



Corporate Services Scrutiny Panel Jersey International Finance Centre

MONDAY, 27th APRIL 2015

Panel:

Deputy J.A.N. Le Fondré of St. Lawrence (Chairman)

Deputy S.M. Brée of St. Clement (Vice-Chairman)

Deputy K.C. Lewis of St. Saviour

Connétable C.H. Taylor of St. John

Witnesses:

The Minister for Economic Development

Chief Officer

[12:03]

Deputy J.A.N. Le Fondré of St. Lawrence (Chairman):

Welcome to this Scrutiny hearing, Corporate Services Scrutiny Panel, and the discussion today is continuing on the review into the Jersey International Finance Centre and we wanted the Minister for Economic Development and Mike King as his Chief Officer just to give us a bit more information on the ... I think from your perspective, the demand on the inward trend of business coming into the Island. Just for the record, for people sitting in the public chairs, as it were, there are some signs around, which I am sure you are all aware, about Scrutiny hearings and not interrupting them, et cetera, et cetera, conduct and behaviour. For the Minister and Mike King, you have got the notices in front of you, which I am sure you eminently familiar with as well. If we can just go round the table for the purposes of the voice recordings. This is Deputy John Le Fondré, Chairman of the committee,

Connétable C.H. Taylor of St. John:

I am Constable Chris Taylor, member of the panel.

Chief Officer:

Mike King, Chief Officer of Economic Development.

The Minister for Economic Development:

Senator Lyndon Farnham, Minister for Economic Development.

Deputy K.C. Lewis of St. Saviour:

Deputy Kevin Lewis, a panel member.

Deputy S.M. Brée of St. Clement (Vice-Chairman):

Deputy Simon Brée, Vice-Chairman of the panel.

Deputy J.A.N. Le Fondré:

I think we would like to start off with is just general contacts, et cetera. For the purposes of inward investment, what are the bodies involved. We have obviously got Locate Jersey and we have got J.F.L. (Jersey Finance Limited). Do you want to just kind of go through who they are and their respective roles?

Chief Officer:

All of these businesses, all these entities I am going to talk about, all have targets related to inward investment allied to them. There is Jersey Finance Limited, whose partnership was modified some years ago to specifically include bringing new businesses to the Island, not just new business to existing players. There is Digital Jersey, which has a target of attracting 2,200 digital new jobs by 2018, I believe. Then there is Locate Jersey that works across all other sectors and works with those bodies to on-board inward investments into the Island. So if it is Financial Services, the first point of contact more often than not is Jersey Finance. Jersey Finance will then start working with Locate Jersey, who interface with the Population Office and others to make sure that the smoothest possible transition of a business wishing to locate itself in the Island can be effected.

Deputy J.A.N. Le Fondré:

Okay, I think that probably assists us from the point of view of what each one does. What would you consider to be the sort of prime target market for each body?

Chief Officer:

Well clearly for Jersey Finance Limited is financial services businesses, be it banks, trust companies, fund administration, fund management. For Digital Jersey, it is very broad; any business that is there to develop and enhance our digital sector or work with other businesses to increase the impact of digital technology to other sectors. That can be as wide as eHealth; Babylon would be a good example of an inward investment, education, eGaming; right across that whole spectrum. Locate Jersey, in terms of where it faces the market, looks at all other sectors. So for instance, one of the sectors where we have had significant success over the last 2 or 3 years is mining and natural resource companies, where we have attracted a lot of businesses wishing to set up what is effectively a mini multinational model, whereby they are headquartered in Jersey with mining control. Their assets may very well be in West Africa, North Sea or elsewhere. They may be listed on NASDAQ, A.I.M. (Alternative Investment Market), London main market, or Toronto, but they operate out of Jersey.

Deputy J.A.N. Le Fondré:

That would tend to be more Locate Jersey side rather than J.F.L.?

Chief Officer:

Yes. J.F.L. is there to be the market facing element for the financial services sector. Digital for digital industry across the piece, Locate Jersey effectively picks up the rest.

The Minister for Economic Development:

Do not forget Locate Jersey obviously have the high net-worth individual programmes too, which can often bring quite substantial family office business with it.

Deputy J.A.N. Le Fondré:

Yes. I think what we are just trying to get is the interaction to an extent because if you use family office as an example, is that more financial services than J.F.L. orientated, or will it tend to come to Locate and then they will liaise with J.F.L. accordingly?

Chief Officer:

Yes, what we seek to do, wherever that first point of contact is, we seek to put together in as simplest way as possible the people that the inward investor or the high net-worth individual needs to on-board themselves. So as the Minister has said, high net-worth individual contacts come through Locate Jersey, through somebody who is dedicated to the task. Obviously if a family office flows from that, then we will work with J.F.L. who have a lot of experience in that element of the sector as well.

Deputy J.A.N. Le Fondré:

Where does Economic Development sit effectively?

Chief Officer:

Economic Development funds Jersey Finance Limited, Digital Jersey and, of course, Locate Jersey is part of Economic Development. So we sit right in the centre of it all I guess. The activity that is undertaken by Locate, by Digital and by J.F.L. is all part of and is all consistent with the economic growth and diversification strategy, which is an E.D.D. (Economic Development Department) led, but whole of Government strategy for doing what it says on the tin and that is developing and growing the economy.

Deputy J.A.N. Le Fondré:

So the day-to-day operations, if you like, if you look at Locate Jersey, is Locate Jersey driven, if that makes sense, and you sit on top just keeping an eye on what is ... you are not ...

Chief Officer:

Helping if at all possible. Just by keeping an eye; yes we do. Again, we agree in terms of inward investment, we agree budgets, we agree activity levels, we agree outputs and outcomes that we seek to derive from that for J.F.L., for Digital, for Locate.

Deputy J.A.N. Le Fondré:

You set the targets?

Chief Officer:

We set the targets.

The Minister for Economic Development:

I think it is fair to say we make sure the business plans are in line with States policy.

Chief Officer:

Yes.

Deputy J.A.N. Le Fondré:

That is quite a useful link because I see you provided us with some tables and some data, which we will get on to in a second. But just by general background, how do you effectively measure and record data that comes through? So I suppose just getting on to some of the details, if we look at licences.

Chief Officer:

Yes.

Deputy J.A.N. Le Fondré:

Do you just want to run through the process briefly of how you record and how that kind of ... how you measure success criteria and that type of stuff?

Chief Officer:

We have very, very rich data in Jersey. We obviously collect information related to business plans at the point that the licence is granted. Then every 6 months we are able to ... and we recently obtained access to the Manpower returns; the detailed Manpower returns - not the aggregated amounts that are published - for every company and therefore we can track - and this is something we are now starting to do now we have access to the data - we can track the performance of individual inward investment businesses on a 6-monthly basis against the licence with which they were issued. Now it is worth mentioning that when that licence is issued it is issued on the basis of the number of people who are employed, be they licenced, registered or entitled. It is issued on the basis of a 3-year plan so there will not be 100 per cent of the staff recruited on day one. But there is obviously a profile of recruitment and what we are now doing is measuring each individual business against that profile. Now if they are on the line, fine. If they are either above or below the line, well there is potentially a case for going to have a discussion to establish if there are any issues or any additional capacity needs to be provided to allow them to realise their ambitions. Because there are some companies that come in and they very quickly are delivering more success than they would like to and perhaps need some additional licences. There are other companies where because of economic circumstances, they may not be delivering on the profile that they thought. Now that is a case for us to go in and talk to them. The other proportion of inward investment that is often ignored is after care. It is as important to talk to businesses and have contacts with businesses after the fact as it is up to the point of inward investment.

Deputy J.A.N. Le Fondré:

How long have you been able to do, let us call it, enhanced tracking and monitoring that you have got?

Chief Officer:

Well the first time we saw it, the Manpower return was the end of last year; the end of 2014 Manpower return.

Deputy J.A.N. Le Fondré:

The December Manpower return, which I think you got in January, shall we say.

Chief Officer:

That is right.

Deputy J.A.N. Le Fondré:

So only literally the last 2 or 3 months?

Chief Officer:

Yes.

Deputy J.A.N. Le Fondré:

So what does that mean then in terms of the data you have provided us previously, we will talk about that, I think.

Chief Officer:

This is the amount of licence ... these are the licences granted.

Deputy J.A.N. Le Fondré:

Yes. So does that mean you will have a sheet somewhere that gives a profile and then we will start to add to that profile to say year 1, 2, 3 and ...

Chief Officer:

Yes, absolutely. If you think of it as a ... I always depict it as a graph. A graph as a profile of employment then we can effectively see every 6 months whether or not that profile is consistent with the business plan that was put forward.

Deputy J.A.N. Le Fondré:

Yes. So do you have something somewhere there that shows that profile at the moment? In other words, for example, on 14 and 15 here using the Manpower returns, can you now ...

Chief Officer:

We have not completed that work. We are in the process of undertaking that work at the moment.

Deputy J.A.N. Le Fondré:

Right, going through that, I suppose delving down slightly; do you want to ... on the date that you have provided us with, I mean I think it would be fair to say that we obviously we will take out ... these figures are for everything, all types of businesses.

Chief Officer:

Yes, absolutely.

Deputy J.A.N. Le Fondré:

So therefore one strips out for the purpose of our review, what we are looking at, strip out things like retail, et cetera, et cetera.

Chief Officer:

Yes.

Deputy J.A.N. Le Fondré:

Therefore would it be fair to say that broadly speaking, you are looking at somewhere between today bottom end 200 up to 250 licensed staff members a year coming through? Obviously that is ...

Chief Officer:

It is a year. That is a good running average.

Deputy J.A.N. Le Fondré:

Okay. Now how do you assess, broadly speaking, that is mixing between that sheet that you have got in front of you and obviously something that Darren I think sent to us earlier.

Chief Officer:

Yes.

Deputy J.A.N. Le Fondré:

So for 12, 13 and 14 and we have only got ... obviously I have not got 12 at this stage though.

Chief Officer:

No.

Deputy J.A.N. Le Fondré:

It looks like that translates into just under 60 jobs a year. So that is about 171 total jobs filled, which is not including retail, construction and fulfilment.

Chief Officer:

Yes.

Deputy J.A.N. Le Fondré:

Divide by 3 basically. Is that a fair assessment?

Chief Officer:

Yes, that is a fair assessment because as I said not all the companies ... well I do not think any of the companies employ all of the people that are in their licence on day one. It very much depends on whether or not their business plan on which their licence application is based is realised.

[12:15]

There are clearly, across the spectrum of companies here, variations in that.

Deputy J.A.N. Le Fondré:

Yes, some overs and some unders.

Chief Officer:

But at the point of ... I mean, I think the point of issue perhaps today is at the point of entry, these businesses are looking for either available or to be available capacity, should those aspirations be realised.

Deputy J.A.N. Le Fondré:

Yes. Well how do you assess ... just give us again a flavour for the numbers; and I am just picking one to go through. But on 13 there is a ... I think it is a marketing and P.R. (Public Relations) agency and it is 10 licensed staff members; about 7 down. The detail does not matter particularly; I just happened to pick that one.

Chief Officer:

Yes.

Deputy J.A.N. Le Fondré:

How do you assess whether it is - I suppose displacement would be the term - in other words you issue a licence for a new business, but if they are taking on ... perhaps a different business has either folded or going down and this is a new business taking it on; I presume that would be included in these figures?

Chief Officer:

Yes. It would be but very little of this is related to inward investment driven by merger or acquisition. This is largely new business to the Island.

Deputy J.A.N. Le Fondré:

Right. So it should be new business and new recruitment or effectively recruiting from the local pool?

Chief Officer:

Well over three-quarters of the licences that are granted here, right across the piece, are for entitled staff, so locally qualified in the old vernacular. So they are new roles but they are for locally qualified people, so it is one of the things I think that has contributed to keeping employment or unemployment at the level and helping to reduce it to the extent that it has, because we are bringing in new capacity all the time. There are some businesses that undoubtedly ... or some of these businesses have benefited from other businesses closing, staff being released and being able to hire them because of the controls that are there saying that the majority of staff should be entitled.

Deputy J.A.N. Le Fondré:

Right. So of the 171, so we say for 12, 13, 14; a lot of those jobs will be obviously from people who for whatever reason have either transferred jobs or were seeking employment?

Chief Officer:

Well they may be; we do not know that. We do not know whether people who those businesses have hired have transferred from other employers or they are in fact new to the workforce. But what we ...

Deputy J.A.N. Le Fondré:

But they are entitled is the point.

Chief Officer:

They are entitled. What we are seeing obviously is, and I think it is very interesting to set this alongside the level of the number of people contributing to social security, which is at a very high level compared to post 2008. So there are obviously more people coming into the workforce who are filling entitled roles and who are making social security contributions.

Deputy J.A.N. Le Fondré:

Okay.

The Minister for Economic Development:

Can I add that since there is a little more confidence returning to the economy, some of the businesses now are envisaging their staff growing at a high rate, doubling, trebling. Businesses

that started with 10 who are anticipating taking upwards of 50 or 60 over the ... they are planning on seeing some fairly rapid growth.

Deputy J.A.N. Le Fondré:

Have you got any data on that - not necessarily now - you could forward to us to give us some examples?

Chief Officer:

Well it is more ... I guess it is one of the things that are more anecdotal than ...

The Minister for Economic Development:

Well I mean, we have had approaches from ... I am not sure how commercially confidential these sort of things are but ...

Deputy J.A.N. Le Fondré:

Well it can be sent to us in confidence and just put a date for information purposes. It does not need to be transferred in a public forum.

The Minister for Economic Development:

Well I do not know, Mike; will that be in order?

Chief Officer:

What we could do is we could have a look on a confidential basis at the applications that have come into the Population Office to increase licence levels.

Deputy J.A.N. Le Fondré:

That would be interesting. That would be helpful. Yes, okay.

The Minister for Economic Development:

That is a good way of doing it.

Deputy J.A.N. Le Fondré:

Right. A lot of that was just a little bit of scene setting just to give us a flavour of what you have given us. Obviously a lot of the numbers here are small numbers. You know it is 5s and 6s and 10s but on the other hand, you know, it is an encouraging trend coming through. I think from my point of view as I just want to do an overview; Chris, have you got anything there particularly in that section?

The Connétable of St. John:

Yes, there was one. You said you set yourself targets. If I could ask the Minister what are the targets for inward business activity and are you achieving those targets?

The Minister for Economic Development:

Well in terms of Locate Jersey, yes we exceeded them last year. The Chief Officer will have to update you on how we are doing this year. I think the targets are still being finalised. We are having a review of the Locate Jersey strategy moving forward.

Chief Officer:

Yes. I mean, the idea is that what we seek to do is ... and these numbers that have been provided here, as the Minister has said, have exceeded the targets that were set. There are 2 types: there is a numerical target, which is fairly self-evident I suppose; it is in the order of 200 to 250. But the other target is the percentage of those roles that are locally qualified or entitled. Because what we are seeking to do is provided as maximum number of high-quality job opportunities for entitled, locally qualified people. So we set as much store behind the proportion of locally qualified to non-locally qualified as we do to the absolute number.

Deputy J.A.N. Le Fondré:

Okay. Kevin, have you got anything? Simon, do you want to pick up on that or ...

Deputy S.M. Brée:

No, nothing in that area.

Deputy J.A.N. Le Fondré:

But before you start, just another query: In terms of the ... as we are looking at the new jobs and how the licences are issued, I mean, do you assess the overall taxation benefit to the Island; whether it is from the individual or whether it is from ... if it is a 10 per cent business or whatever it is?

Chief Officer:

We assess the value in terms, which is effectively a proxy for the combination of projected profitability, taxable profitability or unemployment flowing through to the G.V.A. (Gross Value Added) calculation. We assess that on the basis of each inward investor.

Deputy J.A.N. Le Fondré:

But that does take account of the Zero/Ten and all that type of stuff?

Chief Officer:

It does take account of Zero/Ten. So for instance, the only place that we look at corporate tax is in regulated financial services taxes. The majority of taxation for these businesses that are not locally owner managed comes from employment related taxation.

Deputy J.A.N. Le Fondré:

Yes. Okay but you take that into account?

Chief Officer:

So it relates then to salary level.

Deputy J.A.N. Le Fondré:

Okay. So you are then, if you are looking at salary levels, if you have got 2 equal proposals in terms of 10 licences, but one generates salaries that are higher and one is lower, presumably this one would be ... the higher one would be given preference if there is a restriction?

Chief Officer:

Yes. Because that is ... but it has to be said that we ... let me take Locate Jersey as an example: So we go out and we actively market to mining and resource companies because they are generally high salary, high value and therefore the tax yield is high. If we get an approach from a supermarket - I will give you an example - when Waitrose came in to the Island, do we assist Waitrose in and try to expedite their entry into the Island? Yes, we do. But do we go out actively looking for the businesses in the retail sector? No, we do not.

Deputy J.A.N. Le Fondré:

Okay.

Chief Officer:

So there is a value assessment made and if you look at both the growth strategy and the economic ... the action plan, they both have value criteria in them, which we seek to achieve. Because the last thing we want to do really is to go out and proactively look for businesses that are going to lower the per capita G.V.A. of the economy because that lowers effective average productivity, labour productivity, not increases it. That is what we are seeking to do.

Deputy J.A.N. Le Fondré:

Okay. Thank you. Simon?

Deputy S.M. Brée:

A lot has been spoken about inward investment; I would like to talk to you a little bit about what you consider to be the major barriers across the board to new businesses and inward investment into the Island. What do you consider to be the main, say, 3 or 4 top barriers to inward investment?

The Minister for Economic Development:

We have been breaking down barriers but ...

Chief Officer:

In the information that we supplied to you, I think the 4 main barriers that we see ... I think we have sort of outlined: the first is fiscal stability and confidence in our fiscal - both corporate and personal tax system - is stable and predictable; that is something that is very important to inward investors in all sectors.

Deputy S.M. Brée:

But that surely is not a barrier to inward investors.

The Minister for Economic Development:

No, Mike, we are talking about barriers.

Deputy S.M. Brée:

I am talking about barriers here, not ...

Chief Officer:

If there was any sense of fiscal instability, and the U.K. (United Kingdom) is a very good example at the moment in the run-up to the election, it is something which is perceived as a barrier to a successful outcome to inward investment. We have fiscal stability and I expect that to continue. If there were any lack of fiscal stability that would be a barrier. So let me go on. The second one is the availability of skills and ...

The Minister for Economic Development:

No, I am sorry, I think we are getting ... I mean, these are some of the key benefits. You want to know ...

Deputy S.M. Brée:

No, I felt I was very clear on the question I was asking, which is what do you consider the barriers to inward investment to be at the moment?

Chief Officer:

Okay, well at the moment then, of the 4 that we have highlighted, 3 of them are clear and present at the moment. The first is the availability of skills and basic capacity. That is a function of the skills that are available in the workforce and our ability to bring those skills to the Island, which is a function of the population policy. We have a population policy, an interim population policy, which is supportive of inward investment. But there are - and I think you have seen in the press recently - examples of where businesses feel that some aspects of the population policy could perhaps be modified to be more accommodating for what people wish to do. There is the competitiveness of the economy, particularly when we are looking at digital businesses or businesses that move high levels of data. The overall cost in competitiveness to the economy is something that is a comparative measure that inward investors use and if you are not competitive then clearly you are not successful. So there are potential barriers there. Finally, and I think the one that addresses the review here, is the lack of availability of grade A office space or perhaps better expressed, as the Minister has just expressed it, appropriate premises. If you do not have that then it is a binary thing. They go where it does exist and one of the points I think that we made in the paper that was sent over to you is that it is very important to understand what our composition is for some of these mobile businesses. It is not simply Guernsey and the Isle of Man, but it is increasingly larger jurisdictions such as the U.K. and others who do have very large volumes of available property. If you do not have that then quite frankly, even if you make it on to the short list as far as fiscal stability, availability of skills, et cetera, et cetera, if they cannot come here because of lack of property they will not come and they will go away elsewhere where they can find that.

Deputy S.M. Brée:

So do you consider the lack of appropriate office space to be the biggest barrier or not? Or is our immigration policy possibly a bigger barrier than that?

The Minister for Economic Development:

It probably is at the moment but I can see the premises becoming a bigger barrier as we move down the road because a lot of businesses come here on a fairly small scale but with big ambitions. So that they might come over and if they are successful will very quickly want to upgrade into bigger, more appropriate premises. So I foresee the demand for grade A office space ... from what I have learnt since I have been in my post I can see it growing over the short to medium term.

Deputy J.A.N. Le Fondré:

What sort of time scale?

The Minister for Economic Development:

It is hard to say really but I would envisage the next 5 years would see the demand for grade A office space growing pretty considerably.

Chief Officer:

I think if I could add, Minister, the difference is between the 2 factors; the population policy, stated population policy, is supportive of inward migration and inward investments or inward migration and migration that facilitates that. The decisions of the Population Office ...

The Minister for Economic Development:

Housing and Work Advisory Group.

Chief Officer:

... and Housing and Work Group are again consistent with that because by bringing in a small number of people with an inward investor, they create a large number of job opportunities for licensed people. The issue of the availability of property is more binary. It is either there or it is not. That is the fundamental difference between the 2. So as the Minister says, the waiting is probably at the moment quite equal but one of them is a light switch.

The Minister for Economic Development:

I would say, if I could just comment further, on having ... I sat on the Housing and Work Advisory Group but now Deputy Norton, who is an Assistant Minister for Economic Development, sits on it. Certainly there were some inward investment businesses that came here and been operating here for a year or 2 without any registered employees on - not too many - but on a couple of occasions have had to come to the Housing and Work Advisory Group to ask for registered employees. But they are not usually successful. The Housing and Work Advisory Group have been very strict on that at the moment and that is causing a lot of concern for existing small business.

[12:30]

Deputy S.M. Brée:

But looking at inward investment, which is obviously the major focus of your attentions at the moment, you would not necessarily say that, for example, the wider global economic and political situation has any impact. It is not something you listed. I am talking about the ...

The Minister for Economic Development:

Well in terms of financial services I think the international economy is incredibly important.

Deputy S.M. Brée:

It is just that you did not list it as a possible barrier and I feel that possibly that is an area that needs further concentration.

The Minister for Economic Development:

Well I think because the U.K. G.D.P. (Gross Domestic Product) growth forecast, to which our economy is intrinsically linked for the next 5 years, is very positive. So we do not see it insofar as it is positive it is not a barrier. If it was negative then perhaps it might be.

Deputy J.A.N. Le Fondré:

That is an economic barrier though, is it not? What about political obstructions, shall we say? External or political pressures?

The Minister for Economic Development:

I might sound a bit biased but I would struggle to think of any really. With the efforts we are putting into bringing business in.

Chief Officer:

Well I think if you are ...

The Minister for Economic Development:

Well, you know, Chairman, I think we are all very keen to develop the economy. We will do whatever we can but in the end ...

Deputy J.A.N. Le Fondré:

Yes, I did not mean internal political on this, external political.

Chief Officer:

But if you want to look at this thing from the perspective of an evidence base and if you want to look at globally the amount of mobile foreign direct investment, then you need look no further than the statistics that U.K. Trade and Investment publish for the U.K. and for all comparable inward investment, and what you see is the level of mobile projects, mobile foreign direct investment is at an all-time high. So global economic conditions have not damped the marketplace for global inward investment.

Deputy S.M. Brée:

That is into the U.K. I would argue that the offshore finance centres such as Jersey, Guernsey, Cayman Islands, et cetera, are a very different marketplace. I was more thinking about the

changes in tax direction from countries within Europe, particularly looking at the de-risking of banks, the - if you like - re-examination of the way in which tax avoidance is treated on countries' nationals. That you do not feel to be a barrier to any kind of inward investment into Jersey?

The Minister for Economic Development:

Not at the way we have been dealing with it. We are listed as one of the top ... we were the first co-operative jurisdiction on the ... I forget the name of the list ...

Chief Officer:

The O.E.C.D. (Organisation for Economic Co-operation and Development)

The Minister for Economic Development:

Yes. I actually think it has given us an opportunity to promote ourselves as a responsible, very well-regulated jurisdiction. If you look at the current antics with the U.K. election, I personally think it is a lot of pre-election political posturing by both parties and, if you remember, there was great concern when Labour were elected back in the late 1990s, about what would happen over here. It turned out to be ... with one or 2 difficulties, I do not know if you can remember that far back, but it was fine and Jersey has a history of managing its affairs with U.K. Governments very well and I think while a new Labour Government might be slightly more difficult in the short term, I still think because of the way we regulate ourselves and present ourselves, especially with international markets, we have great opportunities.

Chief Officer:

I think you have to look at those who perhaps are a little fatalistic about financial services have to look at the fact that the offshore finance centre that we have here survived very much intact the worst global financial crisis in living memory and now has employment levels, which are comparable to that, which existed before the crash of late 2008 and does continue to develop. We continue to see increased employment in that sector. We continue to see increased confidence in that sector as was highlighted in the latest business tendency survey.

The Minister for Economic Development:

That is I suppose an advantage of having such a broad spectrum to financial services industry, but not to say they are being complacent because they are not.

Chief Officer:

No, they are not. Well I think that we have seen and Jersey has benefited from, as have some other jurisdictions, a flight to quality, both in terms of capital and indeed institutions, and wishing to put a few of the business lines in through Jersey because it is regarded as a very well-regulated,

compliant, transparent jurisdiction, which is what it is. That I think gives the sort of confidence ... I mean, if you look on the list here, a very significant proportion of the businesses that we have attracted, have been in one way, shape or form, either directly related to or benefit from the existence of a very vibrant, growing, established, well-regulated financial services centre with a good reputation.

Deputy S.M. Brée:

So you would not say as you ... basically, just to confirm what you earlier said, you would not say that the lack of grade A office space is the single biggest barrier at the moment for inward investment? This is a yes or no question.

The Minister for Economic Development:

I think I have answered that question. My answer is no.

Deputy S.M. Brée:

Okay

The Minister for Economic Development:

It is probably the second, just slightly behind the others here.

Deputy S.M. Brée:

Fine. It was just to understand where you feel the pressure is coming from.

The Minister for Economic Development:

It is of high importance.

Deputy S.M. Brée:

It is high importance but not the single biggest barrier.

The Minister for Economic Development:

But if you put me on the spot, I would say right now it is probably a close second.

Deputy S.M. Brée:

Okay.

The Minister for Economic Development:

But I think it will become that in due course.

Deputy S.M. Brée:

Thank you.

Deputy K.C. Lewis:

Are you concerned about the rhetoric coming from the Labour Party at the moment - obviously unfounded and for home consumption - of clamping down on off-shore jurisdictions?

The Minister for Economic Development:

I am not overly concerned. I mean, it is concerning I think but I am not overly concerned because it creates uncertainty sometimes and I know there would be a lot of businesses and individuals waiting for the election to finish and the new Government to settle in. That sort of holds up decisions but that happens in every election.

Deputy J.A.N. Le Fondré:

I have got one query; are we done on this section? My only query really is to pick up on Lyndon's comments, you know, you might have some businesses that want to go from 10 to 50 or something, you know, pick a number. How is that going to interrelate with the issue around licences as in ...

The Minister for Economic Development:

Well these are ... I am very clear in terms of we have to create new jobs. We are going to be reducing the number of jobs in the public sector by several hundred. We have to create therefore at least the equal amount of new opportunities in the private sector. I see what we are doing as being absolutely key to that. So the vast majority of the new jobs created will be obviously for entitled-to-work people. That is key and that is at the forefront of our strategy.

Deputy J.A.N. Le Fondré:

Okay. Let us move on and try and keep it moving forward because I am acutely aware of time as well. What we are saying at the moment; there are a variety of factors around influencing inward investment. The key limiting factor at the moment is not necessarily lack of space, but it is an important factor. But would it be fair to say that the issue, focusing now on office space, is about general availability? In other words, is the availability of office capacity?

Chief Officer:

Lack of capacity.

Deputy J.A.N. Le Fondré:

Yes. Supply, if you like.

Chief Officer:

Yes, supply sites.

Deputy J.A.N. Le Fondré:

Okay. I think that is probably point one.

Deputy S.M. Brée:

So when you are talking to an inward investor who is looking to set up a new business or operation in the Island, and they are looking at the availability of high-quality office space, does it matter to that inward investor who is delivering the office space?

Chief Officer:

No, but it does matter that it is being delivered.

Deputy S.M. Brée:

Right, yes.

Chief Officer:

There is a fundamental difference: If you are looking at businesses relocating within the Island, and in financial services we have a large number of financial services businesses that their property holding is a legacy but it is very fragmented. They want to move into a single footplate, high-productive space. You see the ones that have moved into the Esplanade and Ogier have benefited from that. There is a time frame involved in that because they have existing lease positions that they need to unwind or get out of. Inward investors, when they have a mobile project that they are looking to locate to a jurisdiction, are not looking to do it in 2 or 3 years' time; they are looking to do it in 2 or 3 months or maximum of 6 months. I can give you a good example: a business that we first spoke to just about 12 months ago in South Africa - Digby Wells, who is a mining and gas services business - set up in Jersey, so from first point of contact to setting up in Jersey was around about 9 months. Now if there had not been available space - this is a modest scale - then they would have gone somewhere in Northwest Europe or one of the other offshore jurisdictions.

Deputy J.A.N. Le Fondré:

How many licences roughly?

The Minister for Economic Development:

Was it 10?

Chief Officer:

That was up to 10, yes.

Deputy J.A.N. Le Fondré:

Up to 10, okay.

Deputy S.M. Brée:

All right, you have established that there is this requirement or demand from new inward investors into the Island for high quality office space: What discussions have Economic Development had with private developers in the Island who already have planning permission for the development of sites for high-quality office space? So how are you bridging that gap between the demand from the potential inward investor and the supply, which can be delivered by a private developer who already has planning permission?

The Minister for Economic Development:

I personally have not had any discussions, since taking office, with developers. But I understand from speaking to various people within the industry and businesses looking to relocate, because there is a huge ... the last few years has been tough and it has been a shaking of the tree and a lot of businesses are wanting to consolidate now. A number of businesses have been spread around town and they want to move into one premise. So I think that it is about the size and the type and the design of office space that is available.

Deputy J.A.N. Le Fondré:

No, we are talking about the supply side, not the demand side. So in other words, what discussion have you had with, let us say, developers or owners of private sites from the point of view of ... yes, you are looking at it the demand side.

The Minister for Economic Development:

Sorry, I was jumping to the next stage ahead. I have not spoken to any developers since taking office but I have an understanding of the situation.

Chief Officer:

But prior to your time, of course, we did and we go out and on the basis of what is currently being built next to the Grand, what is consented in terms of total volume. We clearly make potential inward investors aware of that and that has come from discussions that we have had in the past with those developers. But we always come back to the same problem; the problem is that the inward investor is looking for space that is available, not artist's impressions. Now once that is ...

Deputy S.M. Brée:

Sorry, can I just pick you up there? I am a little bit confused by the Minister's response. You have already told us today that there is a demand for new office space or high-quality office accommodation from inward investment. That is a barrier to possibly new businesses setting up in the Island and yet you are saying as Minister responsible for Economic Development, you have had no conversations whatsoever with private developers who already have planning permission and are ready to go to try and bridge the gap between the demand that you are getting and the supply that could be there; is that what you are saying?

The Minister for Economic Development:

Absolutely what I am saying. I have not had any conversation yet with developers or potential developers of prime sites this year.

Chief Officer:

But the department has.

The Minister for Economic Development:

But the department has. The department has but if Mike would like to explain it. There have been a lot of conversations prior. I have been in the job for 5 months, I do not know, it seems like a lot longer but I have not, no.

Deputy S.M. Brée:

Do you not feel that it should be a Minister's responsibility to promote where possible and encourage where possible inward investment?

The Minister for Economic Development:

Absolutely. At the appropriate time I am sure those discussions will be had. But there has been no request and I have not seen it as a pressing need to discuss this, given the previous work that my department has done, and the previous association with the developers and potential developers. But at some stage ...

Deputy J.A.N. Le Fondré:

Do you want to talk through what the department has done then?

Chief Officer:

Well obviously we discuss with S.o.J.D.C. (States of Jersey Development Company) about their consented space and the fact that there will be in time hopefully ...

The Minister for Economic Development:

Sorry, excluding S.o.J.D.C., I have had discussions with them but not private.

Chief Officer:

With Dandara, with Martin Clancy; we are very aware that the development that has been put in place next to the Grand is partly let, but there is going to be spare capacity there as well. We have had discussions around that and again we use this to promote it into the marketplace. But what we are doing is promoting something that is going to happen sometime in the future. So we can present Jersey as somewhere where potentially a lot is going to happen but what people are looking for are things that are going to be delivered now. As we sit here today, I think there is in total about 15,000 square foot of built grade A office space that is unoccupied. It is in about 4 different sites. The next one to be developed or that is in the process of being developed is the building next to the Grand, which we can go out and sell into and we do got out and sell into that.

[12:45]

That is part of our sort of day-to-day activity. But what you see in other jurisdictions is this: in one way, shape or form, there is capacity built on a speculative basis into which inward investment operations go and sell. That is something that we do not have here as a whole.

The Connétable of St. John:

Could I come in here because within the private sector there is - this excludes S.o.J.D.C. - but within the private sector there is over 1 million square foot of office space passed by planning. What you are saying is there is insufficient speculation among private developers to build, which possibly is through lack of confidence. What are you doing to get those private developers to put bricks on top of bricks and produce the buildings?

Chief Officer:

Well the very fact that Locate Jersey exists and Jersey Finance and Digital Jersey exist to drive inward investment we hope increases the confidence in the marketplace that there will be additional capacity requirements. Ultimately it is a decision for the developers as to whether they move ahead. One of the things that is evident, and we discuss and present this information with people across the construction and other sectors, is that the type of demand that we are seeing is a larger number of relatively smaller organisations. So are we going ... well maybe we will one day attract somebody with 400, 500 new employees, equivalent to one of the larger banks. But that is not the typical characteristic of the marketplace that we see. So what we do is we try and characterise working with the developers, with the construction sector, what it is we will see, and

hope that they will move towards building capacity that is going to be available as soon as possible for people to move into. The bottom line is ... sorry, go on?

The Connétable of St. John:

What I am trying to get at is that the sooner you start building, or the sooner the private developers start building, the sooner that office space is available. It is all very well saying: "We have not any now", well, we will not have any in 3 years' time unless they start building today. The question is what are you as E.D.D. doing with the private developers saying: "Here is a tax break; here is something that this is what we need and this is what we will do for you to provide the office space.

The Minister for Economic Development:

Firstly, when we go out to attract new business and inward investment and foreign direct investment, we do not link it to it, we let them go to the market and then the market will react accordingly. I am not exactly sure but I suspect that it is to do with design, as I was moving on to before with design type, size, shape of building. Of course, the private developer needs to have confidence that what they are designing or proposing to design they are going to be able to sell to the new modern business and the type of grade A office space that they want.

The Connétable of St. John:

But you said earlier that grade A office space is sort of equal to political barriers for inward investment and you can see office space becoming more of an obstacle in the future. In that case, the action needs to be taken now to provide that office space to prevent that being the obstacle in the future.

The Minister for Economic Development:

Yes, that is what I said, if we do not start reacting now it will become a much bigger barrier in the future.

The Connétable of St. John:

Yes. My question is, what are you doing to help the private sector deliver what is going to be a greater need in the future?

The Minister for Economic Development:

Okay.

Chief Officer:

Our role is to stimulate demand and make it very clear about the nature of the demand that is being stimulated and the activity that we are undertaking so to do. Our role, as Economic Development, is not to sit on the supply side because that is a private sector or S.o.J.D.C..

The Connétable of St. John:

But the demand you are trying to create is inward investment.

Chief Officer:

It is.

The Connétable of St. John:

That demand is increasingly dependent upon the availability of office space.

Chief Officer:

Yes, it is.

The Connétable of St. John:

What are you doing to facilitate that office space?

Chief Officer:

We are making it clear to the private sector developers and to the construction sector what the pipeline of inward investment is, that would hopefully stimulate some activity. But, from our perspective, as I just reiterate, our role is to stimulate demand, which is what we are doing now. The developments that are planned, be it the Dandara development which does have unlet space and indeed if one of the buildings on the S.o.J.D.C. Esplanade Quarter site goes ahead, there will be unlet space and that gives us something to sell into. There is a reason why that unlet space is there. Why, for instance, Dandara made the decision to invest without having it fully let and that was because they believed that there was other demand, either from displacement or from inward investment as a result, I am sure, from some of the discussions that we have had with them over many years and a very clear description which we have put out into the marketplace of our activity to stimulate demand, that gave them the confidence to go and invest on a partially-let basis.

Deputy J.A.N. Le Fondré:

You do inform the industry, S.o.J.D.C. and the other players, as it were? You do not distinguish between any of them of what the likely pipeline is coming in?

Chief Officer:

Yes.

Deputy J.A.N. Le Fondré:

Just so I have got the numbers correct, if we look at ... yes, I think these are just under 60 jobs a year coming in, as it were, being ...

Chief Officer:

Being filled, as otherwise this is ...

Deputy J.A.N. Le Fondré:

Yes, exactly. That is, broadly speaking, 6,000 square feet a year, is it not, as a guide?

Chief Officer:

It is but I think it is ...

Deputy J.A.N. Le Fondré:

You cannot just take that through ...

Chief Officer:

If you said you were coming here, let us just assume there were 180 jobs and they gave them 60 a year, they would not do them in 3 x 60 parcels.

Deputy J.A.N. Le Fondré:

No.

Chief Officer:

They would want the capacity, at least within any letting arrangement they had, to be able to get the capacity for expansion.

Deputy J.A.N. Le Fondré:

To know they have got expansion, yes.

Chief Officer:

Yes.

Deputy J.A.N. Le Fondré:

Okay. Have you got anything at the moment?

The Connétable of St. John:

Other than I have not been convinced that much is being done to provide office space for the future and that is the only issue I have that ...

The Minister for Economic Development:

I am not sure I fully understand where you are coming from. Digital Jersey, Jersey Finance and Locate Jersey are working very hard to bring in new business and succeeding. The private sector will respond to that and I am not sure ...

Deputy J.A.N. Le Fondré:

I think what we are trying to just see is ... I think we are accepting you are doing quite a good job on creating the demand out there.

The Minister for Economic Development:

Yes.

Deputy J.A.N. Le Fondré:

It is then if one of the key constraints looking ahead, not at the moment, but then if you are saying approval of office space is potentially a problem looking ahead, is there something that either you are doing or that you should be doing that says: "We need to engage more with whoever it is", to almost encourage them or to understand their concerns as to why, for example, the million square feet, and that has got planning permission, has not started to be put down in bricks and mortar terms in order to be built.

The Minister for Economic Development:

I think possibly the million square feet that has planning permission was probably first conceived a number of years ago, 3, 4, 5 years ago and things have changed then. Perhaps what the private sector have designed and got planning permission for, which was conceived a number of years ago, they realise now that in the more discerning ... it is a harder market. Businesses are looking for high-spec grade A open-plan large-floor office space and I know a lot of what is being approved is not that. It is more disparate, it is more the floors with split levels and so on and so forth.

The Connétable of St. John:

They are quite large ...

The Minister for Economic Development:

Perhaps the private sector are going to have to change and relook at some of their plans in line with the demand that is being created.

Deputy J.A.N. Le Fondré:

But I suppose the question it comes down to is, is there a role within E.D. to just almost facilitate that thought process to say: "Look, you have got this, it does not match what our experiences or what people are asking for" and should there be a conversation taking place? Does that make sense?

The Minister for Economic Development:

Yes. Working closely with the Construction Council, perhaps we can certainly raise that. But I know where you are coming from, sort of. I am not sure if I am misconstruing this. I am sort of ...

Chief Officer:

Are you suggesting that we should ... I should not be asking the questions, I know, but would it be sensible to suggest that ... your suggestion that we should be incentivising the supply side?

The Connétable of St. John:

Are you looking at doing so? That is probably the first question. The second question is: have you met with the developers to sort of say: "Look, we are working hard to bring people in. One of our biggest barriers at the moment is the fact that we believe office space is going to be in short supply"? When you look down the list from the Planning Department, the office supply developments they are 70,000, 70,000, 47,000, 98,000, so they are big buildings and perfectly capable of being adapted with a revised application to supply the big floors and the big grade A office building that is required. Certainly a very large percentage of this is for grade A office space and what are you doing to try and put the 2 together? Here is business coming in, here are developers with planning consent to put up the necessary building. How are you going to get them to shake their hand?

Chief Officer:

One of the things that we do with each and every one of these inward investors is that we work with them on how to provide the property requirements that they have. In doing that we put them in touch with the agents and the agents for the developers of the new premises. We do make those links on every one of these cases here.

Deputy J.A.N. Le Fondré:

But obviously the issue within that lot is trying to get ... you want the building coming forward effectively.

Chief Officer:

Yes.

Deputy J.A.N. Le Fondré:

It is there. I suppose what we are trying to say, and certainly at this stage I would not want to say we are saying, are you doing incentives in terms of tax breaks? If this is the problem or is likely to be the problem ahead how are you anticipating trying to mitigate the issue, other than what you may or may not be doing at the moment?

Chief Officer:

I think you are starting to see some real examples and I think the Minister has alluded to it, where the marketplace is changing with one ...

Deputy J.A.N. Le Fondré:

It is starting to shift.

Chief Officer:

A relatively large-scale hedge fund came in from Guernsey recently but the only way it could find acceptable space or a space that was acceptable to it, so that is a characteristic of their demand, was for the States of Jersey Development Company to move out of their space on the waterfront to allow them to be accommodated.

Deputy S.M. Brée:

If I may ask a question, you say a relatively large hedge fund, how many people are they now employing?

Chief Officer:

I think at the moment they are employing about 10.

Deputy S.M. Brée:

You consider that to be relatively large.

Chief Officer:

On the basis of how many thousand businesses that we have got in the Island, 90 per cent of less than 5, then, yes, I do in a Jersey context. Are they one of the large employers like R.B.C. (Royal Bank of Canada) or R.B.S.I. (Royal Bank of Scotland International)? No. But do they require a relatively significant volume and an ability to expand of high-quality space? Yes, they do. The characteristic of the inward investment market that we attract is a larger number of relatively small or medium-scale businesses in a Jersey context.

Deputy S.M. Brée:

We accept that. No, we accept that in a Jersey context it is slightly different to Dubai, London, Hong Kong, New York. I think the point that we are all trying to get to and to understand is that your department is responsible for economic development. One of the barriers coming up in the future will be the availability of high quality or grade A, it depends what type of company it is because there is a clear definition of what grade A is but we will say high-quality office space. I think we are just trying to understand what you are doing to facilitate the building of high-quality office space in Jersey to meet the future demand. From what we are hearing today all you are doing is making an introduction, you are not doing anything else. You have no plans to do anything else.

The Minister for Economic Development:

We are creating a demand in ...

Deputy S.M. Brée:

You are creating demand but you are not matching anything.

The Minister for Economic Development:

Hold on a second, shall we talk about the Jersey International Finance Centre, which will be a very important asset to fulfilling this demand that we think is going to be created? That is perhaps where we need to move on to because I think you are talking about a relatively small amount of free space, comparatively speaking, in the private sector.

Deputy S.M. Brée:

If I may stop you there, Minister. There is already a million square feet of approved high-quality office space waiting to be developed. That is not being filled because there is not, apparently, the appetite from the potential inward investors to form a relationship with the developer saying: "This is what we are going to be doing." To then, effectively, on a speculative basis, build the Jersey International Finance Centre saying: "If we build it they will come" basically is saying: "Private developers could not do it but we can." I do not quite understand that argument.

[13:00]

Chief Officer:

But that is not what we are saying, is it? We are not saying: "Build it and they will come." We are making just, I think, a relatively simple point that at the moment when we are out in the investment market and there is a short-term demand for high-quality space it is very difficult to fulfil that. In the fullness of time the current Dandara development at the Esplanade, and if one of the buildings

on the Esplanade were to go ahead, will there be available space? Yes, there will. Will we match up inward investors with that space? Yes, we will.

Deputy J.A.N. Le Fondré:

Looking ahead, would it be fair to say you welcome the provision of any space compared to where we are now? It does not matter whether it is S.o.J.D.C. or private sector or whatever.

Chief Officer:

No, as I said earlier, it is a capacity issue.

Deputy J.A.N. Le Fondré:

Yes, that is what needs to be there, yes. I am trying not to put words in everybody's mouth here but it would be fair to say that at the moment the demand that is coming through in terms of the business that are generating well, if you see what I mean, is relatively small scale in terms of the demand side because it is 5s and 10s of individuals.

Chief Officer:

It is but there is an example of a business that we are talking to, I think, on Friday, that by 2017, 2018 would have 100 people here, that is their plan.

The Minister for Economic Development:

They started off with half a dozen.

Chief Officer:

Yes. Again, that is the 10,000 square foot ...

Deputy J.A.N. Le Fondré:

That is the 10,000 square feet, yes.

Chief Officer:

I am sure they want it. Is there a current match for that within the timeframe? One could say I guess the unlet space in the Dandara development or indeed if one of the buildings in that space if the Square were to go ahead in short order, that might be a fit.

Deputy J.A.N. Le Fondré:

Yes, okay. It is a little bit chicken and egg situation, to an extent.

Chief Officer:

But they have options to go find that space elsewhere, if it were available and then ...

The Connétable of St. John:

Sorry, can I just clarify in my own mind what you are looking for is a higher level of speculation from the private sector, in other words, you want more office space built and you are saying you can then fit ...

Chief Officer:

If it was there then we would have something to sell into because the market for mobile inward investment is, by definition ... the only reason it is looking is it is looking to move, not to wait for 3 years or 4 years or however long it is for the capacity to be created because the competitor jurisdictions, and they are not all small offshore finance centres, look for some of that and has that capacity.

Deputy J.A.N. Le Fondré:

But if it is London it is a bit of a different argument, is it not?

Chief Officer:

It is a different argument.

Deputy J.A.N. Le Fondré:

Yes, but it does not help the sales pitch though.

Chief Officer:

But, interestingly, we talked a little bit about the U.K. again, what the U.K. is doing, particularly from a corporate tax perspective, is looking to make itself more and more competitive. Property costs are very high there but that is one of the advantages we do have. Even when we build, if we do build new space here, on an internationally competitive perspective, it is quite good value at the rest of the world.

The Connétable of St. John:

Just a fly in the ointment here a bit: if they are mobile businesses that you are trying to attract here what is the risk then of them staying here 3 or 4 years and then moving on because, by their very nature, they are a mobile business?

Chief Officer:

As we always say within E.D.D. if a business is mobile enough to come here it is mobile enough to leave, which is why we spend as much time with what we describe as aftercare, we are working with those inward investment businesses and keeping the contract, the relationship either through Locate Jersey or through Jersey Business. Yes, what we need to make sure is that when they come here they are as sticky as it is possible to make them.

The Connétable of St. John:

Good, I am pleased to hear that ...

Deputy J.A.N. Le Fondré:

Okay, I am just careful about time but thank you for your time. Can we just move on? Just if Kevin can do the couple of bits and then move on to the overall because it is starting to focus a little bit on the J.i.T. (Jersey in Transition)???. Kevin.

Deputy K.C. Lewis:

What about on-Island relocations and if you have any data on any assessment of any missed economic opportunities?

Chief Officer:

By missed economic opportunities you mean ...

Deputy K.C. Lewis:

Through lack of upgrading, for instance, office space upgrading.

Chief Officer:

No, nothing, other than what might be anecdotal but we do not collect that information, no.

Deputy J.A.N. Le Fondré:

Yes. Okay, looking at the I.F.C. (International Finance Centre), number one I suppose is, is it the case that basically the I.F.C. is intended or putting it in fairness to the case, the J.I.F.C. (Jersey International Finance Centre) is intended mainly for on-Island existing businesses, 85 per cent?

Chief Officer:

From our perspective we see the International Finance Centre as creating capacity that deals with displacement and we do see that there is a significant potential for displacement from existing premises to new premises. I think I mentioned earlier highly fragmented to consolidated space increases productivity. If you talk to anybody, I think, from Ogier or from anybody from First Names

Group, who have occupied a floor on 37 The Esplanade they will tell you that productivity increases they have seen just by virtue of that are significant. One would expect the demand to be there, subject to existing lease commitments obviously. Complementing that, there is the hedge fund that came into the S.o.J.D.C. space would suggest that if the International Finance Centre had been there that would have been an obvious home for them, so there is a combination of them both. But they have found space ...

Deputy J.A.N. Le Fondré:

They have found a space after the S.o.J.D.C. discussed this as well, have they not?

Chief Officer:

Yes, they have but if it had been there at the time then it would have been a natural home for them, as would any space of that nature. It is labelled as the International Finance Centre. Clearly that reflects, to some extent, the nature of the makeup of employment and our economic activity here. But also we are seeking to drive high levels of mining and resource businesses. We are seeking to drive high levels of digital businesses. That capacity is just as suited to those types of businesses. If you look at, for instance, I think one of the largest oil companies, sort of, in terms of market capitalisation we have got here anyway is Heritage Oil. They are in the building that overlooks the St. Helier Marina, which is part of the waterfront development next to the CPA building, so they are in there, for instance. They occupy high-quality office space.

Deputy J.A.N. Le Fondré:

Yes. I will move forward and we might come back to that bit. Simon, I think we are on ...

Deputy S.M. Brée:

Obviously, if an International Finance Centre was created on the planned site, do you feel that would, in some way, potentially sort of compromise non-finance related businesses, retail, for example, in other areas of town?

The Minister for Economic Development:

I personally do not think it would because I think it would present an opportunity for urban regeneration, which is why these subjects are at the heart of the Strategic Plan. If we look back at the history of St. Helier and the history of commercial premises, and perhaps arguably why St. Helier is not being developed particularly well from a residential point of view over the years, I think that it is just a succession now in line with modern times and modern thinking and the demand for better quality facilities for business and residents. That businesses, whether they be here or they want to come in, because I firmly believe that having a branded Jersey International Finance Centre would provide a very useful marketing tool to grow our financial services sector. You only

have to look at the Dubai International Finance Centre as an example of something that has gone from nothing to 15,000 employees over a 10-year period. To go back to your further point, it is not a field-of-dreams issue. Build it and they will come but what I do know is if we do not build it they will not come.

Deputy S.M. Brée:

If I can just ask you a question there: you obviously feel it very important that Jersey has an International Finance Centre brand so that you can attract people in, is that correct?

The Minister for Economic Development:

I think Jersey is a very strong brand. Its financial services sector is a very strong brand within itself but I think an International Finance Centre would complement that, yes.

Deputy S.M. Brée:

Why, Minister, did you support the change to call it an International Business Centre in the Strategic Plan?

The Minister for Economic Development:

I do not put too much emphasis on the name I am afraid, in Business Centre, Finance Centre. I think a business centre ...

Deputy S.M. Brée:

Sorry, you just said that it was important to have the brand of the Jersey International Finance Centre and yet the Council of Ministers changed it to be an International Business Centre.

The Minister for Economic Development:

I think you are being a bit picky, Deputy.

Deputy S.M. Brée:

I am merely asking a question.

The Minister for Economic Development:

In business centre/finance centre is not a huge amount. It could be called the Jersey International Business Centre but having a finance centre/business centre as a brand would be very helpful in growing the economy.

Deputy J.A.N. Le Fondré:

As opposed to the Island being the International Finance Centre.

The Minister for Economic Development:

But it underpins the Island's brand. The Island is first and foremost but it will certainly underpin and be helpful to that and it is being said by the financial services sector and Jersey Finance Limited have been specific about that. That is the messages we are getting from all of our partners.

Deputy J.A.N. Le Fondré:

You made reference to Dubai, I just want to pick up briefly there and we are just going to go back to the point about impacts on St. Helier as well. But Dubai, just to give me an idea, is, broadly speaking, bigger than the area inside the ring road of St. Helier at least in terms of the International Finance area. It also has different laws, if I remember it correctly. It says: "It occupies a physical territory of 110 acres. It has its own legal system and courts distinct from the wider U.A.E. (United Arab Emirates), with jurisdiction of the corporate, commercial, civil, employment, trusts and securities law matters." I just cannot remember the number of people who work in there but you just said 15,000, that is a reasonable size. Do you think that, therefore, having an area quite considerably smaller than that makes it a fair comparison to ... I can understand the marketing perspective, what I do not quite get is why Jersey, as an International Finance Centre, which is its brand, versus the Jersey International Finance Centre, helps us compete significantly with the Dubai International Finance Centre or better.

The Minister for Economic Development:

First of all, I do not think the size or whatever ... we are competing in the international market, the same international market with the same potential and the same opportunities.

Deputy J.A.N. Le Fondré:

It does not matter from that point of view, okay.

The Minister for Economic Development:

I do not think that there is ...

Deputy J.A.N. Le Fondré:

What is the difference between, say, an International Finance Centre and an International Finance district?

The Minister for Economic Development:

A district I think will underpin the brand. We are a financial services centre and we are seeing a pattern now of businesses wanting to consolidate into single premises. It has happened with a number of businesses over here, large financial institutions they have consolidated. That is part of

the catalyst, of course, with the economic problems and so having a business or finance centre I think would help facilitate that.

Deputy J.A.N. Le Fondré:

Let me think about that. Kevin, do you want to just go back to towns?

Deputy K.C. Lewis:

With the migrations for a finance centre, what would be the impact on a footfall in historic town, in particular, St. Helier north east?

The Minister for Economic Development:

It is hard to say. This is something that needs a lot of study but we are going to see, I think, quite a lot of changes to the footfall in and around St. Helier. What I do support is that St. Helier, if the urban regeneration is managed properly and in line with the carefully constructed planning, will be incredibly beneficial and we might see a difference in commuter walk routes and so on and so forth. But I do think St. Helier is underutilised in terms of accommodation and residential use in certain areas. We are hanging on to parts of the outskirts of town with commercial and office spaces. That is now unsustainable.

Deputy K.C. Lewis:

This is quite important, I hear anecdotally when the old Odeon Cinema closed that businesses in the area, some business dropped by 20 per cent because the footfall was not going that way and it dropped once again once we lost the car park in that part of town to the Town Park, that business had dropped again. Do you think that is a crucial element?

The Minister for Economic Development:

Absolutely and these things will happen, nothing is for ever. The pattern and the vibrance of a town or city centre will change in line with demand.

Deputy J.A.N. Le Fondré:

If you go specifically to the J.I.F.C., what impact assessments have been done as to the impact on St. Helier in terms of other non-finance retail businesses up the north end of town, central markets, all that type of stuff?

The Minister for Economic Development:

I am trying to think back to the States debate in the gap where I was not a States Member when most of these debates were had.

Deputy J.A.N. Le Fondré:

Shall we go for what recent impact assessments have been done?

The Minister for Economic Development:

Right. I am not sure of any impact assessments that were done in the last year or 2.

Chief Officer:

None that I am aware of ...

The Minister for Economic Development:

But, again, I think there is going to need to be a lot of work done for a longer-term basis because setting up the International Finance Centre/Business Centre, whatever we are going to call it, is a 10-year project, 5 to 10-year project I would imagine. But during that time there are going to be huge changes I think to the shape of town where the commercial development of the town will change significantly by local economic factors.

[13:15]

The Connétable of St. John:

Do you agree with the repeated political statements that S.o.J.D.C. must be no risk to the taxpayer and to the general public and that is its undertaking? There is no financial risk which had been repeatedly stated by various Chief Ministers and the Finance Ministers that there is no risk to the public of the Island with the actions of S.o.J.D.C.

The Minister for Economic Development:

Sorry, I am not quite sure I understand. I think any organisation involved in business or commercial development carries an element of risk. The risk might be in relation to the level of profitability but I am not sure what the statement is.

The Connétable of St. John:

But it is just the Chief Minister has on 2 occasions, while I have been in the States, which is in the last 5 months, stood up and said: "There will be no risk to the taxpayer from S.o.J.D.C.." I just wanted to check if you support that statement.

The Minister for Economic Development:

It is impossible to see into the future but I have full confidence that S.o.J.D.C. will deliver the plan and if they do deliver it there is no risk.

Chief Officer:

I think perhaps what the Chief Minister was referring to is that, over and above the land obviously which is granted to S.o.J.D.C., there is no public sector investment capital being put at risk as a consequence of the development.

The Minister for Economic Development:

Technically, S.o.J.D.C. cannot start developing without the developing tranches with the commitment from the tenants, so ...

The Connétable of St. John:

Yes. It is just that we come back to what you said earlier is that there needs to be a capacity to encourage inward investment and to fulfil the needs of inward investors and this is a need that is going to increase, in which case one is looking for speculative development. Speculative development has a higher risk and, therefore, should S.o.J.D.C. be fulfilling the higher-risk role then there should be no risk to the public, that was what I am trying to get at.

The Minister for Economic Development:

Okay, although there is some speculation in this there has to be pre-lets in place before the phases can continue, so that reduces the risk significantly. If you are purely private you might decide to build without any pre-let or any agreement like that. The risk is reduced, and correct me if I am wrong, by the masterplan, which was approved by the States in 2010, which I think stipulated this, I might be wrong. But there are safeguards, those are the safeguards. It is not as speculative as a pure private development who was going ahead and building something without any pre-let signed.

The Connétable of St. John:

Yes. Those safeguards are in the memorandum of undertakings with S.o.J.D.C.

The Minister for Economic Development:

Yes.

The Connétable of St. John:

It is not in the masterplan that was debated.

The Minister for Economic Development:

Right, okay.

Deputy K.C. Lewis:

Before risking with a guarantee there would be no risk.

The Minister for Economic Development:

We would all be developing properties.

Deputy J.A.N. Le Fondré:

Can I just pull you back? Sorry, we have gone slightly off, we will touch on town again in a second. But you made a comment, or it was Mike made a comment, about businesses right and wanting to consolidate the bigger drawbacks and things like that. Would it be a fair comment to suggest that that at the moment is likely to apply particularly to the large and local businesses because obviously they have got a presence, they are more likely to be scattered around town? How many are left to consolidate, if that makes sense? Because it seems to me and obviously it is something we will be exploring, that a lot of the large players have already moved. We use Ogier, as you have cited them a number of times, they are down there.

The Minister for Economic Development:

Yes, they are.

Deputy J.A.N. Le Fondré:

HSBC.

The Minister for Economic Development:

Yes, in part.

Deputy J.A.N. Le Fondré:

Yes. Obviously the bank that was going next door to the Grand was a very large player, there is a link here obviously, that will in turn free up I think about 70,000 square feet of office space at the bottom of Grenville Street and at Bath Street. I suppose number one is just, do you have an assessment as to how many more of the financial institutions or large players are wanting to move out? Because, for example, there is certainly a legal firm that has chosen not to move into a new 21-year lease in November and there is tension between the benefits of moving or to the costs as well and the potential higher rents and things like that and can they renegotiate with their landlord. Do you have an idea of roughly how many institutions are left and are likely to be in the market for ...?

The Minister for Economic Development:

J.F.L. might have some information on that.

Chief Officer:

J.F.L. I am sure.

Deputy J.A.N. Le Fondré:

I just meant from your point. Yes, obviously that is something we will explore.

Chief Officer:

Yes, from our perspective, off the top of my head, I would not know but I know that, for instance, Joe Moynihan and Geoff Cook have had and have regular discussions with each of the major banks and one of the things that comes up is the availability of property. They are probably better positioned to answer that question.

Deputy J.A.N. Le Fondré:

We will have a discussion. No, they are in the pipeline, it is just right in front of us.

The Minister for Economic Development:

They are constantly doing work on future supply ...

Deputy J.A.N. Le Fondré:

Okay. The other point within that lot, just to touch on, of course, as you have said there is office space up Grenville Street that will become free and I believe that is about 35,000 square feet. Is that something then that assists because we do not know if that is going to be turned to residential or if that is going to be turned into a refurbished office space? If it is refurbished office space, does that assist your marketing thing from the point of view there is a provision of, I will say good quality, I do not know if it is premier or grade A, I have to say, space being important?

Chief Officer:

As I said earlier, I think if it provides capacity that is aligned with what the market is looking for then the answer is, yes, both in terms of quality, location, proximity to other businesses. Then it is obviously clear that that would be positive because it is available, rather than not available.

Deputy J.A.N. Le Fondré:

Okay. Shall we go back to town briefly? To try and bottom it out, in terms of the impact of the J.I.F.C. particularly is looking like that if it was constructed and if the local businesses that have moved do go down to it, would it be fair to say there will be significant economic impact on town, on the traditional parts of town, shall we say? In other words, draw a line the top of New Street down to Colomberie, north of that line, it will have an impact in terms of footfall on non-financial businesses, the local retail trades, the restaurants.

Chief Officer:

The answer is potentially yes but, of course, one of the things that the other plan seeks to do, for instance, is preserve the retail core in King and Queen Street and so there still is going to be vibrancy and footfall related to that, regardless of perhaps where some of the specific office locations are. But I think this is perhaps a bit of a philosophical point but I will perhaps make it anyway, coming from somewhere where regeneration is seen as a significant opportunity, rather than a threat. Where I came from in Wales there was massive amounts of depopulation of areas related to the demise of manufacturing. That has been seen as the ability to regenerate areas and give them a completely different role.

Deputy J.A.N. Le Fondré:

Just to pick on that in terms of timescale and ability, what is envisaged when you talk about regeneration of St. Helier? What does that regeneration look like?

The Minister for Economic Development:

It is early days, it is very early days.

Deputy J.A.N. Le Fondré:

Yes, let us just use the example, Grenville Street/Bath Street, 70,000 square feet becoming vacant in 18 months' time, various little businesses around there, what is going to be done in the next 18 months to 2 and a half years, just to allow a bit of a window of overlap, to maintain or enhance the footfall that is going to be lost when those businesses move, when the finance businesses move?

The Minister for Economic Development:

Before you asked that can I just say ...

Deputy J.A.N. Le Fondré:

Yes, and what is the timescale?

The Minister for Economic Development:

Growing the economy is growing the economy and I think the Jersey International Business Centre will contribute to growing the economy significantly. Small businesses tend to be reactive. They tend to go to where the demand is. You cannot create a demand and keep it in the same place for ever, it moves around and it is going to be moving around continuously. I have been in business and I have owned businesses that have been victim to this. You open to follow a demand and when the demand goes you move, you react accordingly. I think a lot of these businesses will do just that or new businesses will be created. Where we are losing opportunity

we are creating new opportunity and I think that is, in the bigger picture, to the benefit of the Island.

Deputy J.A.N. Le Fondré:

Let us use Colomberie as an example, where do those retailers move to?

The Minister for Economic Development:

Some of them will close potentially, new retailers, new opportunities will reopen.

Deputy J.A.N. Le Fondré:

Where will they build?

The Minister for Economic Development:

They follow the demand.

Deputy J.A.N. Le Fondré:

Yes, but where is the space at the moment for them to move to?

The Minister for Economic Development:

I cannot recall all of the opportunities but I am sure there will be opportunities closer to the vicinity of the demand. Without having the plans and drawings and maps I cannot point out where the new shops and commercial opportunities will be but they will be there.

Deputy J.A.N. Le Fondré:

I shall stop there for the moment. Simon, have you got anything to ...?

Deputy S.M. Brée:

Not at the moment, no.

Deputy J.A.N. Le Fondré:

Kevin?

Deputy K.C. Lewis:

No, I am fine.

The Minister for Economic Development:

Sorry, Chairman, I ... sorry, okay.

Deputy J.A.N. Le Fondré:

Hang on, yes, have you got anything you want to add?

The Connétable of St. John:

Nothing other than the proposal to rebuild because I believe is office space only. There is no retail or café-type space available in the 3 buildings so far passed by Planning, so ...

The Minister for Economic Development:

I was not really referring to at this stage specifically those buildings but there are a number of retail and small commercial developments in the area, from Gloucester Street, Esplanade, those sort of areas. Where there is a demand society has a habit of finding a way to fill it.

The Connétable of St. John:

Yes, providing there is the space and the premises and the capacity of premises for them to occupy. What we are doing is we are taking the offices from over here, which is the footfall and we are putting them over there without providing the equal opportunities to support industries, such as the cafés, the corner shops and so on, to move with them.

The Minister for Economic Development:

No, I understand but we have seen some evidence of businesses now investing in the area. When you look at Castle Quay and other areas down at Liberty Wharf and the Cineworld area, there are convenient stores and coffee shops. There are businesses realising that in a number of years there is going to be demand and they are starting to invest now. The developers have geared around support and I know a number of businesses that have gone into Castle Quay, which I think we will see a significant benefit when the new business centre is built and making those decisions now. I understand there are, I am just updating myself here, restaurants and retail convenience in the area.

The Connétable of St. John:

That is in the finished masterplan.

The Minister for Economic Development:

Yes.

The Connétable of St. John:

But that is going to take 20 years to build.

The Minister for Economic Development:

No, I do not think so, I think it is 10.

The Connétable of St. John:

It is 10 years for the Jersey International Finance Centre, which is offices only and then another 10 years after that, which is the hotel, retail and residential areas. That is when the cafés, the corner shops and the retail is brought in but in the meantime we are going to have at least 10 years with the shops struggling at that end of the town with all the ...

The Minister for Economic Development:

We will see that the commercial activity will increase in that area. Like I said, Castle Quay, Liberty Wharf, it is all being developed. We are not just pulling business out of one area. This is why St. Helier and the town planning is part of the Strategic Plan, urban rejuvenation and housing and I think the future housing demands of the Island, I am strongly of the view that the majority of that should be in St. Helier with the right town plan.

Deputy J.A.N. Le Fondré:

I am not going to disagree with you on the provision of the housing but ...

The Minister for Economic Development:

While we are moving business and office out, we will be putting new residential in.

Deputy J.A.N. Le Fondré:

Is there not an impact, for example, in terms of the patterns of footfall, that if you have residential accommodation, particularly depending on who is in those units of accommodation, your footfall will be more people going to and from work between 9.00 a.m. and 5.00 p.m. and your lunchtime trade and all that type of stuff will be minimal?

The Minister for Economic Development:

It means you might have ... yes, it changes.

Deputy J.A.N. Le Fondré:

I suppose the question will be from your point of view and Economic Development, at the moment assessments have not been updated or performed in the last 2 or 3 years as to what the future outlook is going to be. Yes, and once we have the Strategic Plan, is there any intention to look at what the impact is going to be and how that will be done or is that more a role of Planning?

The Minister for Economic Development:

I think that is going to be something to play out as we get over the next 2 to 3 years. That will all be a very important part of the new St. Helier planning progress, however that shapes up.

[13:30]

Deputy J.A.N. Le Fondré:

The States, despite all the best intentions, is not the quickest of movers necessarily. Again, it goes back to the point of how do you try and support ... the messages at the moment is that businesses have to move swiftly and adapt because there are moves in place that will shift business again within 2 years and we do not have anything on the table at the moment that is going to mitigate those measures, do we?

The Minister for Economic Development:

Some businesses will restructure and manage, some will relocate and some will not be able to survive. But that is not new, that happens all the time. Every year there are dozens of businesses that face changing economic circumstances around the Island.

Deputy J.A.N. Le Fondré:

To go right back to the beginning then, the summary of the position at the moment is there is a demand for office accommodation.

Chief Officer:

We believe so.

Deputy J.A.N. Le Fondré:

That is not the highest problem at the moment but it is one of the issues that we are looking at in terms of looking forward. You are neutral as to the source of it, you just need it to be there as the initial ...

Chief Officer:

The market is neutral as to the source of it, it is about availability.

Deputy J.A.N. Le Fondré:

Yes. The key factor is having the provision of the space. There is some discussion, not only between ourselves and S.o.J.D.C. but the full private sector as to what the likely future demand is. But you have not, at the moment, got any specific measures in place or to try and bridge that gap

between the demand that you are generating and seeing what can be done to influence the supply side, do you agree?

Chief Officer:

Yes, because we do not see ourselves as a supply-side operation.

Deputy J.A.N. Le Fondré:

Yes. Then in terms of St. Helier, there will be an impact on let us call it north of the town as a result of the various moves that are occurring. But the general view on that is to rely on the Strategic Plan and the regeneration or before coming out of that.

The Minister for Economic Development:

When I say "rely on the Strategic Plan", I think with or without aspects of the Strategic Plan we have seen a lot of rejuvenation planned for north of town anyway, Town Park and some of the proposals and the street up are already going. That has been managed already, so it is not dependant on the Strategic Plan, it is already happening. The rejuvenation of that area is already happening to some extent and has been for many years.

Deputy J.A.N. Le Fondré:

Okay. I think we will stop at that point. Anybody else?

The Connétable of St. John:

Not at the moment.

Deputy K.C. Lewis:

Do you think a single centre is crucial, a single finance centre or do you think the whole Island as a whole?

The Minister for Economic Development:

We are not going to say everybody in finance has to be in that centre. It will be an addition. I think it will underpin the offering and I think it will be beneficial. But I still hope that Jersey's Financial Services Centre is going to cover a broad spectrum of products and premises which they occupy and jobs ...

Chief Officer:

I think it is fair to say that in a jurisdiction with limited land the creation of a central business district and the capacity to see the economy develop, not just financial services but outside that, which frees up other areas for residential or other development, I think is certainly a very plausible and

sensible outcome. But at the heart of it is the creation of a central business district that is the focus of economic activity and what that frees up, with respect to the position that exists already, is an opportunity for regeneration and reuse, not necessarily purely a threat.

Deputy J.A.N. Le Fondré:

By district do you mean the J.I.F.C. or do you mean it incorporating the area around it, it would just be a district?

Chief Officer:

Yes. I moved here 10 years' ago and there was no CPA building, there was no new bus station, there was no Regus and there was no Commission, their building, so that started to develop as a focus. Some of the private sector consented developments in that area, not S.o.J.D.C., are all building on that, the J1 is right behind that. But it is in the context of a more focused central business district, which is a very, very common model in jurisdictions small and large.

Deputy J.A.N. Le Fondré:

Okay. I am sure there are going to be a few things we will want to come back to you on and I think in saying that ...

The Minister for Economic Development:

I am sure. I am going to come back to you on a few things. **[Laughter]**

Deputy J.A.N. Le Fondré:

I am sure you will and on certain areas I think that has been helpful, on other areas I think there are some areas we have got to explore, okay.

Chief Officer:

Okay, thank you.

The Minister for Economic Development:

Thank you.

Deputy J.A.N. Le Fondré:

Thank you very much.

Deputy S.M. Brée:

Thank you very much for your time.

[13:35]