

# STATES OF JERSEY

## Economic Affairs Scrutiny Panel Aircraft Registry Review

THURSDAY, 14th JUNE 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. C. Kelleher (Strategic Policy Manager)  
Mr. M. King (Chief Officer)  
Ms. S. Withers (Project Manager)

[10:03]

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

Right, good morning again, everyone. Welcome to the public hearing this morning and this morning in public, we have on the agenda some discussions about the Aircraft Registry and, once we have completed our questions, then on to some aircraft and then we are going to move into our quarterly hearing where we are going to discuss, among other topics, briefly where we are with Harbours and Airports, economic growth, tourism, Jersey business, financial ombudsman, intellectual property, legislation programme and then next week ...

**The Minister for Economic Development:**

So not much, then?

**The Deputy of St. Martin:**

No, as you will see from that list. We will do aircraft first but it may be that if we are only here 20 minutes or half an hour talking about aircraft, we will move straight on to those other items because there is quite a lot to try and get through in the time

available. So we will kick straight off with the aircraft. Minister, we have spoken to some people, members of the public, in public hearings ...

**The Minister for Economic Development:**

Sorry, Chairman, I am not sure, for the record do we need to state ...

**The Deputy of St. Martin:**

Oh, sorry, yes, for the record, and I apologise because we have been here too many hours already. We will just identify ourselves. I am Steve Luce, Deputy of St. Martin and Chairman of the Economic Affairs Scrutiny Panel.

**The Connétable of St. Brelade:**

I am Steve Pallet, Constable of St. Brelade.

**The Connétable of St. Ouen:**

Michael Paddock, Connétable of St. Ouen.

**The Minister for Economic Development:**

Senator Alan Maclean, Minister for Economic Development.

**Chief Officer:**

Mike King, Chief Officer for Economic Development.

**Strategic Policy Manager:**

Chris Kelleher, Strategic Policy Manager for Economic Development.

**Ms. S. Withers:**

Sarah Withers, Economic Development.

**The Deputy of St. Martin:**

Okay so I think we are all identified and, for those members of the public (I am sure Mr. Strasser(?) well knows, because he was here last week) if we just try and maintain decorum. No mobile phones, eating, drinking, smoking or anything like that and, if you need to leave, do it quietly. Thank you very much. Right, so hopefully we have

got all the preliminaries done and out of the way. Yes, Minister, we have taken some hearings. We have still got some more to do and we have a couple of people still identified to meet. I think we are making some progress here but one issue that is starting to ... well, there are 2 issues, I suppose, that are dominating our thoughts at the moment as to whether this is good or bad: one surrounds tax and how that might be looked at compared between jurisdictions and the other one surrounds an issue over whether, if Guernsey decide to go on their own without us, where that leaves us and how disadvantageous it is to our financial industry. But I guess the question I would like to put to you first of all is do you know officially what the Guernsey position is now they have had their elections and vis-à-vis their recent announcement that they have entered into an agreement with a third party in Holland?

**The Minister for Economic Development:**

Yes. What I will probably say first of all is that there has been some misinformation in the public arena through the media which has given the impression that Guernsey have gone alone and we are not now participating. That is not the position as I understand it. Since the end of 2010, we have been in discussions with Guernsey, both at officer level and politically, in order to progress an aircraft registry. The Islands have considered the options of independent registries and they have also had discussions about a joint Channel Island registry. There has been some work (just to put some historical context into it) where we entered into and contributed financially to a piece of work that was carried out and commissioned by Guernsey looking at a joint Channel Island registry. We put funding into that. We also funded some work looking at a Jersey registry in its own right. There was a strong lobby locally that suggested that that, indeed, was something that was worthy of consideration so we felt it was incumbent upon us to look at it, which we did. We have maintained the dialogue with Guernsey all along. The difficulty I think that has arisen, and hence the media announcements recently about Guernsey's move is that, quite simply, they have gone through an election process and although officers appear to be still joined on a joint registry proposal, there has not been an opportunity to meet at a political level to progress the matter and identify whether the new Minister for Commerce and Employment and Board are still supportive. We understand they are but I have a meeting identified in the next couple of weeks, and this is a key component of the agenda for that particular meeting. So, to answer your question (I have gone around

the houses a bit) we hope that by the time we get to that stage, we will know the exact position.

**Chief Officer:**

Just by way of clarification, Minister, as recently as this morning, we made it very clear both to the D.C.A. (Director of Civil Aviation) who is running the project for Guernsey and, indeed, to my equivalent, Jason Moriarty, who is the acting Chief Officer with the C&E (Commerce and Employment Department) and the Minister's position was that there should be a joint registry. We have both funding in 2012 budget and, indeed, we have law drafting resource available to deliver that, and it was suggested that what we do is we move to that as quickly as possible. We had communicated our position to them some time ago and linked the development of a joint aircraft registry based in Guernsey to a joint category 1 shipping registry based in Jersey. We have also, as of yesterday (and I had asked Chris if he did) contacted the third party who are working for the Guernsey authorities who have confirmed that there is absolutely no impediment whatsoever to them working for us jointly on a Channel Islands registry.

**The Deputy of St. Martin:**

How much money do we have in the pot, if you like, in regards to working towards a Channel Islands registry? Have we invested money and time in a Channel Island registry at the moment or is the investment we have made so far into a Jersey possibility?

**The Minister for Economic Development:**

Both, yes. We have vested in terms of the joint work that was done on assessing the viability of a Channel Island registry. We have put funding, I think about £15,000 in total, into that.

**The Deputy of St. Martin:**

So there would not be any question that Guernsey could turn around and say that we were never really very keen because we have put money forward towards it?

**The Minister for Economic Development:**

That was a piece of work commissioned by Guernsey, which we agreed to contribute towards, and as I have said, we have put £15,000 into that.

**Chief Officer:**

The Minister has put in writing in the past to his equivalent, the previous Minister for Commerce and Employment, that we would support a joint registry following that work. There was an issue as to where that registry would be located, whether Jersey or Guernsey, but I think that has now been resolved with the *quid pro quo* shipping registry and ...

**The Minister for Economic Development:**

For the avoidance of doubt, although we have not had the opportunity to meet my opposite number at Commerce and Employment, the new Minister, Kevin Stewart, I have spoken to him on the phone a couple of times and in one conversation raised the aircraft registry and again made it clear that we were interested in a joint Channel Island registry.

**The Connétable of St. Brelade:**

So just to make it clear, I just want to pick up on one comment. The D.C.A., Fergus Woods, has commented that ... and it just sounds that it is just likely we are going the wrong way to some degree, this is a great opportunity for Guernsey, but you still do see it as a great opportunity for both Islands, not just Guernsey alone?

**The Minister for Economic Development:**

Yes. I think if we break this down a bit, the actual registry itself we do not see as a big revenue generator. The revenue will come from everything that flows from having a registry. Now, whether it is located in Guernsey or whether it is located in Jersey is largely immaterial, it is the function that has to be carried out. There was one suggestion that was put forward a while ago of a hybrid, a cloud solution where a registry, effectively, sits in either on a small basis, and it is operated between the 2 Islands. So it does not really matter where it is we believe. It is a cost and that is why we believe sharing it with Guernsey makes sense; it is the business flows that come from having a Channel Island registry.

**The Connétable of St. Brelade:**

Okay, following on from that, if we were not part of that C.I. (Channel Islands) registry for some reason, if they said: “No we want to go our own way with this”, would those opportunities still be there for us? We are not that far away from Guernsey. Do you still see us, in a way, sort of piggybacking on their registry or would you see that being a potential issue?

**The Minister for Economic Development:**

I think that is something we would need to look at very closely. There is a train of thought that if they had a registry that we could capitalise upon that. There are some difficulties, I suspect, associated with that. You have to bear in mind, I suppose, when you look a Channel Island registry, Isle of Man are regrettably in some respects ahead of us; they have had a registry for some time now, a number of years. They have got, I believe, at the last count about 400 registrations. That soaked up a fair amount of the market one might argue. From our point of view, it is part of our portfolio when we are looking at inward investment businesses, perhaps individuals of high net worth who, for business purposes, want an aircraft; 1(1)(k)s coming to the Island, high net worth individuals again for practical uses would need an aircraft. It is something else to sell as a package so if the aircraft was then registered in Guernsey but we have the flow of business in Jersey, there are still some measurables that one could argue we are getting. So Guernsey having one and us not having one would not necessarily be a major deterrent but I think it is much more constructive and effective if we work jointly with them.

**The Connétable of St. Brelade:**

One suggestion that was made, and again I do not want to get into inter-Island rivalry, is that if we were not part of the registry, if we had high net worth individuals coming to Jersey, that Guernsey would refuse to register their aircraft. Now, I cannot see the benefit of that but is that something that you could see could be a problem in terms of creating or promoting business in Jersey?

**The Minister for Economic Development:**

The registry would be established in law and I think, depending on how that law was drafted, it is not inconceivable that it could make it difficult for other aircraft outside

of Guernsey to utilise it but I would think that is probably unlikely, if not impossible, yes.

**The Connétable of St. Brelade:**

Okay.

**The Deputy of St. Martin:**

Can I just go back to the ...

**Strategic Policy Manager:**

Especially if you are going to be looking at registering aircraft which will not reside in Guernsey because of the restriction of the runway; it may be as far afield as Australia or maybe in America, so I would see it as quite hard to say: “We can register aircraft there but if you try and register it through Jersey, we will not do it.”

[10:15]

**The Connétable of St. Brelade:**

Also from a point of view that most aircraft are not in the jurisdiction that they are registered in and, therefore, they are all over the world and again I suppose that is why it opens up this opportunity for Jersey because, although they may be registered in Guernsey, there is no reason they could not be hangared here and all the offshoots of that.

**The Minister for Economic Development:**

That is right and with regard to the airport, the land planning aspects of the airport, and looking at other revenue sources, hangarage is obviously one of the key opportunities so, yes, we see that as something we can build on.

**Chief Officer:**

I think, as we said when we came to the power hearing, Minister, the registry itself is probably going to be cost-neutral. It is the allied benefit around insurance and mortgages and other elements that will wrap around it. That is where the real gain is

and that is pretty agnostic to where the actual aircraft, or the ship for that matter, is based.

**The Minister for Economic Development:**

The advantages that Mike has just identified, one of which is mortgages, it is quite interesting, in Guernsey, they do not have the legislation, Security Interest Law, for example. We have taken the first step with part 1 of the Security Interest Law. We would need to bring in part 2 in order to allow us to facilitate that opportunity. So they may have taken the step, there is an awfully long way to go for them as well in this.

**The Connétable of St. Brelade:**

Do you think that is where that co-operation could be of benefit where we have got services that may be of benefit to high net worth individuals? They may have others that may be of benefit as well, so it may be an opportunity to work together as a pair rather than going off on our own direction?

**The Minister for Economic Development:**

That is quite possible, yes; that is possible.

**The Connétable of St. Ouen:**

What do you see are the advantages of a Channel Island registry, bearing in mind that the Isle of Man have really got to grips with it and really taken off, excuse the pun, with it? What do you see are the advantages of the Channel Islands? Why would we draw ...?

**The Minister for Economic Development:**

We have missed first mover advantage which the Isle of Man have clearly snaffled up for themselves with something like 400 registered aircraft, and that is disappointing. We should have been in the position to have progressed this sooner. Nevertheless, that does not mean that there is not still opportunity. It is not a reason for not doing it just because they have got out there and established themselves. There are certain advantages to the Channel Islands that would appeal to people and certainly we have a key driver. It is contained within our economic growth and diversification strategy to



bring inward investment. These are the types of people that do have aircraft. They want to get into Europe. They want to fly direct. We can build associated businesses like hangarage, insurance, mortgaging business and so on, fiduciary business, on the back of having this extra tool to our portfolio. I think it is important in that respect that we have it.

**Chief Officer:**

I think the important thing (and I am sure we have said this again in the hearing) is that, in the first instance, it is either the flow of capital or the structuring through Jersey structures that brings the aircraft, not the other way round. Then the aircraft brings the associated benefits through mortgages, insurance, so this is something that will aid the broader economic conditions that exist.

**The Deputy of St. Martin:**

Getting down to the specifics of the aircraft, the purchase and servicing of, is there a way of getting over the issues of differentiation between us and Guernsey and the fact that, unfortunately for us, they do not have any G.S.T. (Goods and Services Tax)?

**The Minister for Economic Development:**

That is one of the issues that would need to be addressed. That is a barrier at the moment and there have been some initial discussions. Chris may be able to pick up on those with Treasury here and potential exemptions with regard to that. There has been a precedent with regard to shipping and G.S.T. already and we would need to establish a position with Treasury on that to overcome it. It would be a barrier that would not be satisfactory.

**The Deputy of St. Martin:**

Getting back to the shipping, Mike mentioned that there is hopefully a deal to be done over the shipping register. Are Guernsey amenable to that? Have they agreed at any level at all that that might happen?

**Chief Officer:**

We have had some initial discussions. Of course, the shipping registry is not handled in Commerce and Employment, it is handled in a different department, but we have

had discussions with them and I am awaiting a response from them now, but I think it is fair to say that what we are talking about as far as the shipping registry is concerned is if both Islands move to a category 1 register (which, of course, we do not have at the moment) that would be the joint register. The existing shipping registers would remain as they are because I think they are there and there are differences.

**The Deputy of St. Martin:**

There are differences between the way we do things here and ...

**Chief Officer:**

The cat 1 registry, which almost exclusively would be vessels that are not based in Jersey or Guernsey waters for that matter, could be done jointly. It is more of an administrative function that has more similarity to the aircraft registry than ...

**The Minister for Economic Development:**

There is greater risk associated with it and it is greater in terms of managing the process because you are talking about large commercial vessels, oil tankers and what-have-you, that operate internationally.

**The Deputy of St. Martin:**

I was going to say, in the way that Guernsey have done their deal with SGI (which is not going to cost them very much money, because the third party takes all the cost) if we do move to a category 1 registry for shipping, will that not cost us a lot of money or is that something that we can put out to a third party in the same way that they have done with the aircraft?

**Chief Officer:**

We have got obviously a maritime regulator on our shipping registry at the moment. The big incremental cost is, as Alan said, you have large vessels worldwide and it is all the surveying and everything that ...

**The Deputy of St. Martin:**

That can all be billed out.

**Chief Officer:**

We would do that, as we do at the moment with the existing shipping registry, through a third-party agreement and we only use those services as and when they are required, and you hope that they never are.

**The Minister for Economic Development:**

But to answer the question (not that that was not a useful comment you made, Chief Officer) but yes, there is a cost associated, clearly: higher risk, higher cost but higher revenue as well, and you balance it out; it is a clear model. But the shipping registry interestingly is very similar to an aircraft registry: it is what flows from it from a commercial economic point of view is where the real interest is. What we have sought to do with the existing shipping registry is to grow it. It is category 2 and we are working now on an enhanced data so larger vessels under category 2, so we are looking at the sort of (you are probably familiar with it) the local “Tickled Pink” that was registered here, that was about the largest vessel that Jersey had ever had, and we are looking to make slightly larger super yachts applicable for our category 2. Again, it feeds into our aims of inward investment and high net worth individuals, economically active people that stimulate the local economy.

**The Deputy of St. Martin:**

If we did decide to move to category 1, and I know shipping is not really the term of the review, but is there a time scale involved in that? Would that not take a number of years to achieve or is that something we could do quite quickly?

**Chief Officer:**

It is not something that can be done overnight but, for instance, last year we had the shipping conference over here, the regulators’ conference, and the head of the M.C.A. (Maritime and Coastguard Agency) was here and both the M.C.A. and here were very supportive of us moving towards a cat 1 registry, which you need because obviously the U.K. (United Kingdom) does have some sway. So, yes; would it happen in the balance of this year, maybe next year? No, but shortly thereafter.

**The Deputy of St. Martin:**

Right, well, getting back to the aircraft, are there any other questions that we need to put to the Minister?

**The Connétable of St. Ouen:**

Yes, if we were going to move ahead with this and hope to attract all the ancillary items that come from it such as aircraft hangars, engineering, et cetera, how quickly do you envisage that we could get all this infrastructure in place at the airport?

**The Minister for Economic Development:**

We have already done a land planning exercise at the airport looking at the usage of the land, and one of the identified options is additional hangarage for demand that exists frankly at the moment and will continue to expand and, particularly if we get a registry, we believe further. It will take some time to go through the process of establishing a registry anyway. There are primary legislation requirements so I think if you start looking at the 2 streams of work, the legislation required in order to put a registry in place and, indeed, the work necessary for developing additional hangarage and other facilities, they probably broadly are going to run hand in hand I would imagine. So it is not necessarily going to be a hindrance.

**Chief Officer:**

I think it is worth mentioning that there is an active tendering process, effectively, to establish a second fixed base operator up at the airport, and that is very well progressed. So that is the equivalent of an Aviation Beauport type.

**The Connétable of St. Brelade:**

Yes. Obviously the Channel Islands will take delegatory responsibility from the U.K. in terms of the activities involved in running and regulating aircraft registration. Are all those protocols in place at the present time or are there still negotiations to be made with the U.K. of any Channel Island registry?

**Strategic Policy Manager:**

Discussions have been had with the Department for Transport who in general principle have agreed that we can have a Channel Islands or the Jersey or Guernsey registry. As progress is made (and this is one of the first things the legislation needs

to work with the U.K. authority) is in ensuring that they are happy with the model that we will be going forward with, so that is an ongoing process. The main thing is to keep the communications channels open throughout the whole process.

**Chief Officer:**

But it will require, I think, changes to U.K. legislation.

**Strategic Policy Manager:**

With primary legislation in the U.K., yes, it will do.

**The Minister for Economic Development:**

There is a requirement, I think, that we enact primary legislation.

**Strategic Policy Manager:**

We do here but they also have to.

**The Connétable of St. Brelade:**

Just in terms of safety standards of regulation, in order to establish a registry, in terms of establishing and maintaining a regulatory body ... you are obviously dealing with pilots' licences, airframe supervision, airworthiness, where do you see those skills coming from? Is it the sort of skills we will have to import or do you see them coming from within the Island?

**Strategic Policy Manager:**

I see that as coming from outside the Island but I think that part of the model that we would use would be to look at opportunities where we can train up locals. There is a world shortage of surveyors for aircraft and, as the market grows, the market is getting greater so there is a huge potential there.

**The Minister for Economic Development:**

There is one point probably worth making here: that if we go down the route of a joint Channel Island registry and it is based in Guernsey, of course the one advantage they would get would be the staffing element.

**The Connétable of St. Brelade:**

I suppose, as well, God forbid, if there was a serious accident, again any investigations, presumably you outsource that and that would be paid on a ... you know, whatever skills you require you, pay when you need them.

**The Minister for Economic Development:**

Third-party contractual arrangement.

**The Deputy of St. Martin:**

Could I just ask. The legislation differences between the Island and the time and the amount of legislation changes that might be necessary to put this Channel Island registry into place, is that an issue? Have we got budgets for time and finance for this in the medium-term plan or is it all under control?

**The Minister for Economic Development:**

Yes, it is. The key is legislative time to put it in. Primary legislation is required, as we mentioned, an amendment to the Civil Aviation Law is required and there is also revision to an application order plus the Security Interest Law as I mentioned with regard to mortgages, which we are progressing anyway, the second part of that, to allow the mortgages.

**Strategic Policy Manager:**

I think the main thing is that both Law Draftsmen offices talk to each other as these things develop if we decide to do the joint ...

**The Connétable of St. Ouen:**

Has there been any work done to establish the demand for this? I know it is difficult, but going out and asking industry: have we judged any sort of vision of the demand to register aircraft in the Channel Islands?

**The Minister for Economic Development:**

We have seen an increasing interest from ... again going back to the comments I made earlier about inward investment and the type of businesses we are bringing into the Island who have aircraft, and we know of a number who keep aircraft out of the

Island; they do not want expensive aircraft exposed to the elements and it is ease of maintenance and so on. So we know there is an increasing demand as we drive inward investment.

**Chief Officer:**

It is worth saying, Minister, that in the documents provided to you for your review of the registry, there are 2 reports: one written by the proponents of a Jersey-only register and the other one that we did jointly with Guernsey that, as we said earlier, that we contributed £15,000 to. Both of those have demand forecasts built into them for the level of registrations and revenue involved with that.

**The Deputy of St. Martin:**

I was just about to come to those reports. Are you aware of any changes in world markets as regards these types of aircraft at the moment? Is it like the rest of Europe starting a bit of a downturn in the purchase and ...

**Strategic Policy Manager:**

I think it is fair to say that the numbers were based on pre-economic downturns of 2007 and some of the figures were related to 2008 before the actual full effects were seen. I think people are looking at various ways of purchasing aircraft rather than buying them outright, sort of joint ventures with people. So there is still a demand for that but to say we are receiving up-to-date figures, no, we are not. But the fact that we see more registrations (and it is new aircraft which are going on the Isle of Man registry) does sort of indicate that there is the demand for it.

**The Connétable of St. Brelade:**

Just coming on the back of obviously L.V.C.R. (Low Value Consignment Relief) and I know this was obviously an issue with the U.K. Government and obviously Europe as well, there have been some issues with that as well with the U.K. Government. Do you think that by having an exclusive C.I. register that there may be further political problems with the U.K. with that? The Isle of Man has got its own register at the present time which is covered by V.A.T. (Value Added Tax), the fact that this may well be seen as a possible tax benefit, would that be an issue with the U.K. Government?

[10:30]

**The Minister for Economic Development:**

I would not have thought so, no. I think there is a well-trodden path in this regard. The Isle of Man you have already identified. It is an entirely different issue to do L.V.C.R.

**The Deputy of St. Martin:**

Any more? Okay, well, I think we will close it there. As I said, Minister, we have got 2 more people identified to see in the public hearing, after which we will be moving forward with a report into our review. Still a little bit early to say exactly where we are going but I think you will find that we are very supportive of anything which is likely to diversify the economy in Jersey and increase the potential for jobs.

**The Minister for Economic Development:**

As we have said, we are very keen on having it as part of our armoury.

**The Deputy of St. Martin:**

Right, well moving on, I will move that file to one side. I am aware that you said earlier that Andrew is coming to talk when we are to speak about Harbours and Airports at 11.15 a.m. So we will move on to some of the other items that we have highlighted. Something which was listed for discussion ... I was just going to start with financial ombudsman, and I do that inasmuch as it is quite pertinent to things that are happening outside and in town and in the Chamber, and questions and answers being asked. So I think maybe if you could please give us an update as to where you see the situation. At the moment, we are waiting to see some further proposals come back from the Law Draftsmen so we can start to scrutinise but, if you could give us an update, we would be very grateful.

**The Minister for Economic Development:**

Yes, sure. Hopefully I have made this clear within the States that, as you are aware, following an amendment in 2009 by Senator Breckon, we have been progressing a Financial Ombudsman's Law. It has been through, as you would appreciate,



consultation with industry and far wider than that, and that is progressing. It is almost at completed draft stage. In parallel to that, we have also been in discussions with Guernsey because it became evident when we were going through the process, and when at one stage in the early part of the programme we were considering whether indeed the U.K. ombudsman could be extended to cover Jersey. For different reasons, that was not deemed to be appropriate, applicable or viable. We did look then at working with Guernsey to have a joint Channel Island ombudsman and both Guernsey and Jersey at political at that stage and officer level saw the obvious advantages, in terms of mitigation of costs in particular, in providing a Channel Island Ombudsman. The difficulty from a timing point of view was that Guernsey was slightly behind us in terms of the process, but they have been working quite hard to catch up and they have made quite a bit of progress. What I cannot say at this stage is exactly where they are with their new political order, having just had an election, and again I mentioned earlier that I am having a meeting with my opposite number in a few weeks and this again is an item that is on the agenda because we need to be clear that they are able and willing to progress the proposal of a joint Channel Island ombudsman within the timeframe that we are working to. That timeframe is that we would have the law ready and in place by early 2014 at the latest.

**The Connétable of St. Brelade:**

So if they cannot keep up with that same timeframe, I think Jersey are prepared to go their own way if they have to.

**The Minister for Economic Development:**

We have made an undertaking that we are going to have an ombudsman, but that was part of a States decision so we are obligated to progress. What we would very much like to do is to have a Channel Island one because it makes a great deal of sense in all respects, particularly when you look at some of the experiences that, for example, the Isle of Man have had with their ombudsman. A lot of people think an ombudsman is purely focused on protecting the local inhabitants. It is not and a lot of claims come from an international basis which is extremely expensive to deal with on the basis that an awful lot of them prove not to be valid, but they still have to be investigated. I am not making the comment because I think it should not happen, I am just making it as an observation in terms of cost and process, and it does make sense in that regard to

try and align with Guernsey. Guernsey themselves appreciate that although they have not got the same, I am loath to use the word “pressure”; I do not view it necessarily strictly as pressure but they will have undoubtedly calls for their own ombudsman at some point. They know that, and so it does make obvious sense for the Islands to progress this together. So I think we just need to have the meeting and hopefully the new political order will support what their predecessors did and we can get this thing moving. I think the timing should also be put into perspective because, in some respects, it is less relevant if it slipped a little bit, providing everyone is happy and agrees it, on the basis that the law is going to contain a retrospective element which will go back to the point at which the States agreed that we should have an ombudsman. So there is a 6-year window there from 2010 when it was agreed by the States. So if it comes in this year or next year or the year after, it is not the end of the world because it is retrospective.

**The Deputy of St. Martin:**

If we decided to go alone without Guernsey, would that allow us to put things in place earlier or is the 2014 date the earliest we could do that if we were on our own?

**The Minister for Economic Development:**

I think we might be able to go slightly earlier but we have got the legislative programme to go through. It is primary legislation. I hesitate because of the challenges we are having in terms of getting Privy Council approval, so it will take a period of time, regardless.

**The Deputy of St. Martin:**

But there is not a lot of time built in; in our time scale we are not allowing a lot of time for Guernsey to catch up. They are going to have to catch up with us at our speed more so than we are not going to slow down to allow the ... we are moving forward pretty much as quickly as we can.

**The Minister for Economic Development:**

Yes. We hope that they will be able to come in line with us and I think if there is going to be any variation ... what I think is probably a sensible way to put it, if Guernsey are prepared to progress the ombudsman, as we believe they are, and there

is going to be any particular differential in timing between what they can achieve and what we can achieve, I think that is a discussion we need to come back and have and I think that is something that I would raise with you as our panel to make sure that you were aware of it and I would also raise it with the States. I think that is the only way we can approach it.

**The Connétable of St. Brelade:**

Are there any current industry concerns that have not been dealt with, a consultation process in terms of the actual scheme itself and what it will cover? Is that still an ongoing discussion with yourselves and industry?

**The Minister for Economic Development:**

I think broadly, as I understand it, where we are there is both understanding and agreement with industry. Clearly, from an industry point of view, as you would appreciate, on the one hand they appreciate the need from a reputational point of view in order to have that, an ombudsman, but equally it is a cost. So I think they are taking a fairly pragmatic view about it.

**Chief Officer:**

It is worth saying, Minister, is it not, that there is a working party between government and all of the industry which is currently finalising the funding model so that they will be happy. So the funding element of it is quite an inclusive process, not to be imposed upon them.

**The Connétable of St. Brelade:**

Is it realistic to suggest that the industry are concerned that that extra cost could be from a competitive point of view a danger or do they see it as it is a good thing and it is worth paying for or is it a mix?

**The Minister for Economic Development:**

I think there are mixed views.

**Chief Officer:**

Any extra cost potentially has a competitive impact but I think you have to look at the genesis of the ombudsman service, and it was one of the things that came up in the last I.M.F. (International Monetary Fund) review so every jurisdiction, be it large or small, has a requirement to have this type of service to be fully compliant as well. So it is not as if we will have one and nobody else will, because obviously the U.K. has, as do many other small jurisdictions.

**The Deputy of St. Martin:**

I guess when ombudsmen first started coming in, it was not necessarily a big tick to put on your C.V. (curriculum vitae) but nowadays if we are one of the very few that has not got an ombudsman, it is almost a negative vibe coming out of our industry potentially.

**The Connétable of St. Ouen:**

Are you in talks enough to know where this ombudsman would be based, here, Guernsey or ...?

**The Minister for Economic Development:**

We have not got to that detail.

**The Connétable of St. Ouen:**

You have not got that far yet.

**The Minister for Economic Development:**

Yes.

**The Deputy of St. Martin:**

Would you envisage one office for the 2 Islands or is it something where you would have an office in each?

**The Minister for Economic Development:**

It could operate in a number of ways. It could operate as one office in one Island which would, I suppose, on the plus side, create some employment, wherever it was located.

**The Deputy of St. Martin:**

I am not in the know enough to know the answer to this question otherwise I would not ask it, but are there any basic fundamental differences between Guernsey's financial services industry and ours which would require lawyers or legal minds that work in different ways, or are we basically very much one and the same, just operating with minor differences?

**The Minister for Economic Development:**

There are legislative differences between the Islands but we are talking about creating, if we do it together jointly, a piece of legislation that would need to encompass both. So I would not imagine that it would produce particular difficulties but it is obviously a slightly more complicated process where there are 2 different organisations both politically and from a fiscal and legal point of view being involved.

**The Deputy of St. Martin:**

We are not envisaging having to change any of our legislation to allow us to have an ombudsman in Guernsey? I am not probably explaining that very well, but they have got theirs and we have got ours and we are going to create an overarching ombudsman who can do both but we are not going to have to change any of our legislation to allow that to happen?

**The Minister for Economic Development:**

No.

**Chief Officer:**

The best model is what we have done with the J.C.R.A. (Jersey Competition Regulatory Authority) and the O.U.R. (Office of Utilities Regulation) where there are 2 completely separate pieces of legislation operated by a single team and they are just applying whatever is required. But the intention is to have the 2 pieces of legislation in both Islands for the ombudsman to be as close to identical as possible.

**The Connétable of St. Brelade:**

You mentioned this before about time limits and obviously this will be talked about for some period of time and you did mention 6 years. There is some information that I have got here, one of the 2 points made is that we should receive the ombudsman scheme within 6 years. Obviously, we have not got an ombudsman scheme yet. The other is that within 2 years of when the complainant should reasonably be expected to have become aware of the Act. Do you think there are issues that the longer this goes on, the longer it takes, that we could be missing potential claims made to ombudsman because although you say there is a 6-year window, if the scheme is not up and running, when is the starting point of that? Is it from when the scheme is up and running?

**The Chief Officer:**

It would have been when the decision was made around law drafting of the business plan; yes, it was September/October.

**The Minister for Economic Development:**

Yes. 2009.

**The Connétable of St. Brelade:**

Right, so that is the starting point?

**The Minister for Economic Development:**

That would be the line, yes. It was viewed as unreasonable to predate before that. For example, if an ombudsman had been brought in this year, it would be unreasonable to go back 6 years when there was no agreement from the States that we were going to have an ombudsman, and there has to be a start point, clearly, in terms of ...

**The Connétable of St. Brelade:**

I am just interested when the starting point was.

**The Minister for Economic Development:**

The proposed opening, as we stand today, for the ombudsman is 1st January 2014. So it is not 2014 at some time, first, second, third, fourth quarter or whatever it is, it is

supposed to be 1st January 2014 and that takes into consideration the likely period of the Privy Council and so on, which is a bit of a ...

**The Connétable of St. Brelade:**

I am not sure where that is going to go.

**Chief Officer:**

And the need to recruit staff in 2013 to have it fully operational by 1st January 2014. That is the plan.

**The Deputy of St. Martin:**

Are you aware, Minister (just moving slightly off track) of any progress being made with the Privy Council to speed up legislation coming back to us?

**The Minister for Economic Development:**

There have been a number of discussions and proposals in order to improve that process. To be fair, it is not just the Privy Council. That is taking unfortunately a longer time than it did previously due to cutbacks within that area in the U.K. We have got a whole programme in terms of how legislation is brought forward from the consultation process that you are seeing has occurred here, the working groups that have gone on. This happens in all legislation, law drafting and so on, so the whole process needs to be speeded up across the piece internally, but the Privy Council itself has been a greater problem due to the cutbacks.

**Chief Officer:**

I think the point the Minister makes is absolutely right in that the Ministry of Justice, which used to be our touch point with the U.K. Government and therefore through to the Privy Council, now has one person that deals with all the Crown Dependencies, offshore territories and the devolved administration through Wales, Scotland and Ireland, obviously. What they therefore encouraged us to do is rather than go through the M.o.J. (Ministry of Justice) is to approach the individual departments that relate to the pieces of legislation directly, and what we have had to do to do that, and this has now been put in place, is significantly increase the level of resource, particularly in the Law Officers' Department, to prepare much more comprehensive material prior to

it going to the U.K. which is going to hopefully speed up that overall process. So we have had to put more resource in because they have withdrawn resource in the U.K. and changed the way that we engage, but we have done it now, the Law Officers have started to recruit people, so that there is now a recruitment process.

[10:45]

**The Deputy of St. Martin:**

I cannot begin to think at the moment where I have seen it but I am aware that there is an initiative locally to try to get people together in all the processes, from the concept of a law right to the final law drafting and everybody in between, to get that working a lot faster. Are we making any progress with that?

**The Minister for Economic Development:**

That was a piece of work that we worked with J.F.L. (Jersey Finance Limited) on and they, together with ourselves, looked at the process, and it was quite interesting because historically each of the various stages seemed to operate in isolation and nobody was managing the whole chain. That is an element that we are working to resolve as well so that we can have someone with sufficient seniority to be able to manage the chain.

**Chief Officer:**

We had a very good example yesterday. We met to talk about the whole legislative agenda for the Harbours and Airports incorporation, Law Officers, Law Draftsmen, et cetera, and the approach that you have just suggested is going to be adopted, so that there will be a person who will look at that whole process and run it, and that is why there are people at the Law Officers that were brought in to try and make this thing work a little bit more in parallel with this.

**The Deputy of St. Martin:**

It is one of those processes, not unlike many others, where there are a number of different people involved and whenever you talk to one, it is never them, it is always everybody else that is slowing things down. When you talk to somebody else, it is not



them, it is the others, and like you say, it just needs somebody to keep an overview of the whole thing and keep the pressure on.

**The Connétable of St. Brelade:**

Just going back to the ombudsman, in terms of funding the scheme, has that been agreed with all those participating in terms of how costs will be levied or fees will be collected and how will they all be based? Because obviously there are very large banks like HSBC and there can be some very small trust companies, or whatever.

**Chief Officer:**

Trust companies will not be included in the scheme but yes, that is what I referred to earlier: there is a working group working between us and industry to finalise how that is going to work, rather like a deposit and compensation scheme where the larger you are, the more you are paying. It would be completely wrong to do it any other way.

**The Connétable of St. Brelade:**

Sorry, I know you just mentioned that trust companies are not included, can you just remind me of why they were not included, Minister?

**Chief Officer:**

Because there is not an ombudsman scheme operating where trust companies are part of it because the trust company itself is merely a window into the investment world, and where people will have recourse to the ombudsman is not through the trust companies but through the places that the trust companies invest the capital.

**The Minister for Economic Development:**

And we were following broadly the U.K. model which is the same as described.

**The Deputy of St. Martin:**

Any further ...? All right, well, we will move ...

**The Minister for Economic Development:**

Interestingly, just as an aside, you started, Mr. Chairman, mentioning the high profile case which I was questioned in the States about the other day. Although an

ombudsman might well have been another source for that individual to seek recourse, the ombudsman does not ... as I have mentioned, in the U.K. and the Isle of Man, an awful lot of cases come to ombudsmen that do not get settled or do not have validity in them, so it would not necessarily have resolved the case in this particular instance, if one looks at all the details. It is a most unfortunate circumstance and obviously one regrets anybody losing money, but I think that the gentleman in this instance will have found that his case would be quite difficult to progress. We tried to step in from an arbitration point of view to suggest arbitration between him and the bank and he chose not to go down that route, which I think is quite telling.

**The Deputy of St. Martin:**

We have moved sideways really. I have got intellectual property as the next one underneath. I do not think we need to spend very much time discussing it. I am not going to talk at it at any great length. I have spent a few hours concentrating extremely hard and got through about 15 pages the other day. I think it is fair to say that it will be our intention to engage somebody who understands these things better than us.

**The Minister for Economic Development:**

May I suggest, Mr. Chairman, that is a very wise move, having taken 400 Articles through the States ...

**Chief Officer:**

That is something your predecessors did and the same person might be ...

**The Deputy of St. Martin:**

I have now got a good grasp of the broad concept but I would not wish to take it very much further than that. I am aware, however, that this type of legislation, and particularly this intellectual property, is very important, and we need to make sure we have got it right because it could make a huge difference to the future for the prosperity of our financial services and associated bits and pieces. So it is important to make sure we get it right and if it does take us that step further forward than all our competitors, that is very important. So I do not think we have got specific questions other than just to mention that that is where we will be going with it and ...

**The Minister for Economic Development:**

I might, on that basis, make a suggestion that we recommended previously some names you might find useful. It is a fairly narrow and specialist field. We are more than happy with the expert we have got, a U.K.-based expert, to provide you with some names that you might like to consider as part of your research for giving you advice. I am more than happy to do that.

**The Deputy of St. Martin:**

Yes. I am sure we will be going to tender for that work and we will ask for submissions and certainly a list of names who specialise would be useful.

**The Minister for Economic Development:**

It is fairly narrow because I do not think there are that many people in the field, so we are happy to share.

**The Deputy of St. Martin:**

Yes, I can imagine, there cannot be too many people who want to specialise in this.

**Chief Officer:**

I think the previous panel did that and I think it worked extremely well.

**The Connétable of St. Brelade:**

What is your timeline for this? Obviously time moves on and this is something you want to move forward and progress as quickly as you could. What is the timeframe on it now?

**The Minister for Economic Development:**

I think we are looking for the I.P subordinate legislation towards the back end of this year, about October time, so that is the next stage.

**Chief Officer:**

It is probably worth just mentioning, Minister, the plant varieties which the Minister referred to earlier. It may not sound significant but it was taken off on the basis that

people thought we were going to be breeding lots of genetically modified crops. It is a very important element of intellectual property legislation that allows us to sign up to international conventions which gives our legislation extra-territorial reach and that is the other point. Once we get plant varieties, we can sign up to conventions, I.P. (Intellectual Property) conventions, such as Paris and Berne trips. That means that intellectual property registered in Jersey is protected through that treaty convention all around the world.

**The Minister for Economic Development:**

Very important for our creative industries among us.

**The Deputy of St. Martin:**

I was just about to say I have got some questions about moral rights and performance rights and I will save them for another day, I think, because ... all very good stuff. Is there anything else you wanted to just dwell on on that one? I was just going to move again, not very far, to the next issue which is the legislation programme, and I see on the list: fisheries, enterprise zone, renewable energy, consumer protection law and e-money, and I just wondered if there were any updates that you, Minister, or officers, might bring to the table?

**The Minister for Economic Development:**

There is an amendment to the Fisheries Law which is awaiting Privy Council approval, we are not quite sure, and there are about 5 other sets of regulations at various stages of drafting and approval in that process. Is there any comment you want to make, Mike?

**The Deputy of St. Martin:**

Something like the enterprise zone, is that what it says on it, an area of land that we would designate for the business of enterprise in a sort of a Silicon Valley-type way?

**Chief Officer:**

The Minister will correct me if I am wrong but the enterprise zone was one of the things that was originally thought of as part of where there might be a potential for economic growth and development, as the equivalent of the U.K. enterprise zones.

Our fiscal system here is such that there is not the same advantage as there is in the U.K., so we have put that in there on our, sort of, notional list. It is unlikely, I think, certainly in the U.K. context, that an enterprise zone would come forward here. That is a different issue to the issue of building facilities that inward investors could use. The thing that makes it attractive for them on that basis is assistance(?) rather than creating some enterprise zones.

**The Deputy of St. Martin:**

Would you then differentiate an enterprise zone from an e-commerce zone or a silicon roundabout type?

**Chief Officer:**

No.

**The Deputy of St. Martin:**

No, so that is not something that we have got particularly at the moment in our minds?

**Chief Officer:**

No, the important thing from our perspective is that we target high-value sectors, that we use the advantages that our fiscal system brings to the market and that we make sure that we get proper facilities that those companies can set up in. A lot of that is related to Gigabit Jersey and some of the other elements of ...

**The Deputy of St. Martin:**

Yes. So you do not see it as a particular issue one way or the other if we have a large number of new e-commerce digital businesses whether they are scattered around the Island or whether they are in one little group in a shack(?) in the country; it will not make any difference?

**The Minister for Economic Development:**

We view Jersey as an enterprise zone. That is what we came to at the end of the day.

**Chief Officer:**

If every residential and commercial property is linked up with a Gigabit e-connectivity, it does not really matter where you are.

**The Deputy of St. Martin:**

No, you are quite right. If you can work on a laptop, it does not matter whether you do it at home, in an office or on the beach in Bali.

**The Minister for Economic Development:**

Technology, cloud computing.

**The Deputy of St. Martin:**

Yes.

**The Minister for Economic Development:**

There are a very other bits on here: a new consumer protection law which we had a Green Paper the end of 2010 in relation to unfair trading practices.

**The Deputy of St. Martin:**

What legislation do you have in mind when we mention e-money? Is that something that we are going to have to look at changing legislation for, to allow more commerce to be done via either “e” or “m” for mobile phone? Or is it just something we move with the times and the banks achieve where they want to go?

**The Minister for Economic Development:**

Yes. There is more to this than just potential legislation, and certainly the regulator, the J.F.S.C. (Jersey Financial Services Commission), has a view about how this may well operate or not, and technology is moving on. At the moment there is nothing in train to allow this; certainly, the legislation does not allow it, if you have any comment about that?

**The Deputy of St. Martin:**

The last one that we had on our list under the legislation programme was renewable energy. It has been announced quite recently that Alderney have signed up with a third party. Interesting that they can do that as part of the Guernsey Bailiwick, but

that is up to them. We had envisaged in the past that the Channel Islands might work together on this; do you have any views, particularly, on Alderney going off on their own, or in addition to that, working with Guernsey again on developing tidal?

**The Minister for Economic Development:**

I think there is an obvious sense, certainly from our point of view, in working together with other Channel Islands, certainly when you look at the tidal reach, most of which is around Alderney. We think we can probably add some value, and I think the Islands should consider working more closely on this area.

**Chief Officer:**

The legislative element of this, generally, is related to our ability to licence the seafloor for either tidal or wind turbine generation. I think where we differentiate from Alderney and Guernsey to some extent is that it is as likely that we would joint venture with one of the French power generators as it is that we would move the power north, because one of the big issues with renewable energy is how far you have to move the energy from the point of generation to the point of consumption, and we are a lot closer to France than we are to the U.K. or indeed Guernsey and Alderney are to the U.K., as well.

**The Deputy of St. Martin:**

It would be a lot easier for us to plug into the French grid than it would be into our own

[11:00]

**Chief Officer:**

We are already plugged into the French grid through the interconnectors as well, but yes, I think the notion of a joint facility, be it tidal or wind, sitting on the boundary between Jersey and French waters, exporting both into Jersey and into France, is probably where we are more likely to go, I would suggest. But to do that, we have to have the ability to licence the seafloor for utilisation, and that is what this legislation would be more about. It is captured in the draft energy policy which will be issued shortly.

**The Deputy of St. Martin:**

If we did manage to do a deal with the French and start utilising tidal power equidistant between here and the French coast, obviously we would all like to see the business being driven from Jersey but is that realistic, that the infrastructure, the physical work, would be done here, or is it more likely to be based in France, realistically?

**Chief Officer:**

I think there are 2 elements to it. The bits of the infrastructure where the cable comes onshore, well, if it is coming into Jersey, there has to be an element of that here. The other element of particular offshore tidal, is the operation of it. You do not just put them in the water and leave them there; they need an awful lot of maintenance and operating expenditure, and operating activities, and it is the logistics base for that which I think is quite important. One of the things that the harbour are looking at and have been looking at is whether or not we can provide that logistics capability to support an offshore renewable energy industry. Yes, there is a significant opportunity for us there.

**The Connétable of St. Brelade:**

In terms of licensing the seabed, obviously you mentioned wind and tidal, does it also protect the Island against any exploration in terms of any other? I do not know whether we have got oil around us, but if we were licensing our seabed, would it protect us in that way?

**Chief Officer:**

It is the ability to licence the seafloor for any form of exploitation, yes. So it is the same as the U.K. in its own waters, which has the ability to license for oil, gas exploration, marine renewables, any form of renewable energy. You effectively license the seafloor for whatever purpose you so desire, and you have that control so to do.

**The Connétable of St. Brelade:**

We have not got any oil?



**Chief Officer:**

Speaking as a former oil man, I would eat my hat if you found any oil offshore.

**The Deputy of St. Martin:**

I think maybe the Constables are hoping these licences might be issued to the parish, in which case they would be extremely lucrative. I think we have covered those. L.V.C.R., not really a subject any of us really want to talk about, but it is not L.V.C.R. any more. I wonder if there is an update on downturns, job losses, where we are with it and whether we have seen the worst; are we there yet?

**The Minister for Economic Development:**

We have not potentially seen the worst, because there has not been the level of job losses that potentially there could be, or it was anticipated there would be; that could still come. The 2 largest operators account for about 80 per cent of the employment. One of those has made very little changes and I do not think intends to do until the latter half of this year, for their own commercial reasons. So there have been job losses, but not to the degree anticipated. We still think they are going to come.

**Chief Officer:**

Interesting, it is worth just expanding on, one of the companies that has seen job losses, the people that have left have left voluntarily and gone into other employment, rather than being made redundant and translating on to Actively Seeking Work register, probably because they knew that down the line that was coming, so when opportunities came up, they took them in other industries.

**The Connétable of St. Brelade:**

How closely have you been working with those companies in terms of looking for alternative sources?

**Chief Officer:**

Very closely. The Back to Work team.

**The Connétable of St. Brelade:**

Does that include some of the jurisdictions, obviously, that you have been visiting recently?

**The Minister for Economic Development:**

There have been 2 streams of action going on: one, together with the Back to Work team, Social Security, they have been working with the companies in terms of their employees, to try and find the employees other jobs, re-skilling, re-training, and so on and so forth. The actual businesses themselves we have been working with, we took one out to China as part of the delegation and they had a very constructive time out there, and they are continuing to develop the leads that they made.

**The Connétable of St. Brelade:**

So there are potential markets in some of these countries?

**The Minister for Economic Development:**

There is no question, China as an example, has a problem, it has a problem insofar as its online businesses cannot get their products to the European market in less than about 3 weeks, which makes them uncompetitive with others. They have got a huge manufacturing base, a lot of products, very competitively priced, and they could see immediately the opportunity of tying up with a strategic partnership with a filler out of Jersey. So, the stock comes in here and can be delivered within 3 to 5 days into the European market.

**The Connétable of St. Brelade:**

Does that also offer opportunities for Jersey Post as well, because obviously that has taken quite a big hit in this, as well?

**The Minister for Economic Development:**

Yes, absolutely, and Jersey Post came with us on the trip, and also found it very constructive. There was a great interest from the Chinese manufacturers. China is a fascinating country; a lot of the big brand names have begun to go international, but there is a huge second tier of businesses that are now looking to expand outside of China, and they are looking for vehicles to do that. They are looking to raise capital, so of course somewhere like Jersey is very attractive for access to the capital markets,

London and so on. They are looking for the expertise that Jersey offers, professional services. The expertise obviously is included in fulfilment for the online businesses in China. So we think there is still potential for some of those that were in fulfilment here to realign their business model, look more to the European markets, and although they have had to let some staff go, we are hopeful that they will start to re-employ. The challenges Europe is facing are still, from an e-commerce point of view, significant.

**The Connétable of St. Brelade:**

Do you think there are also opportunities, I know you mentioned China, but obviously Brazil is an emerging market; we have also got India as well. Are they countries that you are also looking to visit at some stage, and maybe see if there are business opportunities there as well?

**The Minister for Economic Development:**

Yes, absolutely. We have done China and we have done Israel most recently. Both were very constructive. There are others, potentially, on the agenda that we will be seeking to look at. Do not forget, outside of the activities we are looking at, which is non-financial services for this purpose, J.F.L. have got their reach and bases in Asia, Asia-Pacific, Hong Kong Office, and so on, and they are actively now looking at Brazil, which is probably the most attractive opportunity in South America at the moment. There may well be opportunities beyond financial services in Brazil, notwithstanding the fact that, geographically, it is an awfully long way away. But near at hand, Israel offers a lot of potential for Jersey. It is a region that is fairly unstable, as you will appreciate, and as such it seeks a security. Somewhere like Jersey with, again, all the advantages that we offer, gives Israeli businesses a strong foothold and base to launch into the European markets and somewhere, from a wealth management point of view, so you have financial services opportunities from wealth management as well as other business elements.

**The Connétable of St. Brelade:**

I presume a lot of these emerging markets are where you see the diversification of a lot of what you are putting forward in your economic strategy.

**Chief Officer:**

The Minister has mentioned that we visited China and Israel. That is not by accident. China is one of the world's major manufacturing sectors and suppliers, as I said, to the U.K. and European market. Israel is one of the world's major technology development sectors. The e-commerce sector is the physical picking and packing side, which is the Chinese manufacturing element, but also all of the e-commerce platforms that allow people to trade online, and that is what the Israeli site brings. If we can bring both of those together here, we have got a completely different e-commerce/fulfilment sector, both in terms of scale and scope, than we have had to date. Very little of that, if any, is dependent on L.V.C.R., so that is why we have gone after those 2 countries in the first instance.

**The Deputy of St. Martin:**

How quickly can we physically get the Chinese here to start doing this work, realistically? Are we talking 18 months, 2 years, 3 years?

**Chief Officer:**

The risk is that when they want to come, they want to come tomorrow, so that is the answer.

**The Minister for Economic Development:**

Certainly, the company that we took out, one of the 2 big fulfilment companies from Jersey that we took out there, they are, I know, in ongoing dialogue, having got back. They had a very interesting series of meetings; one in particular was with a company very similar to themselves and a very similar size in China that has grown exponentially in a short period, servicing just the Chinese market. So they provide fulfilment services in China to Chinese manufacturers, to the internal market. What they are seeking to do is they want to access the European market, so they would use a Jersey company to do that. Conversely, it would give a vehicle for Jersey, European and U.K. manufacturers to get their products into China, using Jersey.

**The Deputy of St. Martin:**

I think the point I am trying to get at is, will the Chinese step in and fill the gap while there is still a gap to be filled, or is it likely that the existing fulfilment industry that

we have in Jersey is going to decline to a low level and then we will have to build it back up again?

**The Minister for Economic Development:**

I think you are going to see a decline. We are already seeing that.

**The Deputy of St. Martin:**

Will the work from the Far East into Europe arrive quickly enough to maintain levels of employment where they are at the moment?

**The Minister for Economic Development:**

It already has not, because for this particular company, it has had to let staff go because the U.K. market, effectively, from the beginning of April, went.

**The Deputy of St. Martin:**

But will it decline further before we see it pick up?

**The Minister for Economic Development:**

That is more than likely and that is what we had forecast from the beginning. The decline in terms of numbers has been slower than we had anticipated; we did not anticipate, for example, one of the large operators to hold on to their staff, which they have chosen to do for different reasons. We still think it is highly likely that they are going to let them go towards the end of this year, but they have not made an absolute final decision on it. They are looking at some other business models. So there is some degree of hope, still, that we will not see the level of job losses that we had anticipated, but it is still a significant risk. That is why we continue to work hard to develop new opportunities and a new focus on Europe.

**The Connétable of St. Brelade:**

Another thing that was mentioned, another potential opportunity again, is on the tourism side with the Chinese market. More and more Chinese are travelling; is that another opportunity for Jersey as well, in terms of travelling to the U.K. and then travelling to here?

**The Minister for Economic Development:**

Yes.

**The Connétable of St. Brelade:**

Is that something you discussed when you were away?

**The Minister for Economic Development:**

Strangely enough, or not strangely enough, the thrust when we went to China was more technology-led; that is what we went there for. We went to a town called Hangzhou with a population of the main part of the town of around 8 million. It is mainly a technology area; for example, one-third of all e-commerce businesses in the whole of China are based in Hangzhou, including, I might add, an organisation, just an aside, called “Alibaba” which is the Chinese version of Amazon. It was only started in 1999 and has now got 25,000 employees. It has one section to the business called “Alipay” which is like Paypal, which has 650 million registered users. It just gives you an idea of the sheer size of what is there. What was interesting about Hangzhou, we met the political leaders there and they have got a big trade show towards the back end of this year, which is fairly heavily predicated across broad industries, but Hangzhou is a big tourist area for China. They were very interested in talking to us about the possibilities of linking between Hangzhou and Jersey, and developing tourist-related initiatives.

**The Deputy of St. Martin:**

I know that the one item, the one bid that you put in the M.T. (Medium Term) Financial Plan that has not been accepted is the bit of the extra £45,000 for tourism to advertise in China. Well, not just China; Germany.

**Chief Officer:**

£250,000, yes, that is right.

**The Deputy of St. Martin:**

Was it £250,000? It is that last page, to do with German, and it has Scandinavia, £45,000.

**Chief Officer:**

A good indication of how keen they are to work with us, the Minister mentioned that conference at the end of this year; what they said to us, subsequent to the Minister's visit, was: "You get yourself to Beijing and we will pick up the cost of everything else for you, look after you, do all the introductions." So they are very, very keen. I think the Chinese as a whole are very keen to internationalise anyway, but they are very, very keen, when presented with an opportunity, to seize it and seize it quite quickly, and so should we be. We need a very, very small percentage of Chinese visitors who come to the U.K. to come on a day trip or 2 or 3 days, to make a material difference to our visitor numbers. They can come from the U.K. without the need for a separate visa. One of the issues that we have from Chinese visitors to the Continent is that if they come to France, for instance, it is a natural thing for them to get on a boat and come over here for the day; they cannot do that; well, they can do it, but they need to have a separate visa to enable them to do it, which puts them off, really. So it is the ones via the U.K., I think, it is a good idea that ...

**The Deputy of St. Martin:**

On the basis that we have an ongoing business relationship with China, whether that is fulfilment, whether it is tourism, whether it is whatever ...

**The Minister for Economic Development:**

Agriculture.

**The Deputy of St. Martin:**

Potentially.

**The Minister for Economic Development:**

Well, already; it has already happened. The former Chief Minister went to Beijing; there are some trade links with agriculture. They are very interested, and ...

**Chief Officer:**

We are going again in October.

**The Minister for Economic Development:**

We are going again in October.

**The Deputy of St. Martin:**

I was going to ask, do we have a permanent representative there?

[11:15]

**The Minister for Economic Development:**

No, and that is a very interesting point that you raise. What we do have through Jersey Finance in Hong Kong, Jersey Finance have a representative office. Zhaoan Li, who runs that office, who is Chinese and speaks Mandarin, joined us on our trip to China, which was extremely useful, because obviously she understands the Jersey proposition, if I can put it that way. She was able to talk about finance-related opportunities which came up as part of discussions. We had an interpreter given to us by the Chinese government, which was useful. What I noticed, though, we gave various seminars explaining the Jersey proposition, what we do and what we would be seeking to achieve from the trip in terms of building partnership opportunities. What I did note was that, despite the fact that they did not speak English, they picked up on our zero tax regime, even without the need of an interpreter, which was an attractive spin.

**The Deputy of St. Martin:**

Zero tax is an international language, I think.

**The Minister for Economic Development:**

I think it was. No, the broad-based potential across a number of industries with China, and this particular area of Hangzhou is particularly relevant in my view, because we talked very broadly about possible twinning opportunities, building much deeper relationships between the 2 areas. I think we can build on those to our mutual advantage.

**The Connétable of St. Brelade:**

Keep St. Brelade in mind.



**The Minister for Economic Development:**

We were thinking more of a Jersey twinning, but I am happy to.

**The Connétable of St. Brelade:**

They must have a town our size there somewhere.

**The Deputy of St. Martin:**

I do not know if you could cope with 65 million Chinese people in St. Aubin on a Saturday evening.

**The Connétable of St. Brelade:**

Maybe not; parking would be an issue, yes.

**The Minister for Economic Development:**

Perhaps, Connétable, you would like to come with us next time, and promote the opportunity?

**The Connétable of St. Brelade:**

I am always open to offers.

**The Deputy of St. Martin:**

Let us move on. I see Andrew is here, so shall we move to harbours and airports, and then we can get that done?

**The Minister for Economic Development:**

Could I take a quick comfort break?

**The Deputy of St. Martin:**

Yes, absolutely. We will stop for 3 or 4 minutes.

[11:17]