



## **Economic Affairs Scrutiny Panel**

### **Aircraft Registry**

**MONDAY, 16th SEPTEMBER 2013**

**Panel:**

Deputy S.G. Luce of St. Martin (Chairman)  
Connétable S.W. Pallett of St. Brelade  
Connétable M.J. Paddock of St. Ouen

**Witnesses:**

Senator A.J.H. Maclean (Minister for Economic Development)  
Chief Officer, Economic Development  
Strategic Policy Manager, Economic Development

[10:07]

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

I would like to welcome everybody this morning to a hearing with the Minister for Economic Development to discuss the latest developments in the Channel Island Aircraft Registry. If I could just remind members of the public that are here that mobile devices should be switched and if you want to leave, please do so quietly. I apologise immediately for the Connétable of St. Ouen who has had to go to a meeting with the Bailiff at very short notice at 10.20 a.m. He had indeed to sit in on the first quarter of an hour but has now decided it is properly best if he leaves before we start, which I think is probably correct. So he may well be back shortly if his meeting goes well. Minister, if I could just start off by taking us back to a report from the Director of Civil Aviation last year, which is his annual report and one paragraph on page 7 says, and this is in reference to the

Channel Island Registry: "By the end year" this is the end of 2012: "we had reached a critical point where a firm decision was needed either way to proceed jointly or go our separate ways on this issue. Critical though that point is there is good cause for optimism for a successful outcome during 2013 of a genuinely joint Channel Islands Aircraft Registry project." My question to you would be, what has gone wrong?

**Minister for Economic Development:**

Chairman, just before I comment on that, do you want to do introductions first?

**The Deputy of St. Martin:**

Oh yes, I apologise. I will come back to that question then. But we will just quickly whiz around the table and introduce ourselves. Deputy for St. Martin, Steve Luce, Chairman of the Economic Affairs Scrutiny Panel.

**The Deputy of St. Martin:**

Okay, thank you, Minister, for reminding me. Back to my question, what has gone wrong with the optimism of the D.C.A. (Director of Civil Aviation), Minister, when he said in his report that he was very optimistic of a successful outcome of this during 2013?

**Minister for Economic Development:**

Well, it is interesting. The Director of Civil Aviation is an example of good co-operation between the Islands, which has delivered a function covering both Jersey and Guernsey, for those reasons it is quite understandable the Director of Civil Aviation would be keen to see a joint registry. It makes perfect sense, it makes life certainly easier from his perspective and so he was a keen supporter of a joint Channel Island registry, as indeed were we. This issue has been going on for close to 3 years now. We made quite considerable progress with the previous administration in Guernsey before the elections and then of course after the elections there was an obviously slow down as that process unfolded and new posts were established. As to why it has failed, I think fundamentally there was a disagreement on a key point as to the structure. We conceded most of the points that Guernsey felt were important in terms of the way in which the registry would operate but there was one key point that we did not concede and that was about the fact that there needed to be a charges register in Jersey. So we felt it was only reasonable that if everything was located and centric to Guernsey, which is effectively what they were calling for, it was going to lead to a commercial disadvantage for the Island.

**Strategic Policy Manager, Economic Development:**

Can I just clarify that? It was not just a charges register, we were wanting to have duplicate registers over the bailiwicks but we were quite content on the basis that the register is physically

located in one Island and quite happy that Guernsey could do that so just to reiterate, it was a duplicate registers in both Island for engines, aircraft and charges.

**The Connétable of St. Brelade:**

Just while we are on the D.C.A., where do we stand with the D.C.A. at the present time because obviously he would be heavily involved with the Channel Island Registry, certainly in getting Guernsey to co-operate with SGI? Some comments from him back in 2012, for example: "This is a great opportunity for Guernsey, we have envisioned a long-term strategic partnership between Guernsey and SGI." All the way through those particular comments the only people that were mentioned were Guernsey. What negotiations or what discussions have you had with the D.C.A. regarding the single Channel Island Registry for Jersey, considering he has had such a strong part of implementing Guernsey's scheme?

**Minister for Economic Development:**

Well, he is the Director of Civil Aviation for the Channel Islands. Clearly we have been working on the basis that there was going to be a Channel Island registry covering the Islands and the discussions we have had with him have been on that basis but he still remains in post, he still covers the Islands and will have a role to play with the registry that Jersey intends to progress with now. Which I am sure we will come on to talk about in a moment.

**The Connétable of St. Brelade:**

What discussions have you had with them at all regarding a single registry?

**Strategic Policy Manager, Economic Development:**

We have had regular contact with him. I have been working with him for the last 3 years on the project, for almost 3 years on the project, he has been leading the actual registry from Guernsey's perspective and we have been working to see ... or trying to come forward with a solution. So regularly in contact.

**The Deputy of St. Martin:**

He says in his review that he is optimistic for a good outcome during 2013. How have we now ... it was actually interesting that over the weekend that we have just had was the anniversary of the one year that we have issued our review, which was quite clear we felt and most of the other recommendations were agreed with, that they were the way forward, and it just seems very strange that it has taken us another year to get to a point where we are no further down the legal route. I mean, it seems incredible that it has taken a year to decide that we cannot agree legally there is going to be problems, especially if we have been having regularly meetings with the D.C.A.

**Minister for Economic Development:**

Hang on a second, I think we should first of all make it clear that in terms of the legal progression, that has been moving forwards anyway because obviously there were 2 separate laws, Guernsey and Jersey so that the legal aspects have been progressing. So that is not an issue as such. Why has it taken so long, which is effectively what you are asking. Since the report that you were referring to, where there was optimism from the D.C.A., we felt the same. We wanted to progress a Channel Island Registry.

[10:15]

What was happening was we were going backwards and forwards with points being raised on both sides and agreed, as I said a moment ago, we conceded just about every request that Guernsey put forward bar the final point we have just referred to. It was clear that we were getting nothing with exchange of letters and various meetings that had occurred, which is why I called a meeting in Guernsey and went to Guernsey to try and establish a go or no go situation. Around the table it became obvious that Guernsey were not prepared to negotiate any further whatsoever and it was either on their terms or no terms. I am afraid it was at that point that we drew conclusion. It has been frustrating. We were very keen to try and deliver a single Channel Island Registry which we thought was the best option in terms of the function operating between the Islands. Clearly it was going to be competitive outside of the actual function, basically people and cost established in one registry function, which we had agreed would be based in Guernsey. The opportunity I still firmly believe was there for a Channel Island Registry and I think it is a great disappointment that we would not able to gain agreement with Guernsey on that. But we tried. I might add, sorry if I could just point out, I think where we have inter-Island negotiations over matters, they do take a long time and frankly in my view they take too long. You have an example of the Air Ambulance service which was delivered and announced recently. They took nearly 3 years to deliver. It is too long. The outcome is right, it saved Guernsey £200,000, it saved us £40,000, jointly it make sense but 3 years to deliver an outcome like that? Not very good.

**The Connétable of St. Brelade:**

As you said at the meeting we had on Friday that you hopefully did not expect too behind Guernsey when getting the registry up and running. Obviously speed to market is going to be important. Obviously they are a competitor now as are the Isle of Man and other jurisdictions. The legislation side is very important, where are we with it because obviously we may have some catch up to do here? Can you explain to us where we are with the Law Officers at the present time and how we see things progressing? We mentioned securities law the other day and what Chris mentioned ... sorry, what was mentioned in regards to trying to find a good ... the right way forward with that. Where exactly are we with it?

**Minister for Economic Development:**

Well, as far as the legislation is concerned, as I was mentioning, the 2 Islands clearly have separate legislation so we have been progressing anyway as far as we could with regard that.

**The Connétable of St. Brelade:**

Have you been progressing in light of it being a joint registry or have you also been looking at there is a possibility that if it all goes pear-shaped that we may have to look at a Jersey alone registry?

**Minister for Economic Development:**

No, because it was progressing on the basis that it would be a joint registry but the work is the same largely with the development of the legislation because of the fact we have 2 different systems, Jersey and Guernsey legislation.

**The Deputy of St. Martin:**

So there is law drafting required?

**Minister for Economic Development:**

There is law drafting required but in terms of the timing, which is what the summary of question was, and how far behind are we, the intention is to try and get our legislation before the States in a reported proposition by the end of this year. We are targeting December, or January, as a worst-case scenario. Hopefully we believe that is realistic. We understand that Guernsey are planning to launch their registry in December. We then have to go through Privy Council. Fortunately the Privy Council process, due to some work we have managed to ... not just Economic Development but as the States of Jersey we have managed to develop a faster process for Privy Council that you will be aware of and we would hope that by the end of the first quarter, or certainly early in the second quarter, of next year we would be able to switch on our registry. But the important point, I guess, is if we can get it into the States and get an approval by the States of a registry, which is the Jersey registry, then we can start marketing it. It will be in the public domain and so we hopefully should not be more than some few months behind Guernsey.

**The Connétable of St. Brelade:**

If you say the work had to be done anyhow, could we not have progressed it quicker than we have done? It seems to be at a stage now where, according to the law officers, they are waiting for us to draft the instructions from yourselves. Is there any reason this work could not have been done, or some of this work could not have been progressed prior to the announcement on Friday that we were now going down the single registry route?

**Minister for Economic Development:**

Well, once we had the meeting to establish that it was not happening and prior to the announcement there was gap there, we put in place a working party which is important, a private sector, government and industry working together in terms of developing what commercial opportunity is further, looking back at the assumptions when the work was done originally. You remember ... I think it is referred to in the notes that there was 2 reports prepared, one by Guernsey, which we part funding, Helios report, and there was also a report that we did independently, a consortium led by Pro Air looked also at the commercial opportunities. So at that time ... those assumptions were some time ago, in fact one was based on market conditions pre-2008. So those assumptions need to be relooked at. We put the working party in place, they have started that process looking at the commercial opportunity as we move forward. So that sort of ... the legislation is progressing and had to be as I was referring to earlier on. Why could we not have done it faster? We were, of course, in negotiations with Guernsey. One of the other key areas is the delivery model that we would choose. As you know, Guernsey have gone to appoint SGI, there are other providers. If we had gone out into the market place while we were still negotiating with Guernsey, it is a small environment, it would have made it very difficult to have meaningful negotiations with Guernsey if we were equally going out there looking for a provider to deliver a Jersey centric register at the same time. So we did what we could to prepare the position, which is why we are only a matter of months, we believe, behind Guernsey.

**The Deputy of St. Martin:**

Yet, Minister, a little while back you just said that there was some legal work which needed to be done over here with law drafting that would have to happen regardless of whether we were joint with Guernsey or on our won. Over 12 months ago now you told us that the resource from the Law Officers Department and law draftsmen has been secured for this initiative. So that would have been the second half of last year and this year ... the Law Drafting Department tell us last week that they have not as yet received any drafting instructions for this project. Surely there must be some work that we could have been undertaking in the last 12 months as regards law drafting.

**Strategic Policy Manager, Economic Development:**

There has been work undertaken, not through law draftsmen but through the law officers. We had seen sight of the Guernsey legislation and we had made comments on the actual legislation through the law officers so we have been privy to that document. As far as the law draftsmen, we have keep the law draftsmen abreast of everything that we have been doing in the whole process and the process for drafting time, a ministerial decision needs to be undertaken, which has been drawn up and hopefully will be signed off today so we can start the physical law drafting time. But we could not instruct the law draftsmen on any work until we determined what the model was going to be, if we were going to be working with Guernsey or if we were going it alone.

**The Deputy of St. Martin:**

But surely there is an enormous amount of work which would involve a model regardless of whether we go with Guernsey or not?

**Strategic Policy Manager, Economic Development:**

We would be almost running 2 pieces of legislation separately. One of the basis that you would be working with Guernsey and one that which would be just one for Jersey.

**The Deputy of St. Martin:**

So there is no work that we could do which would serve us whether we go with Guernsey or whether we go on our own?

**Strategic Policy Manager, Economic Development:**

A lot of it can be ... the legislation will not be different to what is in the Guernsey legislation apart from changing the name Jersey from Guernsey.

**The Deputy of St. Martin:**

So we are going to use the Guernsey legislation?

**Strategic Policy Manager, Economic Development:**

As a basis, yes, and they use legislation which has been used in the Isle of Man. It is a similar amount of legislation.

**The Deputy of St. Martin:**

Have law officers over here looked at that and agreed that that would be suitable?

**Strategic Policy Manager, Economic Development:**

Yes.

**The Deputy of St. Martin:**

There were not any changes required ...

**Strategic Policy Manager, Economic Development:**

Well, there will be changes ...

**The Deputy of St. Martin:**

Other than then names and the ...

**Strategic Policy Manager, Economic Development:**

No, the model we will be using as well, depending on the providers that we use, the model we take forward with regards to if it is going to be a totally outsource solution, if there is going to be ... what amount of government involvement would be required within the actual legislation, if it is just purely registering the aircraft or taking more of an active role. So that needs to be ironed out with the actual working group.

**The Deputy of St. Martin:**

So why did we not have a working group 12 months ago, 18 months ago, 2 years ago.

**Strategic Policy Manager, Economic Development:**

Well, the working group as such was ourselves with the Director of Civil Aviation and Guernsey because we were trying to come up with an actual model.

**The Deputy of St. Martin:**

So if the working group that has just been formed is going to do this work, why could the working group that was not the working group 18 months ago do the work?

**Chief Officer, Economic Development:**

It is has done the work on the basis that it was going to be a joint registry. I think we need to be absolutely clear here that our very clear intent was to have a joint registry with the Channel Islands. We have models of where that works elsewhere, we can do it with the J.C.R.A. (Jersey Competition Regulatory Authority), with the creation of C.I.C.R.A. (Channel Islands Competition and Regulatory Authorities), and the intent behind that was to reduce the administration costs of providing the registry's function. But within that we needed to make sure that it was absolutely ... there was an absolute equitable position as far as the 2 Islands were concerned to capture the commercial advantage that will flow from having a registry, okay? I was very clear in a previous hearing that it was the actual registry itself that would probably break even with the commercial advantages that it provided. We had extremely lengthy negotiations based on very sound legal advice which culminated on 20th June of this year. You have seen copies of the letters which very clearly define the fact that in the absence of a separate charges engine and aircraft registry you could have a situation where you had a Channel Islands aircraft registry and Jersey obtained no value from it whatsoever, none. Now, that is not an acceptable outcome for the Island, neither should it be. There is precedent where the option 3 structure that we outlined to Guernsey works in the Caribbean, works very successfully, it is not an issue, and provides absolute legal clarity for the customer base. Unfortunately we were not in a position to move forward on that basis. That is what has taken the time. But it is not to say that the work has not been done with the D.C.A., it is not to say the work has not been done with the law officers, and it is not to say that we can now



move quickly to the law drafting process and the approvals process to get this on the market. But I think it would have been wrong of E.D.D. (Economic Development Department) and the Minister, for that matter, to sanction a structure going forward that merely shared the costs of an aircraft registry function from which we derived as an Island, absolutely no commercial value.

**The Deputy of St. Martin:**

We would agree with that wholeheartedly.

**Chief Officer, Economic Development:**

Yes, and these things are incredibly complex legal arguments that are put forward but really it is about providing legal clarity to the customer base because the separate registers ... that would mean if you decided you wanted an aircraft with Guernsey registry, all elements of the presence, as they describe, is that the charges, the registration, whatever, would be very clearly in one Island or the other. If we had a ... moved forward on the basis that Guernsey clearly prefer, that would not be the case and that could, you could argue, potentially damaging to the Channel Islands registry as a whole, not just the Guernsey registry.

**The Connétable of St. Brelade:**

Are you happy that I comment on the responses you have had from the C.A.A. (Civil Aviation Authority) Department in Guernsey?

**Minister for Economic Development:**

The written letter? The responses?

**The Connétable of St. Brelade:**

Yes.

**Minister for Economic Development:**

In some aspects I am disappointed. We do not feel ...

**The Connétable of St. Brelade:**

No, are you happy that I comment on them?

**Minister for Economic Development:**

Oh sorry, yes. Yes, if you want to.

**The Connétable of St. Brelade:**

Going back to August 2012 and the letter from Kevin Stewart, he made several points, one of the points he made that several questions had not been answered regarding legal instruction or

arrangements. Remember this is going back to August 2012, and the comment he makes at the end of one paragraph in regards to Jersey is that commitment has not been forthcoming, at least not at the right time. How would you answer that, that we have not been committed to this because it is clearly what he thought at that time?

**Minister for Economic Development:**

Well, I do not agree and I made it plain to him that that was not our view. For different reasons he did not accept it. But I think that comment is clearly misleading and ...

**Chief Officer, Economic Development:**

Could I refer to a letter, perhaps, Minister? I think you have used it in your previous review, but a letter that we sent, I think it was in February 2012 if my memory serves me correctly, where we clearly stated, I think this was prior to the change in government, our commitment to a joint aircraft registry. We conceded that that registry function could be delivered in Guernsey not in Jersey and indeed we also offered the opportunity of establishing a joint Channel Islands category one shipping register, which would be located in Jersey. So I do not think our communication to C. and E. (Commerce and Employment), certainly which has emanated from our department, would in any way have indicated a lack of commitment towards it.

**Minister for Economic Development:**

We have been absolutely clear to C. and E., and certainly since Kevin Stewart took up the role as Minister, that we were committed to a Channel Island registry, that we were keen to progress it as quickly as we possibly could.

**The Connétable of St. Brelade:**

So what would be your answer to the fact that he considered that a lot of the issues that were now beginning to start to resolve, certainly some of them legal, his view that they could have been resolved much earlier?

**Minister for Economic Development:**

Well, I ...

**The Connétable of St. Brelade:**

Which are the questions we have been asking all the way through, why we are where we are now.

[10:30]

**Chief Officer, Economic Development:**

We are where we are now because we had extremely clear and unambiguous legal advice that the option that we put forward is the option that provides for commercial advantage to be derived by both Island from a common Channel Island's registry function. That is not a position, as you can see from the latest communication between ourselves and C. and E., that has been accepted by our colleagues in Guernsey and therefore, regrettably, the Minister has made the decision that we would go our own way.

**The Connétable of St. Brelade:**

You mentioned that correspondence, I presume the one you mean is the one relating to June, early July 2013. The second paragraph of that would certainly have got alarm bells ringing in my head when they said they were now of the view that they were very close to the point that they were either going to agree to a joint working model to agree to disagree. Now agreeing to disagreeing will mean no joint working registry. In that 2 month period between then and now what has been done to progress the matters because obviously you have got your working group which I think we need to ask some questions about the timing of that. But what has happened in that 2 months. Because obviously once there was the possibility that this was going to fall away, what have we done to ensure that we are getting up ... I am talking about that 2 month period.

**Minister for Economic Development:**

What we were seeking to do was first of all get a meeting because, like yourself, alarm bells were ringing when we read that. So we sought to get a meeting as early as we could. Unfortunately July is not the best time to try and establish that and getting together with C. and E. we had to go over to Guernsey, there was no other way of doing it and we had to cancel some arrangements that were already in place in order to deliver on that, to clarify the position. Once we had the meeting it would have been wrong to predetermine but clearly we were concerned and we thought there was a likelihood that we were not going to be able to resolve but we went there as quickly as we could and following that we have started to move forward. We have established a working group as we have already stated, it is the summer period.

**The Connétable of St. Brelade:**

In terms of using that period for best opportunities that you could, there has issues regarding taxation involved all the way through this in terms of G.S.T. (Goods and Services Tax) and other taxation issues as well, has this period been used to advance that in any way at all so that we can resolve some of those issues.

**Minister for Economic Development:**

Those issues were being worked on anyway prior to this because clearly if there had been no resolution to G.S.T. then that was going to immediately create a competitive disadvantage for us if we had had a joint registry, never mind having 2 independent structures as is going to be the case now. In fact on the working group there is a representative from Treasury, there has been some quite positive discussions and we do not believe that the G.S.T. issues is going to be a barrier to our competitiveness.

**Chief Officer, Economic Development:**

In fact, let us just add, Minister, it is worth mentioning that in a meeting I had with the people that look after G.S.T. from within the Treasury, on another matter but we went on to discuss this, they made it very clear that they wanted to make sure that the treatment of G.S.T. did not in any way provide a barrier to the registry being effective or impacted business flow in that direction. So I think that is a pretty clear commitment from them to make sure that it is put in place.

**The Connétable of St. Brelade:**

But it is clear from some comments that we have received that I think we are keen to see an up to date business case as to what the model will be for a joint Channel Island registry. I think it would be whether it is a joint or a single registry, what the business case was from Jersey perspective. What were you relying on at the time for this business case? Have you got an up to date business case, for example?

**Minister for Economic Development:**

Well, that was what I was referring to earlier on. There were 2 bits of work done originally, the Helios report which showed, I think it was, a £17 million economic value for registry, the independent one that we did, Jersey centric, which is the Pro Air led consortium report, which interestingly drew on other data and which showed, I think, off the top of my head £30 million of potential economic value. What we are seeking to do is update those and that work is underway, that is something that the working group have now met and agreed to progress. Because some of the assumptions, as I mentioned earlier, predate 2008 and ...

**The Connétable of St. Brelade:**

I am just looking at timescales here, this is May 2011 where the business case is not really put, there are some figures used but it is not what I would term a business case. I think that holds up on page 14 where quite clearly they have to propose the next steps which do lay out what the business case should involve and I would ask the question as to what has been done since May 2011 in regards to, and I will go through them, the detailed financial case, the airworthy outsourcing options, the legislation change, the marketing plan, the risk assessment. What of those steps have been done between May 2011 and now because it is 2 and a half years nearly?

**Chief Officer, Economic Development:**

I think we need to bring this back to the fact that the decision to not proceed with the joint registry has been made very recently. All of the work that you have just described has been undertaken on the basis that we were developing a joint registry by SGI Aviation who are contracted by Guernsey to do the deliver and have built the business case around it. Now, because very clear legal advice suggests it is not the best way forward, we have to move towards refreshing that based on all the information that we have gleaned through the process to come up with a business case for a Jersey only register. So it is not as if we have been sitting doing nothing but we have been working at doing it on the basis that the way forward was to deliver a joint register but in a way that was consistent with our legal advice, and that is the issue there.

**The Deputy of St. Martin:**

At a meeting last week or 2 weeks ago, we have been sent an email here from Treasury saying that on 2nd September yourselves or somebody from E.D. met with Treasury and presented a copy of a market opportunity report prepared by a third party in 2011. Can we ask, which report was that?

**Strategic Policy Manager, Economic Development:**

I would assume it was probably myself and it would have been the report done by ...

**The Deputy of St. Martin:**

Pro Air. So we are still presenting reports done in 2011, which by your own admission in our scrutiny review, and I quote: "I think it is fair to say that the numbers are based on pre-economic downturn of 2007, some of the figures related to 2008." So we are still using figures from 2007, 2008 which formed a report which was published in 2011 and that report is still being given as a market opportunity report to Treasury and Resources in September 2013?

**Strategic Policy Manager, Economic Development:**

I have to say they had seen that report much earlier. I cannot remember ...

**The Deputy of St. Martin:**

Well, regardless of how long they have seen it, it is still being presented as an update market opportunity report and the figures are 2007.

**Strategic Policy Manager, Economic Development:**

Yes, if you look at the terms of reference that have been sent to the actual working group, one of the points to be clarified by the working group is that we revisit those figures to see if the opportunities are still as great as they were then.

**The Connétable of St. Brelade:**

But the problem you are going to have with this is ... I agree, good idea to set up a working party but that factors the timing of it because the terms of reference, the actions points and the things that you are going to be considering are not going to muster this up in a couple of months. There are a lot of issues here that are going to take some time to deal with. A business case is going to take some time. I know you could update the current one but it could have been updated a long time ago, it could have been a rolling business case where you look at the market as it changed. Clearly that has not happened and we are set in the situation now where we are clearly going to have to some catch up and I am just really worried about the timescale.

**Chief Officer, Economic Development:**

I am afraid to do this but I have to contradict you. The work that we have been undertaking up until very recently with SGI Aviation on the basis that there would be a joint register, a joint registry, separate registers, we understand what a current view of the market opportunity is as a consequence of that. We do not have to go back to the market to establish that.

**The Deputy of St. Martin:**

Why are we not presenting that information to our Treasury in a meeting 2 weeks ago? Why are we still presenting information which was put together 3 years ago?

**Chief Officer, Economic Development:**

Well, the information that was put together 3 years ago has been presented to them on the basis that it was the latest thing we had on the single registry model. We are in the process with the working group of updating that. You seem to imply that this is going to take an extended period of time. It is not because we have very good, I think, current knowledge by virtue of the work that we have been doing on the development of the registry with Guernsey to allow us to information that business case.

**The Deputy of St. Martin:**

But we are not informing the Treasury because we have just given them ...

**Chief Officer, Economic Development:**

We will. One thing we do not do with the Treasury, Deputy, is we do not inform them on the basis of incomplete information. In order for them to build the case internally for the treatment of G.S.T. and I have said to you earlier they have built a pretty clear commitment to what they are going to do, we need to make sure that the figures they are presented with are robust and we are happy with them.

**The Connétable of St. Brelade:**

Okay, I accept that. Where is Jersey's market in the registry? Where is Jersey's market going to be? What is going to be the unique selling points for Jersey? What are we going to market that other people do not market? What are we going to do differently to other jurisdictions? All the issues ... and I think Chris chaired the meeting in January at the Grand Hotel where a lot of issues were brought up I think by stakeholders and people that obviously would potentially use this. There were issues that were raised then and I think you must have thought then that there are issues here that need to be resolved. Where have we come on from that, for example?

**Minister for Economic Development:**

Just before going on to that, if I can just put some context into this, first of all the point around G.S.T. As we have made clear, the Director of G.S.T. is sitting on the working group, obviously Treasury are going to need some updated details in due course but they have made it absolutely clear they are not going to stand in the way and there is not going to be a barrier to progressing a project that is going to be of value to the broader economy, which we believe that the aircraft registry will be.

**The Connétable of St. Brelade:**

But that is one single, that is one of the single ...

**Minister for Economic Development:**

If I may just continue. The 2 reports that we have referred to, which have estimated the economic value, you will not that those differences are significant. The one that was prepared by Guernsey that we contributed towards was £17 million, the one we did, although the assumptions were from earlier, was £30 million. That gives a broad view of where the potential may or may not lie. I think an important to thing to say here is if we were looking to invest in something that was going to cost a significant amount of money and therefore would attract some risk to it, we would want to be absolutely clear on those figures. They are always going to move but nevertheless here, the model that we are looking at and the model that is being deployed by Guernsey and other jurisdictions is largely de-risking by outsourcing the operation of the registry. So in terms of the cost and risk to Jersey, it is relatively low from that perspective but we still believe there is value to it.

**The Connétable of St. Brelade:**

But how are we going to ... the figures that we used were great, if they are to be believed, and I think there is a great opportunity with a Jersey registry, I am not going to say there is not, but what is going to generate those funds? Is it going to be factual ownership? What are the issues, what are we selling that is going to generate that? That will come out of a business case which

probably something already exists, I am not saying it does not, but what is Jersey's ... what are we putting into the market place. For example, Isle of Man do a specific ... they have their registry, they have things that they do well, what are we going to do that is different to them that is going to attract aircraft and register an aircraft here. That will then give us the value added which we all want to talk about.

**Chief Officer, Economic Development:**

Yes, it works the other way around. As we said in the previous hearing, I think we made it pretty clear that the aircraft registry itself was another arrow in the quiver that would allow Jersey as a jurisdiction to enhance its wealth management and structuring which is driven by the financial services sector. So that is the way it works. It does not work the other way around so that the U.S.P. (Unique Selling Point) for Jersey is the fact it has a very, very well developed financial services sector that can derive value, much greater value, from the presence of a Jersey aircraft register that it can exploit. Legal advice says that if you were to have a single register, a charge in Jersey that would throw confusion in the marketplace, therefore that value could not be derived. That is the way it works.

**The Connétable of St. Brelade:**

But having a great financial service sector is not the only reason people are going to bring their aircraft here.

**Chief Officer, Economic Development:**

Yes, it is, absolutely. That is people.

**The Connétable of St. Brelade:**

Where is the business case that supports that argument?

**Chief Officer, Economic Development:**

Well, the fact is that commercial aircraft of the type that would be registered on the Jersey register, the ones that you see flying in and out of Guernsey and Jersey all day, which are on B.V.I. (British Virgin Islands), Cayman and other registers, they are on those registers not because they spend a lot of time in B.V.I. and they Caymans but because their broader financial structures are also domiciled in those jurisdictions. So it is the case that the registry is something that enhances the broader offering of the jurisdiction, not the broader offering of the jurisdiction necessarily enhances the registry. Our U.S.P. is everything that we have to offer, not simply ...

**The Deputy of St. Martin:**

I do not want to get into drawn out ... it is not arguments because I think we are quite clear from our review and from you tell us, we, on both sides of this table, are hugely committed to the



benefits of the joint aircraft registry can be to our Island. We desperately want to move forward as quickly as we possibly can with this.

[10:45]

The reason for this morning's meeting is we feel, from our side, frustrated that we have not moved faster, that we found ourselves in this awkward position where we are another 12 months down the line, we have not found a way of compromising with Guernsey and moving forward, and it would appear that we do not seem to have, from the Jersey perspective, moved forward in any way, shape or form greatly in the last 18 months. Which we find disappointing and we are just trying to find a way through this.

**The Connétable of St. Brelade:**

Could I just put one point about SGI and negotiations? Because we have now gone to a single registry is it SGI we will be partnering with or are we looking to another company to do that with?

**Minister for Economic Development:**

No, because now the position has changed, we are clearly in competition in Guernsey as opposed to a joint registry so to use the same provider that they are proposing to use would not be an appropriate way forward. There are other providers in the marketplace and some initial discussions have been had with 2 of them already.

**The Connétable of St. Brelade:**

With actual companies that will provide that service?

**Minister for Economic Development:**

Yes, it is similar to SGI. There are other companies in the marketplace that provide a similar service to SGI and, as I have said, we have already had initial discussions with 2 of those.

**The Connétable of St. Brelade:**

The timescale for them to become involved and how they see that progressing?

**Minister for Economic Development:**

The timescale is as I broadly laid out in my opening remarks, which is we hope to have the legislation prepared and ready for presentation, and hopefully approval by the States, in December or January at the latest and subject to Privy Council approval a number of months into the beginning ... certainly by the second quarter of next year to bring the proposition to market. That

captures all the points you are making. We believe that taking all the aspects into consideration that we should be to market a matter of months behind Guernsey, not a significant difference.

**The Deputy of St. Martin:**

In our review we came up with a number of recommendations, Minister, the last one was: "In the event that Jersey cannot be a signatory to the joint Channel Islands registry the Minister for Economic Development must ensure that an updated securities interest legislation is at the very least compatible with the principles established by the Capetown Convention." Your response was: "Securities interest legislation relating to aircraft will form part of the new aircraft registry legislation and law officers and draftsmen are aware of what is required for the security interest for Jersey and it will be put in place." Has that work been done or is that work underway or is that something that we will still have address from day one, starting as of now?

**Minister for Economic Development:**

Well, it forms part of the legislation. I have just referred to the report and proposition which would be the legislation that will be before the States in December/January and that will be included as part of that suite of legislation.

**The Connétable of St. Brelade:**

Is it realistic to accept that we are going to get this done that quickly considering some of the working group points that were raised that will aircraft be accepted U.S. (United States) or E.A.S.A (European Aviation Safety Agency) and the model ... would it be as with the F.A.A. (Federal Aviation Administration). We are dealing with international bodies here that wheels move quickly but they might not move that quickly. Is it reasonable to expect us to get all this in place in that short period of time or has work already been done to try to ease this through?

**Minister for Economic Development:**

I believe it is realistic. I think we need to press hard on this but I do not see any reason why we cannot achieve the targets that I have laid out, both in terms of legislation before the States, hopefully for approval, and ultimately getting into a position where we can turn on a registry, which regrettably is not going to be a Channel Island registry for the reasons stated. I think that is sad, but nevertheless we want to capitalise on the commercial opportunity and benefits to the local Jersey economy now that is the route we are taking we believe we can do so and we will not be, in our view, significantly disadvantaged by being slightly behind Guernsey.

**The Deputy of St. Martin:**

Twelve months ago, Minister, you told us that the resource from both law officers and law drafting had been secured for this aircraft registry initiative. Does that mean you have some time with those 2 departments up your sleeve in the next 3 or 4 months?

**Minister for Economic Development:**

This is one of our priorities and as we have said we do not believe there are any barriers ... there are issues that need to be resolved, as the Connétable of St. Brelade has identified, there are a number of matters that the working group will have to work through and matters of detail, but in terms of ultimate delivery of both the legislation and a Jersey aircraft registry we believe we can deliver in the timeframe stated.

**Chief Officer, Economic Development:**

Could I just make a comment that we have had, I think, tremendous support from the law officers who have worked with us very closely to ensure that we maximise the commercial benefit for the Island and in doing so we have gone down the path of having a separate register. I do not think we can doubt in any way shape or form the devotion, for want of a better word, of resource from law officers to make sure that is the case, including using external counsel who are expert in this area who would find a single register under a single registry something that they find almost unworkable. So that is very clear. From a law draftsman perspective, as I think Chris mentioned earlier, we have had law drafting time allocated for this for some time and that process is undertaken a long way ahead of when the work is actually done and the ministerial decision that Chris referred to earlier authorises effectively the law draftsmen to utilise that already allocated time for this purpose.

**Minister for Economic Development:**

For the avoidance of any doubt, the model that we were proposing to Guernsey, having as I have said conceded on a number of points, ultimately the final model is one that is deployed elsewhere such as the eastern Caribbean. It works effectively and, as I have already said, it is a great disappointment that Guernsey did not feel it was appropriate or possible for them to accept.

**The Connétable of St. Brelade:**

In terms of costs, what has it cost us to date trying to get this joint registry up and running, which is now money lost totally because obviously there is parts of the work that has been done that will not be able to be used. What are the costs to date? In light of the decision that we are not proceeding with the joint registry, what is going to be likely cost of setting up a single registry? Where is that money going to come from? I have a follow on question for that if you want to answer that first.

**Minister for Economic Development:**

First of all, I cannot give you off the top of my head a figure for the cost of getting to this point we are at the moment. I mean, there has been almost 2, 3 years of work from a Channel Islands point of view. It is not unusual for work to be undertaken and not necessarily to be identified in terms of the cost from officers within the department. There is time allocated within budgets, which is set at the beginning of each year and obviously now as part of the Medium Term Financial Plan.

**The Connétable of St. Brelade:**

Are there things we have paid for, though, that there has been a cost?

**Minister for Economic Development:**

Well, there are costs like, for example, our contribution to the Helios report between Jersey and Guernsey. The total cost of that report was £60,000, we made a contribution to it. There was the report that we had, which was led by Pro Air, which I think we spent £5,000 on that. That was incidentally one of the reasons we were concerned about the Helios report was the cost of it. It seemed significant when we got a piece done from Pro Air significantly less. I know you might argue that the relevant reports might not be of the same quality but nevertheless there were those costs. Officer time and law officer time has been relatively minimal at this stage.

**The Connétable of St. Brelade:**

Okay, in terms of setting up the registry, the single registry, have you had any idea of what this might cost in terms of ...

**Minister for Economic Development:**

It depends if you are including officer time, if you are including law officer time, I mean one can make an assessment on those and give you a figure. As far as the actual running of the service, I think I made the point that the intention for the registry itself is to outsource it so it is effectively cost neutral and the risk is taken away from us, the benefit or the economic benefit to the Island plays with everything that comes in as a result of the registry.

**The Connétable of St. Brelade:**

I mean it is a reality that the actual registry itself is probably not going to make any money at the end of the day.

**Minister for Economic Development:**

It is interesting you say that. There was a report recently ... I am a strong believer that you look at the worst-case scenario and you base your assumptions on that. So you prepare for the worst

and you hope for the best, if you like. We have always believed that the registry would be cost neutral and that was the aim. It is interesting, I think it is the Isle of Man registry is showing in its own right a profit now. It was set up to be cost neutral but it is showing a profit some years down the road. So who knows what might happen.

**The Connétable of St. Brelade:**

So you will at some stage be able to give the panel some idea of what the setting up costs for a Jersey registry will be?

**Minister for Economic Development:**

Yes.

**The Connétable of St. Brelade:**

The other side of that as well is obviously if it was a Guernsey registry and it was in Guernsey, even though we were part of it, we would not have any staff requirements here. Setting up a Jersey registry are there going to be any staff requirements, are they going to be local or will we have to import staff of the necessary calibre to be able to run the Jersey registry?

**Minister for Economic Development:**

Well, there will be some staff requirements, relatively small probably. Whether any expertise is available on Island, until one goes through the recruitment process it is not possible to be sure but it is possible that may well need to be some expertise imported but we will see when we get to that particular point.

**The Connétable of St. Brelade:**

Is that because of the different types of registers, engine registers, that type of thing? There may be some service skills that are required?

**Minister for Economic Development:**

There may possibly be needed some specialist skills that do not exist currently in the Island. Obviously the long-term aim, as is always the case and certainly in recent years, is to try and develop that as a career opportunity in the future in the future to make sure that the skills can be grown in Island in time. That would take some period.

**The Connétable of St. Brelade:**

Would that also apply to any type of business that would involved or brought to the side of an aircraft registry, you know, airworthiness certificate that type of thing that we may do here? Because obviously if we are going down our own route now it offers us new opportunities for the

registry, would you see that as a potential where we would have to import staff or would you see that as the initial idea with the thought of training people locally?

**Minister for Economic Development:**

It is always possible - and this applies to any business - that specialist staff need to be imported. Longer term we want to put the foundations in place so that opportunities for local people to train in these areas are established. Clearly that is the objective that we work to in a number of areas.

**The Connétable of St. Brelade:**

In terms of value added, in terms of the financial services, have you had any contact yet with the financial services as to what they may be able to offer in terms of information as to what the value to that may be to the Island, with just a single Jersey registry rather than a joint?

**Minister for Economic Development:**

That was captured in the Pro Air work initially where the view was £30 million, but some of the assumptions there were based, as I have said, on earlier timeframes.

**The Connétable of St. Brelade:**

Then we are back again to trying to get some up to date figures. Will you be looking to get back to the financial services sector to give you some idea of what the up to date figures may be for that sector?

**Minister for Economic Development:**

Yes, that is part of the work that ... the working group will be looking at the assumptions that have previously been prepared in both the original reports, to update those and satisfy themselves that the case is as was. As I have said, the 2 original cases were widely differing in their views of the value to the local economies or economy.

**The Deputy of St. Martin:**

Do we have a timescale, Minister, for revisiting this business case?

**Minister for Economic Development:**

Yes, they have met already. All of the work that needs to be undertaken, and then again as the Connétable of St. Brelade has rightly pointed out, there are a number of issues that need to be addressed, all of which, including reviewing and updating the previous work that was done on the business assumptions has to be done to meet the timetable, which is to get the report and proposition before the States for December/January.

**The Connétable of St. Brelade:**

All the points raised from the initial working group meeting, do you think they will all be clarified by the time we get to an R. and P. (report and proposition) in the States, because obviously some of these issues ...

**Strategic Policy Manager, Economic Development:**

It has to be.

**The Connétable of St. Brelade:**

It has to be.

**Strategic Policy Manager, Economic Development:**

Yes, because that will form part of the actual legislation.

**The Connétable of St. Brelade:**

Right, okay, so you are putting yourself under a bit of pressure?

**Strategic Policy Manager, Economic Development:**

Yes.

**Chief Officer, Economic Development:**

We are, but I think the reason for having the working group and having it in a structured form, and the meeting was held on Friday, Chris sent out the minutes and the action points over the weekend, and all those have timeframes associated with them that need to be delivered. Chris is now dedicated and will have someone else working alongside him in E.D.D. dedicated to the delivery of this to make sure that we do not suffer in terms of speed to market and that when do come to market we market this aggressively and we market the U.S.P.s of Jersey as a whole alongside it with our financial services sector.

**The Connétable of St. Brelade:**

Can I just ask you a question about the actual working group itself and the skills and the expertise that it brings? Obviously we have got 11 names on here, some of which we know, some of which we do not. How is it put together and what skills do they bring to the actual working group itself?

**Strategic Policy Manager, Economic Development:**

I can name names, so Mike Collett sits on the ports shadow board but he has been involved in the aviation industry for a good 20 or 30 years. We have Simon Young, who is an aviation enthusiast but he has also been involved in structuring of aircraft. David Capps ...

**The Connétable of St. Brelade:**

Would Simon be more possibly on the legal matters?

**Strategic Policy Manager, Economic Development:**

Yes. Likewise for David Capps, he is also a lawyer but he has been involved in structuring ships but also been involved other aspects. We also have Gordon Forest...

**The Deputy of St. Martin:**

Gordon Crawford.

**Strategic Policy Manager, Economic Development:**

Crawford, sorry.

**The Deputy of St. Martin:**

I do not think you want to call him Forest on an aircraft registry.

**Strategic Policy Manager, Economic Development:**

He is involved in the aviation industry in a number of different areas. We then called upon other people from within the Treasury and ourselves as well as the law officers. So I think we have a good mix.

**The Deputy of St. Martin:**

What does Karen Dalton bring to the table?

**Strategic Policy Manager, Economic Development:**

She is a law officer but she was involved in work in the eastern Caribbean aircraft registry.

[11:00]

**The Connétable of St. Brelade:**

Are you going to carry out any type of - even if it was short - public consultation with key stakeholders in Jersey because obviously the goalposts have changed a bit now with a Jersey registry, about what they feel the opportunities may offer and any input they may have?

**Strategic Policy Manager, Economic Development:**

It will form part of it and hopefully the working group will be the voice where people can ... we will make it public that these are the people who are on the working group so stakeholders will be able to speak to them. But I would think we would hold another stakeholders meeting when we are a



bit further ... got an idea who we are going to be working with and the structure of the actual registry.

**The Connétable of St. Brelade:**

Do you see that presumably fairly early on in the process to allow them to input?

**Strategic Policy Manager, Economic Development:**

Well, yes, because whoever the providers are we are working with will certainly want to have a say on what and how the service will work.

**Minister for Economic Development:**

Do not forget that when the Helios report was done, which is a joint Channel Island project, at the time we got Pro Air consortium to look at it, it was very much focused as a Jersey centric project. So the aspect of running with a Jersey only registry was looked at very closely in the early stages.

**The Deputy of St. Martin:**

Minister, I thank you for your time this morning. I can only reiterate our enthusiasm to assist you in any way we can to move this forward just as quickly as possible. We are obviously frustrated that we find ourselves where we are today but that is as it is. There are a number of items which have come out of the papers that we had ... this morning we received these papers on the terms of reference of the working group, their first meeting and an email there. There are a number of important issues which are going to be needed to be worked through. You have set yourself a very ambitious timescale to do this. We would wish you well and want to do whatever we can to assist you to get there, but we are certainly concerned to make sure that this business case is properly made with updated figures. Even in the terms of the reference of this working group, which is very new, they are accepting that the business case is still based on pre-2008 economic data and the first thing we must do is to make sure that if we are going to move forward with this registry that there is a business case behind it which shows the benefits that we are hopeful will be there at the end. Anything else you would like to add?

**Connétable M.J. Paddock of St. Ouen:**

Just one point. Is there any merit in a small ships register and the aircraft register sharing facilities together, for example, rather than being 2 different entities?

**Minister for Economic Development:**

Yes, that is a really good point. It was something we believed was an opportunity and in the early stages we put that forward as a proposal that we would have ships registry for the Channel Islands

based here and Guernsey would have the aircraft registry for the Channel Islands based there. That was part of the original compromise matters that were ... I was going to say floated, excuse the pun. That was not accepted by Guernsey. They did not want to confuse - as I think they put it - the 2 issues between aircraft and shipping. I think it was quite an elegant solution and it was another good example of a way the Islands could have worked closely together. I should also make it clear that despite what has happened here I do think there is still quite a number of areas where the Islands should, and indeed must, work together. I think it is disappointing this one has not worked out. I think there was very good grounds to make a joint Channel Island registry and I think it is of significant regret that that has not been able to be delivered on. I would finally say that now that we are going our separate ways, it is clearly a vested issue. You said, Chairman, that we have set a tight target. Yes, we have because we are in competition and there is an economic benefit here for the Islands. We want to capitalise on that. Clearly Guernsey think there is. You have talked as a panel about the business case, they are clearly progressing with a registry, they are satisfied with their numbers and I think if they believe they can make it work, we can certainly make it work to the benefit of the Island and the broader economy. We intend to get there quickly.

**The Deputy of St. Martin:**

Well, with those optimistic words, Minister, I thank you and your team for attending this morning and close the meeting.

[11:04]