is no doubt that incorporation - or let us put it this way, in its broader context, change - creates uncertainty for people, and where we get power out of engaging with our trade unions is how to alleviate some of that tension from the uncertainty, so we do continually listen to them. As a matter of fact, I have got a meeting with them this afternoon. It is part of my monthly meetings with them. So we do adapt. Now, the thing is that we do not have all the answers and we have been very,

very open that we do not have all the answers, but we have also laid out in our report, particularly in appendix B, how we intend to come up those answers over the next couple of years, and there is a specific working party in there, a workstream in there that we have called the staff terms and conditions or staff working party, and that is going to address a lot of the things for our employees. Now, understanding that we do not have legislation in place to govern such things in Jersey, we took an early move with our trade union colleagues, and we have established what we have called a joint working party, which comprises Ports of Jersey management, human resources and trade union representation that is specifically targeting, designing the policy around which we would transfer staff from this department to an incorporated entity, and they are, rather than in an old-styled: "Here is something that the employer would like to achieve. Let us negotiate on this" involved at a very early stage and they will have direct influence into how that process will unfold.

The Deputy of St. Martin:

Can I ask how long that joint working party has been set up?

Group Chief Executive:

We have had 2 meetings. The terms of reference were agreed in May or June of this year. We have had a meeting in July and a meeting in August, and our next meeting is scheduled for October. Our ambition is to have something that can be referred to the various then negotiating parties, including the States Employment Board, in December of this year.

The Connétable of St. Brelade:

I think the unions have got every right to be cautious, but I think incorporation in the past - and I am thinking of Jersey Post, Jersey Telecom - have had some problems, certainly with Jersey Post. Now, moving over the terms and conditions is fine, but one of the comments that was made, if trading conditions were to change, you may feel that there is a necessity to change the terms of conditions of workers. What guarantees are you going to give

that workers at the harbours and airports will not have their terms and conditions changed in the future under the incorporated body?

Group Chief Executive:

Philosophically, we are about trying to do the responsible thing, not only for staff, but also for the economy and the community of Jersey, so we are not trying to do anything bad to people. That is also why in the report and proposition we said that we are going to carry on maintaining the historic harbours and the coastguard, which are public service obligations that we would hold. We are not trying to take all the good bits and leave all the bad bits behind. Equally, a lot of our staff are highly specialised, professional people, certainly in areas of the coastguard, air traffic control. There is not another harbours area or another airport in Jersey where we could source those competencies, and we want to grow and develop these competencies. Crucially, if we are growing our business, we are creating opportunities for our staff to be involved in different areas and grow their own careers in a way that is inhibited today.

The Connétable of St. Brelade:

I am just getting on to the point, historically incorporation has meant deteriorating standards for workers in those incorporated bodies. We have only yesterday seen with T.T.S. (Transport and Technical Services) obviously the same thing happening, where workers' terms and conditions look like they are not going to be upheld. Can you give a guarantee that those workers' terms and conditions will be upheld within the incorporated body in future? I mean, that is what the workers need to know.

Group Chief Executive:

What I can guarantee is that we will continue to consult, negotiate in an open and transparent manner around all the changes that we wish to make, absolutely 100 per cent guarantee that. What we are looking to do is to modernise our terms and conditions so it is more appropriate for our businesses and it creates a more rewarding place for our employees to work, so hopefully we are creating a much more compelling package; that certainly

as a part of our strategic direction, we have laid out our aim is to attract, retain and reward talent, and that is what we aim to do, but it will all be done in an open and transparent way.

The Minister for Economic Development:

I would just add one point, that the States of Jersey cannot guarantee terms and conditions at the moment. As you are probably aware, there is a terms and conditions review underway at the moment, so regardless, staff that are employed by the States of Jersey have not necessarily got their terms and conditions guaranteed as a result of or subject to that review.

The Connétable of St. Ouen:

What has the feedback been from the current staff? I mean, is it positive? When you say you have asked them, you have given questionnaires et cetera, has there been a positive response to them? Have they got enthusiasm for the merger and what the future holds for them?

The Minister for Economic Development:

Just before Doug gives his view on that, I will make an observation. Since my time in politics and with my involvement with the ports, certainly in the early years I would get a continual stream of queries, if I can put it that way, from members of the public about the way in which the ports were operated, and quite a number of queries coming through from staff members about various issues. Over the last 18 months or so, those have gone almost to zero, and so it is a very good litmus test from my perspective politically that the management of the ports are doing a job which is appreciated not only by the staff that are working there, because they are having an opportunity to have their say, which is vital, but also by users of both the airport and the harbour. So the number of complaints or queries has gone to zero. As far as I am concerned, it is being handled by the management, so I think the process is in place. I am satisfied they are certainly giving the opportunity for both those groups to have their important say.

The Deputy of St. Martin:

Minister, if I could just take us back to last week's debate, Deputy Tadier said, and I quote: "I have just come off the phone to a union representative who said there had been lots of consultation when it comes to putting harbours and airports under one roof and that consultation was heavy over the last 6 or 9 months, but there was very little or no consultation on incorporation." Do you give an answer to that? I mean, given what you have already told us today, there is obviously a difference of opinion.

The Minister for Economic Development:

Absolutely. I mean, I dispute entirely that comment, but clearly we are open to listen at all stages to both the views of staff members and also the public, for that matter. That has always been the case and will continue to be so. I would just like to emphasise that this is the start of a process. What we were seeking in the States last week was to get an in principle decision - and I use this specifically, this term: "in principle" - that we were going to take a direction of travel to incorporate the ports. There is an awful lot of detail and work still to be delivered upon, and the Group Chief Executive has just made that point with regard to staff and so on. In fact to try and give peace of mind to States Members, you might be interested to know that I had communication with the Greffe. I intended, as a result of the concerns by Members about the in principle issue, to take an amendment to my own proposition to reinsert: "in principle" for absolute clarity, notwithstanding what the Deputy Bailiff's ruling had identified in the States, and I have been told that such an amendment would be or has been ruled out of order by the Bailiff, because by default, the proposition is in principle because of the amount of work still to be done and the fact that the legislation needs to come back for the States consideration, plus other details, which I am sure we will discuss shortly.

The Deputy of St. Martin:

It is a use of words, but could I put this to you? Are you happy that you have had formal consultations with the unions over the incorporation of harbours and airports?

The Minister for Economic Development:

I am happy that the process has certainly started, yes. We have already heard that there have been working groups set up and that the unions have jointly had an opportunity and have engaged with the management of the ports about the plans for incorporation. That is the beginning of a process which is ongoing. As you have heard, the Group Chief Executive is meeting the unions today. That was a meeting that was already in the diary before last week's events.

The Deputy of St. Martin:

The subject of the meeting includes the words: "incorporation" and: "harbours and airports" or is it a ...

The Minister for Economic Development:

I will let the Group Chief Executive answer that question. It is his meeting.

The Deputy of St. Martin:

I am just trying to ascertain whether ... Deputy Tadier says: "I am asking that a formal consultation takes place with the unions as a result of the consultation brought back to the Assembly" but I am just trying to work out whether we have had a formal consultation with the unions already.

The Minister for Economic Development:

Sorry, just before you answer that, in fact, just for clarity's sake, that did not form part of the reference back. He tried to reinsert for more consultation, but that was not what the reference back said.

The Deputy of St. Martin:

As I said, it is a use of words.

The Minister for Economic Development:

I accept that.

The Deputy of St. Martin:

There is no question that you have had a number of meetings with the unions and a number of meetings with the workers, and whether they are formal meetings or informal members, you have certainly met with the unions to discuss. Would it be possible for us to have the dates of those meetings and also would it be in order for us to have the questions that staff have put on the intranet, or there might be data protection issues? I am not sure.

Group Chief Executive:

Yes, the questions themselves are not attributed to anyone. Could we do that?

The Deputy of St. Martin:

Yes, we will come back, but certainly the dates of the meetings would be useful to see how extensive they were through the months.

Group Chief Executive:

Would you like them now? Can I just respond on the formal or otherwise consultation and when we started to talk about incorporation? Certainly incorporation would form a part of all the discussions that we had, but while we were concentrated on the integration process and making sure that we were handling that properly, we spent the majority of the effort there. From February of this year, we started talking formally - deeply, I should say - around what the principles of incorporation are and what we are intending to do, and that iterated through a Q and A document between management and the unions. We have not engaged, I would say, in what I would classify as a formal negotiation between an employer and an employee representative body, and the main reason for that is there has been, in my opinion, no reason to do so, because what we are trying to do, in a way that I do not know has been done in Jersey before, is use the power of the knowledge and the benefit of the trade unions to develop the concepts, the policies at an early stage in the process, so we are at an early stage. There will be formal consultation when we have a formal proposal on the table that will be developed as a part of this joint working party that we are creating around the staff transfer, but equally, within the overall staff terms and conditions, around

that, if there are changes to policies, procedures, handbooks, whatever there may be that are going to affect staff, we will have the necessary formal consultation, but the project has not moved on far enough to have those formal consultations.

The Connétable of St. Brelade:

Because I think it was concerning for some States Members that there had been no formal consultation with the union regarding incorporation. I think that is what you are almost saying there. I can see where you are coming from, that that is the next stage, but I think it was concerning to some States Members that there had not been that formal consultation around the terms and conditions and around the move into incorporation with the unions.

Chief Officer:

In the report and proposition, and consistently in meetings with staff and union representatives, and it is enshrined in the proposition, is that the terms and conditions that apply at the time of incorporation will be carried through, including pension rights, which is a far greater commitment than is made under U.K. (United Kingdom) T.U.P.E. (Transfer of Undertakings (Protection of Employment)) legislation, for instance, but I do not think there is any doubt in anybody's mind, because it is in the proposition that was presented to the States that that is the case.

The Deputy of St. Martin:

The point we are just trying to get at is that there was an assertion made by Deputy Tadier that serious consultation had not taken place over incorporation, and we are just trying to get to the bottom of that. The intimation we are having here I think is that while you cannot speak for the unions, obviously you feel that they were happy with the way the process had been unfolding.

Group Chief Executive:

Yes. Yes, and they have been engaged and they have provided us valuable input into the process that we have listened to and acted upon, and I fully believe that we will carry on doing that throughout the entire project.

The Minister for Economic Development:

There is still a lot of work to be done, but this is the whole point and the key element ...

The Deputy of St. Martin:

Yes, we appreciate that, but we are just trying to get ...

The Minister for Economic Development:

No, I understand that, Chairman. It is just trying to re-emphasise the fact that this is or was intended as an in principle - has to be an in principle - proposition, because of what remains to be done.

The Deputy of St. Martin:

Yes. From our point of view, we wish our comments paper to be as well-informed as it possibly can be.

The Minister for Economic Development:

Understood.

The Deputy of St. Martin:

There is a problem here with Deputy Tadier's interpretation of union involvement, and you are telling us one thing, Deputy Tadier obviously has a different opinion from whoever he was speaking to on the telephone last Tuesday.

[12:00]

Are you relatively ...

The Connétable of St. Brelade:

Well, including the unions, because I think the unions have got a different opinion to that as well. It is clear from their comments that they do not.

Group Chief Executive:

In their comments, they raise concerns and challenges philosophically around incorporation, and I have had those conversations with them, and they believe quite strongly in their opinion that public assets should remain in public ownership, and we believe quite strongly that we can create a much more vibrant business and a better future for not only the Ports of Jersey, the staff, but also the economy and the community by going down that path. That is a difference of opinion. I have got 2 years to convince them otherwise in this process, but one thing that they do say, and it is certainly in a letter in which Kevin McAlonan wrote to the *J.E.P. (Jersey Evening Post)*, he also said: “We will continue to work productively and positively with the Ports of Jersey management on these things.” So the: “continue to work positively and productively” on the basis that we had been doing to this day, and nowhere in that letter did they say: “We have not had any discussion, we have not been engaged and we do not understand what is going on.”

The Connétable of St. Brelade:

It is the level of engagement. That is where there is going to be some difference of opinion, and I think that is where Deputy Tadier comes from.

The Deputy of St. Martin:

We will see from the number of meetings that have been held, because they will have to talk to us. I mean, you mentioned change, Minister, and I think quite rightly everybody is concerned about change. Could you tell us how you think staff will be affected by change into an incorporated body?

The Minister for Economic Development:

In what respect? As we have said, the terms and conditions are going to be protected, so in that respect they move from their current position as employees of the States of Jersey to an employee of the incorporated structure under exactly the same terms, so on that basis, their appointment

terms do not change. What does change is the opportunity that exists with incorporation for far more flexibility, far more creativity from staff to be involved in growing the business, and that is an important aspect, as far as we are concerned, commercial agility.

The Deputy of St. Martin:

So any change is positive rather than a negative from the staff point of view then?

The Minister for Economic Development:

My view is that changes that result in the future to the way in which the businesses are run and the opportunities presented therein will give staff other opportunities for career development. I think we are seeing that already, interestingly, from the integration process, where staff who have been given new opportunities to develop new roles are beginning to shine, whereas for many, many years, they were stuck in other lower-performing jobs and how some individuals you can see are beginning to really develop their careers, and I think that is quite an exciting thing to see and will ultimately lead to a far better-performing organisation.

The Connétable of St. Brelade:

Can I just pick on one point, 4.3 in the proposition, which quite clearly states: “Over time, the incorporated company could change its terms and conditions of employment to reward individuals and teams for their contributions to the success of the business” and I fully understand what you mean by that. Obviously people that do well you want to reward, but there is a sort of a risk with that that those that are not performing get thrown out the back door or you try to remove them from the incorporated business. Is there any intention to do that, for example? I can understand why businesses want successful staff, but there is a risk there, I think, and it clearly says that the terms and conditions could change. That could also be the same for under-performing staff.

The Minister for Economic Development:

I mean, to be fair, that is the situation now under the current States of Jersey system. If staff do not perform, they are managed to try and first of all rectify the situation. If it is not possible to rectify the situation, if it is not possible to rectify it, there is a process in place which ultimately could lead to them leaving the organisation, in extremis. What we are effectively saying here is the downside, if you want to call that downside, for non-performance is there, but equally, there is a massive upside for people to develop their careers and have the incentive for performing well, to get rewarded for performing well. I think that is something missing in the public sector, which is a tremendous shame.

The Connétable of St. Brelade:

Do you think that is something that needs to be made clear to unions maybe as well, that there is 2 sides to business, there is a success side and there is the failure side, and if you fail, there is a consequence to that?

The Minister for Economic Development:

But the failure, if you want to call it that - I do not like to use terminology like failure - if people are not performing they can be managed currently under their arrangements with the States of Jersey. That would not change through the incorporated body. You obviously want to manage your staff to try and rectify issues of poorer performance to try and resolve it. Ultimately, that might not be possible and the situation would be the same through the incorporated structure as it is currently. What we are going to get through the incorporated structure of course is the incentives, to be able to reward staff for good performance, and I think that is really positive. I would like to do that across the States of Jersey, quite frankly. How can we hope to get the best possible performance from the staff if you do not reward them when they do well?

The Connétable of St. Brelade:

You are not including the States Members in that, are you?

The Minister for Economic Development:

I would include States Members in that, but that is an aside.

The Deputy of St. Martin:

Before we leave the subject, this afternoon you have a meeting with the unions and are there topics of discussion on the agenda that you can tell us? I mean, is it indicated specifically to discuss the concerns they may have?

Group Chief Executive:

It is a typical agenda that does not vary too much month to month. The specific agenda that we have is that we will review the notes and the actions from the previous meeting, we will have an incorporation debate update, our direction to 2015, which is our strategic direction for the businesses, an update on the staff transfer working party, which is this joint working party that I discussed, and then a general discussion around anything else that is going on. While integration was completed in March of this year, we are continually looking at ways in which to make our operations more efficient, and that includes restructuring of particular units. So I also take the opportunity to get any questions and feedback from them and also provide them with an update on where it is going more generally. That is our agenda for this afternoon.

The Deputy of St. Martin:

Typically, who would attend that meeting this afternoon with yourself? Which other people will be ...

Group Chief Executive:

Typically, we have representatives from Unite, both Civil Service and manual worker. We have representatives from J.C.S.A. (Jersey Civil Service Association) and Prospect.

The Deputy of St. Martin:

This is a monthly meeting?

Group Chief Executive:

Approximately monthly. Sometimes with diaries it makes it difficult to judge, and equally, if there is not anything in particular to talk about, then we may postpone, but I like to have these scheduled in the diaries periodically, monthly.

The Deputy of St. Martin:

You are happy? Okay, I think we will move ...

The Connétable of St. Ouen:

Sorry, can I just ...

The Deputy of St. Martin:

Yes, sure.

The Connétable of St. Ouen:

Just very quickly, you were asked a question before what the current staff feel about integration, and it was great, Minister, what you said about not getting complaints, but I would still like to know the feedback that you are getting. Is it positive, are they encouraged by incorporation, the questionnaires that you put out to them or let them contribute?

Group Chief Executive:

The way that I answer that question is staff are uncertain, and I think they have got a right to be uncertain. One of the things that we have demonstrated very strongly through the whole process in the beginning part of this change programme up until now is we talk with them, we talk with them honestly and openly, we answer all their questions to our best ability and we provide them with a full, transparent set of information that allows them to take decisions and consider things. We accept their feedback. We have delivered against every single milestone that we have set for them, so our credibility for saying what we are going to do and then doing what we said we were going to do is very high. That is an experience that not many will have had in the past. I would say that while they are uncertain, they are interested, and I think the vast majority of them are very interested in what this means. Now, that is also

something that I take as being a high positive. It shows that while we are giving them information, they are wanting to learn more about what this means for them, and then finally I would say that a part of our overall feedback process, which as the Minister described, we have communicated in a variety of forms and it is feedback in a variety of forms and we are going to continue to do that. We are also embarking on an employee engagement survey in October of this year, and the intention around that is to get some feedback to how we may improve the working conditions and the employment for our people. So I cannot say that they are all jumping up and down. By the way, we have got some people that were disappointed that the debate did not carry on last week, because they are keen to get on and get moving with it.

The Minister for Economic Development:

The Minister was one.

Group Chief Executive:

So we have got a lot more people interested in moving forward, and a lot more people that are interested in what this means and we have got some uncertainty, but through the process we will communicate openly and effectively with them, absolutely, to try and solve this.

The Deputy of St. Martin:

Before we move on to reports, could I just take the opportunity to ask an associated question that deals with unions and harbours, and just ask for a very brief update on how the transition from George Troy to Solent Stevedores has gone?

Group Chief Executive:

Well.

The Deputy of St. Martin:

Thank you. You do not want to elaborate?

Group Chief Executive:

Perhaps a little bit more. Solent Stevedores came in and they started operation on 4th August. Prior to that, they were down on the docks engaging with the men. They have promoted one of the local men into being the manager of the operation and they have taken on board 21 or 22 of the original 28 or 29 Troy's men. They are instilling better working practices, they are creating opportunities for people and my understanding from speaking to a few of the men is that it is a very good place to work now.

The Minister for Economic Development:

I would just add, if I could, that I received out of the blue a telephone call from one of the men previously employed by George Troy & Sons thanking me for the work that we had done, the staff and the management in particular of the ports, to try and ensure that the transition went as smoothly as possible and the fact that they were delighted with the result of the company that had taken over. I thought it was encouraging.

The Deputy of St. Martin:

Okay, thank you for that. If we could move on now to the second of Deputy Tadier's questions, which involved the reports to the reports, if you like. We are in obviously receipt of the official report and proposition, but we were aware - a lot of other Members were not - that there were a number of reports that came out prior over quite a large number of years. Could you inform us officially of those, please?

The Minister for Economic Development:

Well, the details of ...

The Deputy of St. Martin:

Yes, the various reports that you have. I think it is probably over the last 8 or 9 years there has been a number of different reports which have led us to where we are now.

The Minister for Economic Development:

There have. Perhaps if I go back as far as 2004, that might be sufficient. If you go back much, it becomes less relevant. There was a Deloitte report in 2004. There was a report by an organisation called Vecta looking at the strategic direction or a strategic study of the ports. That was carried out in 2005. Fisher did a report on the harbour specifically in 2008, and the one that we were referring to, or certainly that Deputy Tadier was referring to, was Capita Symonds. That was validating the financial model assumptions that had been prepared and that was a report from 2011, the most recent and most relevant, I suppose, in terms of validation of the financial model, which is clearly a key foundation to the basis for being able to propose moving towards incorporation.

The Deputy of St. Martin:

Is it your intention, Minister, to circulate this Capita Symonds report to all States Members before the debate?

The Minister for Economic Development:

Well, it is an interesting question. We needed clearly to be able to verify with the authors of the report, Capita Symonds, if they were happy for it to be released. We had not released it previously because that was not the intent, and again, I do not wish to repeat myself, but this is an in principle debate that we were seeking to have previously. Nevertheless, we have now received approval from Capita Symonds to release. On that basis, I am happy to do so and my intention was to circulate it to States Members.

The Deputy of St. Martin:

In the report, there are some financials for the next 20 years and a breakdown of the year by year annual increases in revenue and costs. I presume that that will be included? There is nothing in the report that is going to be removed for commercial purposes?

The Minister for Economic Development:

No, we did check if there were any commercial sensitivities, commercial in confidence, but my understanding is that the report in total can be distributed, and on that basis, that would be my intention to do exactly that.

The Deputy of St. Martin:

The report contains a lot of modelling, if I might use that phrase, but at what stage next year, assuming that the proposition is accepted, do we see some firmer financial numbers to work on? How long before?

The Minister for Economic Development:

Well, you are absolutely correct. It is making some assumptions at this stage. Clearly as we move towards the final point of being able to lodge the report and proposition for incorporation, all that and those assumptions would need to again be validated.

[12:15]

I do not know, Doug, if you have got any estimate of timing. I mean, clearly there is an awful lot of additional work to be done before you get to that.

Group Chief Executive:

One of the things we would embark on doing upon the States endorsement of the direction that we are going in is to do a validation, have an independent validation of our assumptions and our financial model. In appendix B, which lays out our programme of work, in our programme costs of £1.8 million, there is £35,000 that is set aside specifically to do that validation, and we would look embark on that early. We would also then be considering that when we bring the primary legislation back for States debate that we would have therefore a more robust and validated set of figures, where today the numbers that are in the report are an illustration of what we strongly feel is possible under incorporation, but these figures do need to be validated independently.

The Minister for Economic Development:

It is an important point, again just to re-emphasise, the reason that this proposition came to the States in the first place as an in principle decision was because there is a requirement to spend close to £1.8 million and we did not want to embark on that unless we have the direction of travel in place. Part of that £1.8 million, as Doug has just said, is validation of the financial model.

The Connétable of St. Brelade:

One of the concepts during the debate last week was around selling off the Crown jewels and I think we all realise that the company is still going to be 100 per cent States owned, but we have seen the assets of both harbours and airport. Is there any intention to sell off any of those assets at any stage?

The Minister for Economic Development:

Well, during the process of the financial model, which is, as you know, a 20-year model, the only asset that is included in there is La Folie. There are no other disposals assumed as part of the 20-year financial model, so I hope that answers that question. Just as an aside, there is also, if I recall correctly, a proposition from the Connétable of St. Helier with regards specifically to La Folie, which would require, I think, a States decision to allow it to be sold, so not only would there be in the future a shareholder agreement for any disposal of any assets, but that specific property - which is the only one assumed in the model - to be disposed of, the States would have to agree anyway as a result of the Connétable's intervention previously.

Group Chief Executive:

I think it is also important to note that it is an assumption in the model. It is not a commitment to sell. There are no other fixed asset sales assumed in our financial model other than this one, and it is only an assumption.

The Connétable of St. Brelade:

I think some States Members might be surprised to hear the amount of assets with harbours, because they are quite extensive, and I think it was quite a surprise to us how extensive they were. One of the assets of the airport, it is one of the field numbers, and I am not sure which one it is, but it is the airport

playing fields, and I know in discussions I have had with you before there is no intention to do anything or build anything on those particular fields at this stage. But as Connétable of St. Brelade, I am quite worried obviously over a lengthy period that there may be some need or intention to use that as an asset. My question is is it a necessity to have that particular field, the airport playing fields within the portfolio of the incorporated body or could that be removed from the incorporated body so it could in perpetuity be left for sport? My worry is that if it stays within the incorporated body, there could be a use for it further down the line.

The Minister for Economic Development:

But there is no difference, is there, because whatever would happen in terms of an aspiration to develop that field, if it was in private ownership, for example, it would still have to go through the same process, which would be the planning process, and the parish and individuals who might have objections would object. So the ownership should not determine what the future use of that piece of land might be in the future in terms of protection.

Group Chief Executive:

It has also been identified in the Island Plan as a regeneration zone (the Group Chief Executive confirmed subsequent to the Hearing that it is outside the regeneration zone), if I am correct, and I think too what will happen when we come back with the legislation, that will list all the assets after they have been fully conveyed that we would wish to transfer into the new company. There is no doubt that through the process, if there are things that would not be transferred, then negotiations and discussions around that would be. It is really important to understand though that our assumption around being able to provide £42 million worth of cash returned to the States is dependent on sufficiently capitalising the business from the start. So while we do not want to cherry-pick what we bring into the entity, we also cannot afford to have things cherry-picked out, because the less capital injected into the business, the less return or the less ability we would have to be able to provide a solid return to the States.

The Connétable of St. Brelade:

Did I just hear that that was part of the regeneration zone, that field is part of the regeneration zone?

Group Chief Executive:

I believe it is.

The Connétable of St. Brelade:

So there may be at some stage a look at a further use of that, and I fully understand - and this will be a States decision - because that horrifies me, to think that that particular field could be used for any other thing other than sport, which is why I personally, as Constable of St. Brelade, would like to see that field taken out of the incorporated body.

The Minister for Economic Development:

But you see, the opportunity there, Connétable, not wishing to give you ideas, but I am sure you will rapidly arrive at this conclusion yourself, you could of course put an amendment in if you wanted to at the time of the debate to remove that field, if you so chose, and that would be another layer of protection, if you wanted to do that. But please do recall the words the Group Chief has just used in terms of proper capitalisation of the businesses. I mean, there are of course included, as you will be aware, all the historic harbours and other areas. Now, if we were being purely commercial about this, frankly, one would not want a lot of the historic harbours, because the revenue is very small and the running costs are extremely high, but it is a public obligation to maintain them and that is why it is included in the financial model. So from the cherry-picking point of view, what we are saying is that we are taking some of the liabilities and managing them through for the good of the Island.

The Connétable of St. Brelade:

Again, I fully understand, although I think it is important that all States Members have the information of the extent of the assets of both harbours and airport. Is it the intention to give all States Members that?

The Minister for Economic Development:

Absolutely. I think what we are saying here again, because it was an in principle decision, all the detail has to be worked through, the conveyancing proposals and all of it has to be brought back as part of the package for the States to debate in due course.

The Connétable of St. Brelade:

I understand that, but even in principle I think that States Members, it is pretty obvious that they wanted and needed to know what was fully involved in the incorporated body.

The Minister for Economic Development:

Well, what we can do is give a list which was included in the 2010 valuation, I think it was, was it not, of all the properties contained with the ports, the airport and the harbour.

The Connétable of St. Brelade:

I think that would be helpful.

The Minister for Economic Development:

Happy to do that. I mean, essentially all assets that are under the control of the airport are the ones that are seeking to be transferred into the incorporated body.

Chief Officer:

They will all be conveyed individually. That is one of the large pieces of work that needs to be undertaken. Just for the avoidance of any doubt, the definition of the regeneration zone is in the Island Plan approved by the States, so it is not something that we are defining as part of the incorporation.

The Connétable of St. Brelade:

No, I fully accept that. I was not part of the States when that decision was made.

Chief Officer:

No.

The Connétable of St. Ouen:

You mentioned the historic harbours. It seemed to be a topical subject after the States the other day, the condition of the harbours. We believed the survey had been conducted for the next 20 years, and I think Gorey is the one which is the biggest problem, but I think there is also a feeling that the unforeseen storm that does some major damage somewhere, was there enough capital there to be able to repair the harbour that would be affected by it? Is there a contingency plan for that? That might happen.

The Minister for Economic Development:

Yes. It is interesting, but again unfortunately a number of things were said when the debate started which I did not have an opportunity to respond to because of the way the debate went. There was misinformation that was made and that was around the capital project over the 20-year financial model. It was suggested, curiously, I think, by a fellow Minister of mine, that there was only £64 million left over for investment in capital repairs and so on. That was after £302 million which was included in the 20-year financial model for maintenance, capital reinvestment and so on. So it is a significant amount of money, £302 million plus the £64 million potentially that is there for looking after the assets of the 2 entities, of the ports.

The Connétable of St. Ouen:

There is a sum there in case there was an unforeseen disaster?

The Minister for Economic Development:

Well, I suppose there is in a sense. The: "once in a lifetime" I think was what was raised. Clearly one has got insurance that would take into consideration many issues around that. There is this capital programme here. Ultimately, if there was something so extraordinary that happened, a shareholder is the

States of Jersey, and yes, there may well be a requirement for the shareholder to step up to the plate, but that would be in extremis.

The Deputy of St. Martin:

Could I ask, Minister, what does: “including historic harbours” on the list of assets do to the bottom line? Are they a liability? Are they an asset? Are they neutral, because you do not derive very much income from them and they are only likely to fall down or deteriorate. I mean, do they form an asset?

The Minister for Economic Development:

They probably do not. As I said a moment ago, I think that if we were looking purely from a commercial perspective, we would not take the historic harbours. You might well say they would be better housed with, I do not know, Jersey Heritage or something similar, but whichever way one went with it, they have got to be looked after. I mean, they are a part of the Island’s historic infrastructure that needs to be maintained. Now, whether it is through revenues generated by the ports or whether it is through general taxation, at the end of the day the public purse, arguably the States of Jersey, has to provide that funding. We felt the responsible way forward was to include them in the model and the model shows that over the period we can maintain them, at a cost, and we can also make a return, a substantial return, to the States at the same time. So I think that is a positive.

The Connétable of St. Brelade:

Sorry, apart from obviously there is some work being carried out at Gorey, in the summary cashflow figures that you provided us, obviously historic harbours is included in that, and I think over the 20-year period, there is a total of about, I think, £12 million included for maintenance. Is that the figure you expect will cover the costs of maintenance for historic harbours? Does it include any one-offs? Obviously you have mentioned about one-off instances, but that is the figure you put in and that is what you based your overall projected figures on.

Group Chief Executive:

Which is based on historic performance.

The Connétable of St. Brelade:

Which basically runs up to about £500,000 or over a year for the next 20 years?

Group Chief Executive:

Which is today.

The Connétable of St. Brelade:

That is what you have found to be a reasonably reliable figure over a reasonable time?

Group Chief Executive:

Yes.

The Minister for Economic Development:

The total revenue for the historic harbours is about £264,000, by the way. (additional information below provided by the Group Chief Executive: the 2011 mooring revenue and costs for the outlying and historic harbours is:

	2011
Mooring Income	
Outlying Harbours	-145,119
St. Helier	-119,286
Total Mooring income	-264,405
Cash Expenditure	229,663
Non cash (eg depreciation)	481,238
Net cost	446,495)

The Connétable of St. Brelade:

It is not much.

The Minister for Economic Development:

It is not. I mean, if you want to, for example, take into consideration the planned dredging of St. Aubin in your own remit, the dredging of St. Aubin is about £700,000. The revenue from St. Aubin is £67,000.

The Connétable of St. Brelade:

Again, I suppose you move on to another point, that £600,000 a year is a lot of money for maintenance, but in terms of there may be some unforeseen circumstances that come about that mean a total failure of a harbour, that one of the worries is that in a user-pays type system that some more charges are going to be pushed on to the users of harbours. We had an increase in mooring fees recently, which I think are pretty well-documented. Is there a risk that we are just going to keep up and upping the charges to the users?

The Minister for Economic Development:

Well, I think in a commercial entity, if you continue to do that, you will ultimately see that your revenues are going to drop, because people will say: "I am not going to pay it any more." What has happened, and I think this is a positive sign, is that there have been increases in charges, particularly to outlying harbours, because they were so low previously that it was just unsustainable. So yes, there have been increases, but that has been done prior to incorporation. The big difference here to any other incorporation that has taken place is that a lot of the work in terms of getting the ports into a fit state has been undertaken and is currently being undertaken, and that has not been previously the case, and in fact, if you go back, I think it was the Vecta report - was it the Vecta report in 2005? - that said that ... in fact, I am not sure. Anyway, in one of the reports, I cannot remember which one it was, there have been quite a few, said that what we should be seeking to do is to get the ports into a commercial state before incorporation and that part of that has been increasing some of the charges.

[12:30]

So you have seen that happening and being rolled out over the last few years.

The Connétable of St. Brelade:

So in terms of the marina charges, we are really where we should be now and there is no real intention to have those type of quite extensive increases happen over the forthcoming years?

The Minister for Economic Development:

I do not believe there is, no, and I think one thing that any commercial operation needs to do is benchmark itself against its competition, and I know that the harbours in particular have been looking closely at charges in France, south coast of England. I think from my recollection France is a bit cheaper, quite a bit cheaper, but the South of England is a lot more expensive, but always you have got to get the balance right. You also need to bear in mind of course with marinas that the revenue that is generated, only about 10 per cent of it is from visitors, so we have got to get the pricing right for the local community, because 90 per cent of the revenue from marinas comes from local boat owners.

The Connétable of St. Brelade:

I mean, one of the figures that was mentioned in the *J.E.P.* last night in an article was the cost in Guernsey, which is only £1,500. Do you think is particularly damaging to business here, that it is so cheap in Guernsey?

The Minister for Economic Development:

If it is comparing like for like, they have different harbours over there. I think they have got a harbour that is perhaps not quite at the same standard, and if you are comparing to that one, then of course you will see a much larger differential, but I think their main marina is broadly on a par, maybe slightly cheaper. I do not know if you want to add to that?

Group Chief Executive:

I think just maybe on overall consumer protection and price increases, in order to deliver the cash returns that are required for covering our day-to-day operations and maintaining our considerable asset base, we need to improve our profitability. We have got 3 levers to do that. We can push our prices up,

we can reduce our costs or we can grow the business. Incorporation provides us freedom to grow the business in a way that we cannot achieve today, so today we only have 2 levers to pull, and that is reducing our costs, which we are actively pursuing, and then the other one is increasing our prices. That is the only one we have available today really to cover our increasing cost base, and that is what you see today. So by incorporating these businesses and providing them with the commercial freedom to pursue commercial projects and therefore diversify the income stream into the ports, we alleviate pressure on price increases. Being trading operations, of course we are also governed by the J.C.R.A. (Jersey Competition Regulatory Authority), the competition regulation, and that forms a part of the significant piece of regulatory work within our workstreams to make certain that we have got a package of regulation to ensure that what our, in effect, natural monopolies are providing value to the consumers.

The Connétable of St. Brelade:

I think just one of other sides of it is I am sure there are boat owners that can afford the extra mooring fee, but you have got Mr. Joe Bloggs on the street that just goes down occasionally and uses his mooring, and I think it is those people, and certainly coming from some of the online responses there have been is that they feel they have been driven out from their boating and boating at a weekend, where the increases so far are almost making them think twice about having a boat. Obviously you must sympathise that that is a possibility.

Group Chief Executive:

That is also why we have undertaken a couple of things, but one primarily, a benchmarking exercise, because what we need to understand is not just what the cost of boating of Jersey is, but also how it is that we can create a package of products and services that our local boat owners would find valuable in buying at a price that they want to afford. That is why we are undertaking this, and we are also involving our marine development group in reviewing our benchmarking so that we can then start working together on creating these packages.

The Minister for Economic Development:

One of the greatest pressures for boating has been the increase in fuel prices. I think a general comment about costs in terms of mooring, certainly with the outlying harbours, you have got the likes of La Rocque, for example, which is I think about £110 or £120 a year. Now, you may well have seen a high percentage - and this makes headlines, of course - increase, but you are taking it up to £120 a year, so they are from a low basis, a lot of them.

The Deputy of St. Martin:

Well, I would say, Minister, I know these are uncorroborated, but there were some responses, as Constable Pallett alludes to, last week and I just pull out a few here at random, people saying: "Marina berth companies 75 per cent more than in Guernsey. Not only that, marina harbour fees are double to Guernsey and 2/3s higher than adjacent coast of France." Another one here: "75 per cent more expensive than Guernsey. A marina berth in Guernsey is half the price of Jersey and fuel for boats is 25 per cent cheaper." Another one here: "Very upset with nearly 40 per cent increase in my mooring fees in 2 years." You can appreciate that local boat owners have felt squeezed over the last couple of years, but you are happy that your assumptions in your financial models in the future will see that those increases will diminish because your growth will allow you keep the charges where they are or similar to where they are at the moment? I mean, you cannot carry on increasing prices by 20 per cent per year forever, because you will not have any boats moored in the marinas.

Group Chief Executive:

I would like to just be clear on the difference between a marina and, say, a mud or a swinging mooring and it is the mud or swinging moorings which we are in the middle of a 3-year programme of 20 per cent increases to get them up to market levels, recognising that we have also had to fund some major capital works in St. Aubin and next year in Gorey. So it has been all a part of that process and a programme that has been actively discussed with our boat-owning associations. The marinas are a little bit different than that, where they have seen increases to cover costs and a bit of work, as you

know, we did at La Collette over the winter, but they have not been 20 per cent increases. It is per annum. It is the mud or the swinging moorings which have been a part of the 3-year programme.

The Minister for Economic Development:

There has to be a balance here, of course. I mean, clearly both the management team and both the boards and from my point of view, from a political point of view, we are sensitive to the requirements of boat owners. We do not want to see anybody put out and not able to continue their hobby, but equally one has to be balanced and realise that if we do not bring prices up over a period of time closer to market rates, then effectively that cost is being subsidised by all other taxpayers in the Island and that equally is not terribly fair either. So it is about getting a reasonable balance.

The Deputy of St. Martin:

Minister, there are no private marinas in Jersey like there would be in Guernsey. Are you under any obligation from the J.C.R.A. to inform them of increasing the prices, seeing as you are in a monopoly situation?

Chief Officer:

The mooring rates were increased through legislation, through an annual vote before the States. I think if any customer of the marina decided to make a complaint to the J.C.R.A. under the competition law, as with all States departments, the harbour and the airport are both subject to the competition law and the J.C.R.A. would look at it on that basis. It is highly unlikely though, given the running cost and the revenue generated that they would find that ... I think it has been operating or the pricing has been operated in a particularly decent way.

Group Chief Executive:

Coming back to probably the main point of this too is that within the assumptions of our financial model, and indeed what we are attempting to achieve responsibly through incorporation, is this growth by diversifying our income stream, which will then alleviate pressure on prices. I mean, the thing

that is the good thing for Jersey would be to have the ability to increase our volume of business and if we can increase our volume of business through dropping our prices even and generate more income that way, then that must be the right way to go, and that is what commercial freedom will give us the licence to investigate.

The Connétable of St. Brelade:

Obviously you have provided us, thankfully, with quite a long list of assets which we have been able to go through. In your financial mode, what assumptions have you made in respect of increasing rents for buildings on harbours and airports land?

Group Chief Executive:

The management objective over the last few years has been to get our rents up to a market level, and that is what we have been doing, and for the most part, I would say we are at that market level right now, but the assumption within our financial model is that our revenue over the course of 20 years increases at an average of 3 per cent annum. By the way, our assumption is that our costs increase by 3 per cent per annum as well, so if you think 3 per cent per annum is too high or too low, in some ways bottom line it does not matter, because we have assumed that they both move in the same direction. But now at 3 per cent per annum, that is not indicating that we are going to whack up all the rents.

The Connétable of St. Brelade:

In terms of the airports land, obviously the rent, I think they are fairly commercial rents up there, and I think for some considerable time, but on some of the harbours' properties, is there any intention to raise rents above sort of the 3 per cent figure you are looking at, because again, it is a fairly extensive list. Some of them are quite small buildings admittedly, almost small sheds, which are used by some quite small users, small businesses. Is there an intention to increase those rents over and above that sort of 3 per cent figure or are they all sort of at commercial ...

Group Chief Executive:

Every single deal that we have is different than another deal and we look at the nature of the business, what is happening, what their throughput is. In some cases, if they are under pressure or challenged, we may come up with different mechanisms. We actively try and support our tenants that we have in our buildings on our properties so that they can manage their businesses effectively. That is what we want to continue to do. It does us no good to throw rents all the way up over the moon and have vacant buildings.

The Minister for Economic Development:

We have had in the past situations where tenants have found it challenging with rent increasing. We have of course responsibilities through the other part of the portfolio at Economic Development to support businesses. Clearly we do not want to see businesses going under, and it is right not that the ports should support or subsidise a business, but it is right that that support should come more centrally through now Jersey Business or whoever the appropriate body happens to be, and that has happened in the past, and I can see that happening in the future if it were to be justified.

The Connétable of St. Brelade:

Obviously some of the buildings, St. Catherine's, for example, do have sailing, for example, and things like that, so it is your intention to carry on supporting some of these almost community-type uses as well?

Group Chief Executive:

Yes, and we have got some wonderful ideas on how to better develop community facilities. Given our current governance structure, as being a part of the States of Jersey, we cannot act on them as quickly as we would like to, because we are inhibited from, say, entering into joint ventures to try and develop some of these things, where in an incorporated state, the intention would be - or belief would be - is that we would be better able to support community and community development projects.

The Deputy of St. Martin:

Minister, will you be providing States Members with a list of buildings prior to the debate next month?

The Minister for Economic Development:

Yes, I am certainly happy to.

Group Chief Executive:

There will be a list of properties is what we have come up with, and without doing the detailed conveyancing it can be much more difficult to arrive at a full list of buildings.

The Minister for Economic Development:

What I was going to say was certainly an indicative list will be presented to States Members.

The Deputy of St. Martin:

So there may be changes, additions? Yes, I know where you are coming from.

The Minister for Economic Development:

There will be, because that is the whole point of the in principle, that work has yet to be done, but the full detailed list will come back with the full report in due course when the incorporation is debated in 18 months' time or whenever it happens to be, if we get to that stage.

The Deputy of St. Martin:

If I could just go back to discussions about growth and how we see ways to increase the ability of harbours and airports to take money in, as you will know, Minister, I have been a great fan for a number of years for the redevelopment of the whole harbour area, and not very long ago, we had some master plans which involved the whole of the northern area of the St. Helier Harbour, original St. Helier Harbour, becoming leisure facilities with a new north quay becoming incorporated into that for leisure marine visitors, but I notice in the Capita Symonds' report that not only is the expenditure on the

new north quay to turn into that type of facility now taken out, but also the expenditure on moving the low facility on the new north quay to the southern half of the harbour is taken out as well. Can you give us your interpretation of how the future of the harbour now looks, because it would appear that the development of the harbour over the next 10, 15, 20 years is very different now to what it would have been 5 years ago.

The Minister for Economic Development:

I mean, there have been a number of master plans over an extended period which have looked at all sorts of potential options. I think what the management team and the shadow board have looked at quite closely is what they believe to be ... first of all in terms of the property portfolio, what is needed in terms of effectively capitalising the organisation that is planned, and also what projects are those that are most valuable to the organisation moving forward in the future. I have no doubt that I suspect that a board would consider some of the projects that have been previously been mooted coming back if the economic climate was appropriate to do so at that point. I think what you see before you is a very realistic assumption, and I think, if I may say so also, quite a prudent and conservative assumption.

[12:45]

The Group Chief Executive made the comment a moment ago about revenue and expenditure costs at only 3 per cent, and I think that indicates just by way of one example the way the financial model has been put together.

The Deputy of St. Martin:

If I might just take that to the next step then, I also asked questions about the red line, the infamous red line, green line, whatever coloured line it was around certain maps that we had given to us, and I was surprised that St. Helier Harbour in particular that the red line did not go further to the south into areas which still are yet to be reclaimed, which are bordered by rock armour. Could you explain to us exactly why the red line stopped where it did and why you did not seek to take more of that yet to be reclaimed area?

The Minister for Economic Development:

I think again, as I mentioned a moment ago, it was very much a case of looking at what the ports needed and would make them sustainable, and it was believed that the line, as drawn, whatever colour it was represented as, was sufficient. That is not to say in the future that an incorporated body may well come up with opportunities and indeed make further proposals for extending the line, but that again would be subject to shareholder and I suspect States decisions in the future. I do not know, Group Chief, if you want to make a comment on that?

Group Chief Executive:

Yes, I think the red line is also something that is consistent with the Island Plan, so it is not as if it is something that we have dreamed up necessarily, but we do feel that it represents what is required for a sustainably operating port for the coming 20 years. I think if we were to come up with - given the commercial freedoms, and run by a board of directors beholden to the shareholders - an investment proposal that would say: "Listen, we reckon that we can put this new port south in the reclaimed area and we reckon it is going to require an investment of X and a payback of Y, generating a positive return of Z" that if we were to put a proposal like that in, as long as there was no competing proposals from other entities that could better our proposals, then it would be something that the shareholder board, management would seek to deliver.

The Connétable of St. Ouen:

Yes, I was going to ask you that. Are there any thoughts or plans to build another marina which is not on dry land, because we seem to have to build marinas on dry land in Jersey.

Group Chief Executive:

We have got one wet one.

The Connétable of St. Ouen:

Yes, sort of, but yes, that would be a good area, I would have thought, maybe to do it, and there is nothing on the pipeline for that. There is only what you have just suggested as a possibility.

Group Chief Executive:

We continue to receive some really interesting ideas coming in and we generate our own ideas for what would be beneficial for the ports. The key for us to be able to pursue these projects is to unlock the commercial freedom so that we can evaluate them and analyse them and box them off. If we can begin to develop a pace around delivering these projects, then it just gathers momentum. Certainly the marine leisure sector in Jersey is one where we see some good growth opportunities. Now, whether that is creating a new marina or a different way in which to park boats, whatever it may be, we want to look at ways in which we can grow that business.

The Minister for Economic Development:

Interestingly, there has been quite a lot of work in terms of reconfiguration of the existing marinas, where by analysing the requirements of boat owners and assessing where the actual demand is, by configuring, more berths have been created from the existing spaces, recognising where the demand lies, or does not, as the case may be.

The Connétable of St. Brelade:

Can I ask a question, just going back to the employees of the incorporated body, and just really getting back to the point that I was making before in terms of what it says in the report: "The ability to recognise and reward individuals" I had an email from a former States Member, who I am not going to name, who commented that - if I can find it - is that in terms of incorporation, he believes that the idea is being sold with the promise of performance bonuses and he considers that sets a dangerous precedent, and I quote: "We saw senior management awarding themselves massive payments after its incorporation." Can you guarantee or ensure that that is not going to happen at harbours and airports, where we are going to see

senior management awarding themselves big bonuses because they perform well?

The Minister for Economic Development:

Do you want to answer that? I think it was directed at you.

The Connétable of St. Brelade:

I was trying not to look at anybody.

Group Chief Executive:

You know, the thing is is that we need to instil a proper performance management regime right across our business, and that is taking the full gamut of developing our lower performers into high-calibre people and then rewarding our higher performers in delivering success to the business. What we are going to be doing in developing this is specifically down to a team and hopefully eventually an individual level is being able to tie a person's performance into bottom line results, so what did they contribute to the success, and by bottom line, for us it is measured sure financial performance, but then equally operational integrity, so remaining open, safe and secure. We have 2 other areas where we measure out bottom line performance, and that is environmental and community, sort of corporate social responsibility, and our intention is to develop a scorecard set of metrics, whatever it may be, so that people can generally feel what their contribution is to the success, and we will reward accordingly or not.

The Minister for Economic Development:

I think I would just add on to that in terms of I understand first of all the question, and I understand the sensitivities, perhaps due to some historical reasons, not just in the public sector incorporating various entities here, but much wider that ...

The Connétable of St. Brelade:

I did not pick out one particular entity on purpose, because I thought it was unfair.

The Minister for Economic Development:

I have not mentioned one either, and I think it is right to keep it at a general level, but I think we both understand the sensitivities around this, and in fact the management team will tell you that I have already had discussions with them on this, because I understand it. That said, there is a responsibility, quite rightly so, for the board of directors to ensure that the management team is not going to be awarding itself inappropriate bonuses and as a further fallback position, of course the entity would be 100 per cent owned by the States of Jersey, by the Treasury or with an agreement with the Minister for Treasury, a memorandum of understanding, and again, it would be unacceptable to see that type of practice unfolding and there would be appropriate mechanisms available through that route as well.

The Connétable of St. Brelade:

Unfortunately it has happened in the past, so I can understand why this particular person has got reservations about the future.

Group Chief Executive:

Well, we learn.

The Minister for Economic Development:

That is the key point. I think there have been a number of lessons learned through incorporations. This is not the first-ever incorporation, as you well know, and there have been areas of learning that have gone on in the previous ones, and I think that is a positive.

The Deputy of St. Martin:

That was going to be my last question before we closed, so I may as well ask it now. What lessons, Minister, do you feel we have learnt from the incorporation of Jersey Post and Jersey Telecoms which we have put forward into this proposed incorporation?

The Minister for Economic Development:

I think the first thing I would say about both of those incorporations is that, in my view, they have been very positive. I think there have been some highlighted issues that perhaps have got greater prominence than they perhaps in some respects deserve, but overall, if you weigh up the balance of those incorporations, I think it has been positive. Even in terms of staffing, which I know Connétable Pallett is rightly concerned about, if you look, for example, at Jersey Telecoms and the numbers of people employed there, obviously the staff numbers at Jersey Telecoms have fallen since the incorporation, but if you look at the telecoms industry in the Island since it has been opened up to competition, there are more people employed in telecommunications through the other entities that now exist than existed in total in Jersey Telecoms before, so more job creation has resulted. In terms of the greatest benefit, in terms of learning, I think it is that it has been an absolute need to get the organisation into a position to incorporate before incorporating rather than doing a lot of the work after incorporation. I think to me that is probably the greatest benefit, and I think that is what we are seeing playing out now. It was an important point raised in the previous either Fisher or Vecta report that the entities need to be in a fit state to incorporate, and that is what we are seeking to deliver.

The Deputy of St. Martin:

Some people would suggest that not enough detail went into the legislation before Jersey Telecom or Jersey Post were incorporated. Would you agree with that, and the lack of detail after those bodies had been incorporated led to difficulties, if we could put it like that?

The Minister for Economic Development:

I am not sure that I would necessarily put it quite as strongly as that, but I think what I have just said captures that point to a degree, that a lot of work is being done with this proposed incorporation that means that we are in a far stronger and more detailed position to incorporate than would have been the case previously.

The Deputy of St. Martin:

Chief Officer, you were going to say something when I rudely interrupted you 5 minutes ago.

Chief Officer:

I was just going to make a comment on a question regarding the staff or the management awarding themselves, but of course with a proper governance structure which the incorporated entity would have, it is not for the management team to award salary bonuses or anything. It is the remuneration committee of the board, which will be properly constituted and it has to operate within defined corporate governance principles, and I think that is one of the lessons learnt, is that that must happen, absolutely. I am very confident that the members of the shadow board, if they were to be passed on as members of the full board, that that will happen, because they operate the shadow board with the highest standards of corporate governance already.

The Deputy of St. Martin:

My final question therefore, sort of changing my direction, would be to get back to the concerns of States Members and members of the public about the incorporation and the Crown jewels and all sort of things. As 100 per cent shareholders, could you just tell us, Minister, how much control the States would have over an incorporated harbours and airports?

The Minister for Economic Development:

Is that a question specifically relating to assets, Crown jewels?

The Deputy of St. Martin:

Generally, generally. I mean, obviously it would be a corporate body and it will be able to make decisions, but at some stage, would the Assembly still be in a position to say to the Chief Executive of harbours and airports: "We do not like the direction you are going in. We need to change direction and as 100 per cent shareholder, we are asking you or telling you to do that"? Is that still possible? Would that still be possible?

The Minister for Economic Development:

What would happen is that there will be a proper governance structure in place and of course there will be a memorandum of understanding which would be between Treasury and the board, and it would be that route, through the shareholder, the shareholder agreement, that any concerns that the States may have about the operation of the port would be managed.

The Deputy of St. Martin:

Was that sort of arrangement in place for Jersey Post and Jersey Telecoms before they were properly incorporated, are you aware? I am not aware.

The Minister for Economic Development:

There are shareholder agreements in place in both cases and the shareholder can, as 100 per cent shareholder, obviously make the views of the shareholder plain to the board of both those entities, and that would apply equally to the incorporated ports.

The Deputy of St. Martin:

I have got no further questions. Is there anything else that you would wish us to be putting in the comments paper so that ...

The Minister for Economic Development:

Well, I do not think it would be fair for us to suggest that you should put anything in, other than what you feel is pertinent, but I just wanted to be clear, is it your intention to prepare a comments paper as opposed to anything else?

The Deputy of St. Martin:

Our intention is to prepare a comments paper ...

The Minister for Economic Development:

Okay, for presentation to the States.

The Deputy of St. Martin:

... alongside your report and proposition.

The Minister for Economic Development:

That is very helpful.

The Deputy of St. Martin:

I think it would leave us very short of time if we were to commission even a short review at this stage, which is not our intention.

The Minister for Economic Development:

Yes. No, that is fine, just for clarity's sake I wanted to be clear.

The Deputy of St. Martin:

Well, there is nothing else to say. Thank you very much for your attendance this morning. It has been very useful.

The Minister for Economic Development:

I just would make, sorry, one final comment. If anything occurs when you are putting together your paper that you feel you are missing any information, of course both myself and the team at the ports or Economic Development, for that matter, are available at short notice to answer any questions. We want to make certain if you do feel you are missing anything, we are keen to be able to ensure that you have all the information you need for your comments.

The Deputy of St. Martin:

I think in the immediate near future, the one thing we would appreciate would be the list of the meetings that have been held with the unions and members of staff, and anything in that direction you feel you can provide us with. Thank you very much.