

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *for* ECONOMIC DEVELOPMENT

GUERNSEY ECONOMIC VISION: INVESTMENT, GROWTH AND HIGH VALUE EMPLOYMENT

The States are asked to decide whether, after consideration of this Policy Letter, titled "Guernsey Economic Vision: Investment, Growth and High Value Employment", dated 13 November 2017, they are of the opinion:

1. To support the proposals set out within this policy letter in accordance with Rule 17(9) of the Rules of Procedure. The Committee is of the opinion that these proposals are of general policy and that this Proposition should be considered by the States without amendment on the understanding that if it is accepted the Committee will return with detailed proposals which could be accepted or rejected with or without amendments.
2. To agree that administration and control of the Future Guernsey Economic Fund shall be immediately transferred to the Committee *for* Economic Development in support of the delivery of the proposals set out in this paper.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

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EMPLOYMENT

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

13 November 2017

Dear Sir

1 Executive Summary

- 1.1 The States of Deliberation's vision of Future Guernsey emphasises that it requires "*a successful, diverse economy*¹." This is essential to provide jobs, growth and investment, which in turn provide the general revenue for investment in public services. Such a successful and diverse economy will not happen without active encouragement and material initial investment by the States of Guernsey ("the States"), given its policy making role and controlling stakes in key areas of infrastructure, property and landholdings.
- 1.2 The Committee *for* Economic Development ("the CfED" or "the Committee") has a wide ranging brief to support Guernsey's economy. It is responsible for promotion and development of all sectors of business, securing and promoting air and sea links, competition and regulation, broadcasting and media and living marine resources.
- 1.3 This Policy Letter sets out the next level of detail in the delivery of the high level economic development ambitions which are set out in phase 2 of the Policy & Resource Plan². Since approval of this plan the CfED has sought to refine its policy plans in order to create a vision of the actions required to deliver the envisaged

¹ Future Guernsey – Policy & Resource Plan – Phase 1. Approved by the States on 16 November, 2016.

² Billet d'Etat XII – 21 June 2017, Policy & Resource Plan Phase 2

success for the Island's economy. As such, the following accords with the prioritised policy initiatives approved by the States of Deliberation ("*the Assembly*") in November 2017³. This Policy Letter focuses on Guernsey but the CfED will also seek to work wherever possible with the representatives of the other Islands within the Bailiwick.

- 1.4 This Policy Letter is presented under Section 17.9 of the Rules of Procedure of the Assembly and their Committees. This states: "*Where a Committee originating a matter for debate before the States is of the opinion that the proposals it is submitting to the States are of general policy, and where it is desirable that the principles of that policy should be considered, the Committee may have its propositions considered by the States without amendment on the understanding that if the propositions are accepted the Committee would return with detailed proposals which could be accepted or rejected with or without amendments. Where a Committee invokes the provisions of this paragraph it shall make express reference to it in its propositions.*" The CfED will, over the forthcoming months, bring a series of detailed proposals to the Assembly in each of the areas set out below for their consideration, and Section 10 of this Policy Letter summarises the approximate timetable for such actions.
- 1.5 The Guernsey economy has been remarkably successful in recent decades with the standard of living enjoyed by its residents reflecting its success in providing a location where business has been able to trade which is safe, tax efficient and resilient. At its best, the Guernsey economy has encouraged innovation by being flexible to new developments and supported them appropriately through legislation and policy.
- 1.6 However, over recent years the Guernsey economy has, at best, appeared to tread water. Real Gross Domestic Product (GDP) has only grown by 0.47% in total over the last three years for which full year information is available (subject to potentially significant revision), real median wages have recently fallen, construction is at an historically low level, and all anecdotal evidence is that business confidence remains low⁴. In addition, the States investment in infrastructure has consistently been below international norms and the Island has to address the instability posed by Brexit to its international relationships and customer base.
- 1.7 Over recent months a series of local stakeholders have raised concern over the Islands current and future economic performance. In short, the economy is not in

³ Billet d'Etat XX – 2018 Budget Report

⁴ The States has limited evidence on the performance of the local economy, hours worked, productivity and business confidence, so precision on these issues is difficult.

the position that it once was (in real terms) or should be and this is a pivotal point for the economic future of the Island. However, the CfED believes that all the characteristics of a successful Guernsey economy still remain, and with appropriate stimulus the economy can once again deliver the performance that is critical for the Island and its population.

- 1.8 This Policy Letter identifies a series of initiatives which, when taken together, provide the potential to substantially increase economic activity within Guernsey, delivering the investment, growth and high value employment that will be required to ensure the prosperity of the Island over forthcoming years.
- 1.9 There are, however, only limited areas where the CfED can influence the direction of economic activity through its own actions, and where these exist the Committee has already begun to act. In a number of other areas the CfED could support activities that will help deliver the approaches outlined in this Policy Letter, given the financial ability to do so. To this end the Policy & Resources Committee ("P&R") set out in the budget⁵, that the control and governance of the Future Guernsey Economic Fund (FGEF) should be considered by the States in relation to this Policy Letter. More details of this fund and its potential uses consistent with this Policy Letter are set out in Section 9.
- 1.10 However, the vast majority of the actions outlined in this Policy Letter need to be conducted in partnership with other Committees of the States and the private sector. The role of the CfED is to set out the direction of travel and then work alongside other stakeholders to ensure their delivery. Such a proactive stance, whilst remaining in partnership, will be the key to the successful delivery of the proposals presented below.
- 1.11 The CfED has set out this Policy Letter across seven core areas for action:
- i. Improving strategic transport links.
 - ii. Improving digital connectivity, infrastructure and skills.
 - iii. Developing the Island's physical resources.
 - iv. Promotion of the Island.
 - v. Developing the right labour force for economic success.
 - vi. Supporting the finance sector.
 - vii. Supporting the real economy.

In each of these areas the direction of policy is outlined, alongside the actions that will need to be followed and, where possible, approximate timescales.

⁵ Billet d'Etat XX – 2018 Budget Report

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2. To agree that administration and control of the Future Guernsey Economic Fund shall be immediately transferred to the Committee *for* Economic Development in support of the delivery of the proposals set out in this Policy Letter.

2 Improving strategic transport links

2.1 Air and sea infrastructure review

2.1.1 The provision of effective transport linkages are critical to the operation of the economy as well as having a wider impact upon society. Whilst the CfED has an overall responsibility for the development of strategic air and sea links, to and from, the Bailiwick, a series of States Committees have a role in the provision and financing of these services today and in the future.

2.1.2 Following a resolution of the Assembly⁶, a comprehensive review of the approach to the provision of sea and air infrastructure has been launched. This is a major initiative which will be co-ordinated by P&R and actively involve the CfED, States Trading Supervisory Board ("STSB") and the Committee *for the* Environment & Infrastructure ("CfE&I"). They will work together through a working party (the air and sea infrastructure group) to assess the findings from the review, taking recommendations to their Committees and then to the States during 2018.

2.2 Sea transport

2.2.1 The goals of the CfED for ferry and freight services can be summarised as:

- i. A frequency of service and schedule that meets the needs of freight users, Islanders and visitors to the Island / the tourism trade, and industry. Recent years have seen a reduction in the scheduled sailings for ferry passengers to, and from, Guernsey, the UK, inter-island and France.
- ii. Fleet configuration and capacity to provide a service that has sufficient resilience and reliability.

⁶ Billet d'Etat XII, June 2017, Amendment 29

- iii. Fares which are reflective of the cost of the service and limited to a reasonable economic return to the provider, in order not to discourage the use of the service.
 - iv. Customer service of appropriate professional standards.
- 2.2.2 There have, over recent years, been widespread concerns as to the extent to which these goals have been met. The reconfiguration of the ferry fleet has been at the core of this issue and mistakes appear to have been made on all sides in this regard. The CfED is continuing with discussions with Condor and the States of Jersey to seek to identify an operating model which can deliver these goals both now and over the longer-term.
- 2.2.3 However, there is no guarantee that these discussions will result in a solution that is acceptable to all parties. As such, the air and sea infrastructure group is conducting a strategic review of the way in which Guernsey is served in both the ferry and freight markets. This review will consider all alternative ways in which the services provided to the Island may better meet its goals. Work has started on this issue and terms of reference issued for additional advisors to be in place in the New Year.
- 2.2.4 It is not possible to comment further on this work at this stage due to commercial sensitivities but the intention of the air and sea infrastructure group, and the respective Committees they represent, is to place recommendations before the Assembly by mid-2018. The CfED emphasises it will consider all options to best deliver the goals set out above for the Bailiwick in the shortest possible period.
- 2.2.5 In the shorter term the CfED has, in conjunction with the States of Jersey recently conducted an exercise to judge the interest of the market in providing an inter-island passenger ferry service. The service will create a net positive economic benefit to the Island, primarily through island-hopping tourism, as well as delivering social benefits to Guernsey residents. The CfED is hopeful that a service will be operational for the 2018 season based on the responses to the recent expression of interest.

2.3 Air transport

- 2.3.1 The air and sea infrastructure review will consider the strategic, economic and financial case for any:
 - i. Form of airport commercialisation. At present Guernsey and Alderney airport is one of the few fully State-owned airports in the British Isles (alongside Cardiff and Jersey).
 - ii. Investment into Guernsey airport and its infrastructure, including issues such as low visibility landing systems and the extension of the runway. It is important that these questions are professionally addressed rather than

being discussed in a court of public opinion with no outcome.

2.3.2 More widely, the goals of the CfED for air transport can be summarised as:

- i. Maintaining and expanding air links so that Guernsey is well connected with the UK, the other Channel Islands and Europe.
- ii. Reliable, sustainable and affordable air links for all parts of the population.
- iii. Air links which enable existing business to function appropriately and support the expansion of all types of economic activity.
- iv. Providing residents access to specialist healthcare and emergency evacuation services when their medical needs cannot be catered for on-Island.

2.3.3 The framework for air transport licensing is set by the CfED with decisions on individual applications made by the Transport Licensing Authority.

2.3.4 The CfED will shortly propose a new air licensing framework for the States' consideration which is designed to best meet the above goals for air transport. This framework will be based on a "quasi open skies" approach, where there is a presumption of competition on routes but with a recognition of the requirement to provide a different approach on key lifeline routes, where required, given the scale of the Island's population and its need for sustainable air traffic. The proposed framework will define in more detail three categories of route:

- i. Lifeline routes are those which are critical for the economy, residents' health and/or residents' social welfare. Due to the size of the Bailiwick's market, these routes must be protected and provided by a single operator, for a defined period and at an agreed service level.
- ii. Strategic routes are those which are important for one or more of the above reasons. It is expected that these routes will be provided by commercial operators (including Aurigny) and, where sustainable, that competition should be encouraged. Should it not be possible to provide sustainable services on strategic routes under these conditions the CfED will consider alternative models of provision.
- iii. Development routes are those which provide additional connectivity to the Island. It is expected that these routes will be provided by commercial operators. Where start-up support is requested for a given route, the CfED will consider providing this for a limited period, subject to a positive economic cost-benefit analysis. It is intended that the FGEF is used for this approach (see section 9 below) and that the fund would be topped up assuming these routes delivered the expected economic benefit.

2.3.5 The CfED will propose initial classifications of routes within this framework. At this time, two lifeline routes are envisaged (Guernsey – Gatwick and Guernsey –

Alderney), with three strategic routes from Guernsey to Southampton, Manchester and Jersey. All other routes will initially be defined as development routes although the CfED will ensure that these classifications are subject to continuous review and update. Further discussions are, in particular, continuing with the States of Alderney with respect to the Alderney – Southampton route.

- 2.3.6 Connectivity to London, primarily now only available via Gatwick following Aurigny's decision to remove the City service, is critical to the operation of the Island's economy and therefore worthy of further discussion in this Policy letter. The Gatwick route is run by Aurigny and is understood to be profitable. As such, this route could potentially attract a number of commercial operators interested in providing a service, either in competition or as a sole provider.
- 2.3.7 However, given the criticality of this link for the Island, the CfED has concluded that it would not be appropriate to seek competition on this route at a time where there is considerable uncertainty with Brexit and the development of European air linkages. The CfED will therefore recommend to the States that Aurigny should continue to be the sole operator of the lifeline route to Gatwick for a time-limited period of five years, but will review this position before the end of this period to ensure that this is still the best approach to fulfil the Island's needs.
- 2.3.8 The CfED has, however, at the same time strongly encouraged the STSB to consider whether during this five-year period this route could be run more effectively through a leading international airline providing services through one of a number of forms of 'wet' and 'dry' lease arrangements commonly adopted within the industry. Such approaches would protect the slots themselves, whilst increasing the potential for better economic returns from their operation and therefore the economic development of the Island.
- 2.3.9 It is important to provide plurality of air routes to London where additional routes meet the needs of consumers and business and will therefore increase air travel (and its convenience) to, and from, the Island. As such, the CfED is carefully considering approaches from airlines seeking to re-establish the London City, or any alternative London routes, which have the potential to provide a positive economic cost-benefit.

3 Improving digital connectivity, infrastructure and skills

- 3.1 Guernsey's economy is, and will increasingly be, reliant on our telecommunications infrastructure to support its current position within the global economy. Good digital connectivity is the key enabler to the delivery of virtually all sectors of the economy. Ensuring world class telecommunications connectivity will be a requirement to maintain, never mind expand, the Island's economic footprint. The requirement to establish a flexible and world class digital infrastructure was, at a high level, articulated in the Committee's Digital Sector Strategic Framework ("the Digital Framework") and has subsequently been recognised as one of the policy objectives in the recent P&R plan.
- 3.2 Guernsey currently has a level of digital connectivity which is broadly sufficient for its current needs. The Island has basic broadband penetration to 97% of residential homes at 4 Mbps (the second highest in the world), three suppliers of 4G mobile connectivity and a range of connectivity services for small and medium sized businesses.
- 3.3 However, the speed of progress of digitally enabled business means that the Island cannot stand still. There is a pressing need to enhance the Island's connectivity so that it can maximise the benefits of digital from both a social and economic perspective. The CfED is therefore committed to delivering ongoing world class telecommunications and digital connectivity to Guernsey's businesses and consumers.
- 3.4 The CfED will shortly propose a telecommunications sector policy statement which has four key objectives:
- i. All defined geographic business areas will be connected by fibre to the premises within two years.
 - ii. All homes across the Island will be provided with connectivity allowing access to superfast broadband providing in the order of 100 Mbps connectivity within three years.
 - iii. A commitment to the development and deployment of a single 5G mobile network allowing such services to be marketed at least as soon as in the UK and preferably earlier.
 - iv. Ensuring all telecommunications costs are proportionate, including residential, business, mobile and off Island connectivity.
- 3.5 Taken together, these objectives will provide the level of connectivity which ensures that homes and businesses ongoing telecommunications needs are supported for a substantial number of years, allowing the use of home offices and enabling consumers to enjoy the economic and social benefits of high speed broadband. It is,

however, based on plans which can be achieved through a mixture of technologies and which is not reliant on a very costly and heavily disruptive programme of laying fibre to every house on an Island without the base duct structure to support this.

- 3.6 Discussions with the Island's telecommunications companies suggest that the vast majority of homes and all defined business areas should be able to receive this level of connectivity through the acceleration of commercially justified roll out plans over this period. For the remaining minority of homes, where costs of such connections do not fully provide a commercial case for such connectivity, a universal service fund will be proposed to cover the incremental cost of providing the levels of broadband described above to ensure that all homes on the Island are able to reach these levels of connectivity within the next three years.
- 3.7 The opportunities provided by the development of mobile superfast broadband, or 5G, will be significant but so is the change required to mobile networks. The current expectation is that 5G will require smaller but vastly more masts, requiring greater financing and therefore a different approach for deployment. The CfED will propose that Guernsey moves to a single network provider for 5G infrastructure, thereby reducing overall costs to telecommunications companies, and eventually the consumer, whilst ensuring multiple service providers can still provide a competitive market. It is likely that the States will provide physical and network resources to this operator in order to ensure the roll out of this network and in return will take a minority stake in this provider of wholesale services.
- 3.8 The CfED has begun, and will continue, to work with the Channel Islands Competition and Regulatory Authority so that they can regulate effectively in accordance with this policy direction. The CfED is also working with the Island's telecommunications companies to develop detailed plans for the delivery of these objectives.
- 3.9 The four key objectives are a commitment to ensuring that Guernsey remains in the top 10% of digitally connected jurisdictions. Where funding for the delivery of the objectives is required, and if appropriate, the Medium Term Financial Plan has already identified digital connectivity as a medium scale project⁷. The CfED will be working closely with P&R to ensure that any such capital funding is used in a proportionate and appropriate manner.
- 3.10 A world class telecommunication infrastructure is a required step for digital provision but is not, in itself, sufficient. A series of developments are required to provide the infrastructure and skills in the workforce to maximise the potential of communication networks. Work has begun across different States' bodies and in connection with the private sector to support the development of Guernsey as a digital centre.

⁷ Billet d'Etat XX – 2018 Budget Report

- 3.11 The Digital Framework identified the role the States can play in directly supporting the digital, and wider, economy. P&R has commenced a substantial piece of work looking at the way technology is delivered to the States of Guernsey, its service delivery areas and ultimately customers. Alongside delivering improved public services this project has been structured so that potential strategic partners will need to demonstrate how they can provide a significant contribution to the Island's digital value chain and its economy. The CfED welcomes and encourages the manner in which this project is being implemented.
- 3.12 The CfED has reviewed the Digital Greenhouse and will shortly announce a new strategic, operational and financial plan. Whilst the concept of the Digital Greenhouse as an incubator for firms, developer of skills and centre for digital enablement in our economy is sound, the execution of this concept needed development and improvement. The revised plan will set out how the Digital Greenhouse will deliver against these key roles, and at the same time achieve a break-even financial position over the next period, as opposed to the current levels of support from the FGEF. The CfED has received three-year commitments of significant financial and operational support from several private sector companies allowing this development of the Digital Greenhouse.
- 3.13 A more structured approach has already been adopted to the Digital Guernsey steering group, the forum where stakeholders from across government and industry seek to work together to ensure the Island's digital offering is appropriate. This group focuses on ensuring the "product" is correct in terms of connectivity, infrastructure and skills, alongside the accompanying legal structures required. The CfED, supported by the Digital Guernsey steering group, will release an update on the Digital Framework in the near future.
- 3.14 A particular focus is being paid to legislation and instruments which will enable electronic commerce to thrive from the Island. The importance of such legislation is demonstrated by the decision of Northern Trust to base their innovative blockchain technology in Guernsey, which (alongside other factors) was significantly influenced by the Island's leading Electronic Transactions Legislation⁸. Legislative requirements in this area are developing rapidly and the CfED, in liaison with P&R and the Guernsey Financial Services Commission ("GFSC"), are currently considering the potential to further develop this, and other connected legislation, in order to keep Guernsey at the forefront of a range of sophisticated electronic trading approaches.
- 3.15 The eGaming sector has developed successfully based on the development of a strong and internationally well respected regulator in Alderney, alongside effective promotion. This industry has attracted a significant stream of licence income to the

⁸ Electronic Transactions (Guernsey) Law, 2000

States of Alderney. Whilst Guernsey has benefited in the past from the location of eGaming businesses which are licensed in Alderney, the level of such business and the subsequent benefit to Guernsey has reduced in recent years. The CfED, alongside the States of Alderney and other States Committees, are considering how they can work together to promote Alderney licenses and increase the attractiveness of Guernsey as a location for such firms.

- 3.16 It is critical that Guernsey has the skills to succeed as a digitally-based economy. Employers have identified a lack of suitably qualified students coming into the workplace. In the longer term, the provision of digital skills on Island is key. To this end, the CfED and the Committee *for* Education, Sport & Culture ("CfES&C") has developed a digital skills strategy, which forms an integral part of the wider skills strategy for the Island (see section 6 below).
- 3.17 Whilst the strategy for the development of digital skills is too wide to discuss in detail in this Policy Letter, it includes developing and expanding a number of key programmes. The Digital Internship program is aimed at pre-degree students and will now be extended following its success in its initial year with 12 students. At degree level, the CfED and KPMG are supporting the first on-Island digital degree local placement student in Guernsey attached to the University of Exeter. This model of delivery has the potential, if successful, to create sustainable and effective digital graduate skills on-Island. In the shorter term it will be critical to attract to the Island individuals with digital skills which are not available in Guernsey. The CfED is working with a series of parties on ways in which to improve the attraction of such skills to the Island, and will work alongside the Committee *for* Home Affairs ("CfHA") in order to prioritise the recruitment of individuals meeting these critical skill gaps through the population management work-permit system.
- 3.18 Finally, in addition to providing world class connectivity, creating the infrastructure and encouraging local industry to thrive, it is important to seek to attract existing digital businesses to move to the Island. Locate Guernsey, which has previously been reactive to business relocation, will shortly be announcing a revised strategy which includes focusing on the proactive attraction of businesses to the Island with a focus on particular types of digitally enabled businesses.

4 Developing the Island's physical resources

- 4.1 Guernsey's size demands that the most is made of its limited landmass to support and foster economic activity. To an extent, this can be aided by attracting high value, low footprint businesses. The Island has struggled to achieve this due to a combination of planning policies which, although only recently adopted, are based on older strategies of the States. These extant strategies no longer reflect the economic realities faced by the Island, and encourage government hoarding of land resources in

an inefficient manner and a general reluctance to embrace change. The environment, look and feel of Guernsey is critical to Islanders and potential investors but development conducted in an appropriate and sympathetic manner can enhance the Island, protect and showcase its heritage as well as enable economic activity.

- 4.2 The States owns or controls approximately 5,060 vergees (8,291,633 square metres) of land excluding roadways. Whilst a good proportion of this is actively employed, there is a question over whether it is being used as effectively as it could be, and there are many large and valuable land packets which should be released and used to stimulate investment, growth and employment.
- 4.3 The States have now recognised this and the STSB and P&R are leading a review of the States estate. The CfED welcomes this work and expects it to be delivered expeditiously. The CfED has, separately, liaised extensively with a series of developers to capture their views of what developments could be commercially conducted on the land which may be made available, as well as considering which of these potential schemes could have the greatest economic impact upon the Island. This information has been provided to the STSB.
- 4.4 The effective release of the States' estate has the potential to create economic development (starting with construction and then subsequent economic activity) in a manner which few other policy measures will be able to achieve. The CfED will assist in a proactive manner, under the leadership of the STSB and P&R, but remains concerned that this programme does not yet have the appropriate levels of professional support to fully succeed.
- 4.5 The application of the States' planning policies is the mandate of the Development and Planning Authority ("DPA"). There is a check and balance which rightly exists in the planning system between economic development and protection of the Island's built heritage, natural environment, and infrastructure. However, the CfED has become concerned that a series of recent planning decisions have limited development unnecessarily and that the scope of planning decisions has had the effect, whether intentional or not, of straying into an interpretation of economic decisions. The CfED will seek to work within the planning process in a far more proactive manner to support economic development, building on the presumption within the Island Development Plan ("IDP") that development should proceed unless there are sound reasons to the contrary. This process has recently begun and will continue further.
- 4.6 The CfED is responsible for shaping a number of the economic development policies of the States which are used in the formulation and updating of the Strategic Land Use Plan ("SLUP") and the IDP. Historical strategies, dating back to the previous Commerce and Employment Department, notably in the tourism and retail sectors,

have had the effect, in planning terms, of restricting development opportunities in a manner which are not consistent with reasonable commercial intentions. The CfED will be proposing changes to this guidance (see section 8 below) which will be presented to the Assembly for their consideration. Taken together these changes will have the potential to create significant construction opportunities and economic development.

- 4.7 There has been considerable discussion of the redevelopment of the St Peter Port harbour area in recent months. The CfED believes that unlocking the St Peter Port harbour area can create significant commercial opportunities and could enable the largest-scale development the Island has seen for a century. It has the potential to lead to, for example, land reclamation, retail, office and hotel developments, provision of a range of housing types, harbour-related infrastructure, cultural and leisure developments, car parking, and public realm improvements.
- 4.8 The CfED has proposed a work programme which will lead to the:
- i. Delivery of a clear vision for the redevelopment of the St Peter Port Harbour Action Area which can be considered by the Assembly and the wider community.
 - ii. Creation of a master plan for this development that can form the basis of wide consultation, a single planning inquiry, and an investable proposition for public and private capital.
 - iii. Establishment of an independent funding vehicle which can ensure the delivery of this development. This funding vehicle is likely to need to combine both private and public sources of funds for a development of this importance, size and nature.
- 4.9 The Presidents of four of Guernsey's Committees (P&R, CfED, CfE&I and the STSB) have met to co-ordinate the approach to the enhancement of the Harbour Area, one of the States 23 prioritised policies. As a result, the air and sea transport infrastructure group has issued terms of reference for professional advisors on the first stage of this work programme and the Committees represented expect to come back to the Assembly with the results of this work in 2018.
- 4.10 It is critical that all parts of the community are able to help shape this project, but at the same time the States must set out a vision for this development and ensure that, once accepted, its delivery will not be limited by political revisions in the manner which has, in recent years, stymied other large projects that span electoral cycles.
- 4.11 The St Peter Port Harbour Action Area has the potential to revitalise the town and significantly enhance Guernsey's attractiveness as a place to invest, live and spend leisure time, while remaining sensitive to Guernsey's architectural

heritage. Further, it has a unique potential to increase economic activity in a manner that will sustain long after the construction phase and result in a larger, stronger and more successful economy. The CfED believes this project must be progressed with due alacrity.

5. Promotion of the Island

5.1 Guernsey currently has three promotional agencies, each focused on different markets with different relationships to the States and funding:

- i. Finance: Guernsey Finance ("GF") is the promotional agency for the sector and is an executive agency with the shareholding equally split between the States and the Guernsey International Business Association. The total budget for Guernsey Finance is c.£1.9m of which £1.2 is provided by the States through different forms of funding. It employs 13 people.
- ii. Tourism: The Marketing and Tourism ("M&T") service area of the CfED is responsible for tourism promotion under the banner Visit Guernsey ("VG"). This service area has a core budget of £2.6m, with additional grants provided for defined activities from the FGEF. It employs 13 full time equivalents directly within M&T and another three in the tourist information centre.
- iii. Inward Investment: Locate Guernsey is funded by the FGEF under the direction of the CfED. It has an annual budget of c. £400K and employs four people focused on the attraction of high-net-worth-individuals to the Island, and corporate relocations.

5.2 The performance and structure of these promotional agencies has recently been subject to a review by the CfED considering:

- i. The levels of effectiveness of the three agencies in the delivery of their respective roles.
- ii. Whether public money was being utilised in the most efficient possible manner.
- iii. The coherent overall promotion of Guernsey, as a location for business, with three agencies developing separate but related views of Guernsey.
- iv. Whether the current approach, based on three promotional agencies, allows for the wider promotion of business on the Island.

5.3 This review has identified a series of areas in which the promotional activity of each of the promotional agencies could potentially be improved. These recommendations have been provided to the board of GF and the CfED for their consideration and implementation. The review has also suggested the potential for these promotional agencies to work together in a manner which can provide coherence in the marketing of the Island and to take advantage of the considerable

economies of scale that appear available in terms of digital marketing, other promotion and marketing, IT and back office and other support facilities.

- 5.4 The CfED has a core role to support the promotion of further business (of whatever type) to be attracted to the Island. The CfED is clear that the level of promotional activity for business in Guernsey is far lower than that of a series of competitor jurisdictions. Whilst it is not always necessary to match the levels of expenditure of others, this level of discrepancy is too high. The nature and level of promotional support will need to increase given the levels of change in international markets from which Guernsey is seeking to attract business of all types.
- 5.5 Alongside this, the CfED is keen to ensure that all promotional spend is focused on the market, as opposed to duplication of resources. The CfED will support further financial support for the Island's promotional agencies but in doing so believes it is critical that such public expenditure is spent in the most effective manner possible.
- 5.6 As such, the CfED is working with stakeholders to agree a better structure for the promotion and attraction of the Island. The proposed model will be configured with the following design principles at its centre:
- i. The ability to respond to rapidly developing markets for finance, tourism and inward investment.
 - ii. The ability to promote other developing parts of the Island's economy, e.g. digital business opportunities.
 - iii. Organisational efficiency such that promotional funding is best focused on the market.
 - iv. Provision of a coherent view of the Island.
 - v. Ensuring staff with specialist skills in one sector continue to focus in that area and that such specialisation is further encouraged.
 - vi. A framework such that more focused and sophisticated marketing is encouraged.
 - vii. Encouraging the ongoing input of industry into financing the promotion of their own activities. In particular, the CfED welcomes the role the finance sector play in this regard and encourages other parts of the economy to contribute in a similar manner.
- 5.7 In the meantime, the existing business promotion and attraction agencies continue to promote the Island to their respective audiences. Within the CfED, the M&T service area is working on the development of a new tourism strategy as well as marketing tourism to the Island in conjunction with the release of the film of the book The Guernsey Literary and Potato Peel Pie Society (see section 8 below). Similarly, Locate Guernsey will shortly announce a revision of its approach to the proactive attraction of businesses (see section 3 above) as well as the development of an advisory group to assist in its continued marketing of the Island to high net

worth individuals. Locate Guernsey currently has a higher level of quality leads reflecting economic conditions elsewhere and are actively marketing the lower tax caps for the open market⁹ and the helpful recent clarification from the CfHA's in relation to the requirement for investor visas.

- 5.8 Finally, the CfED is actively considering alternative ways in which Guernsey can best demonstrate its attractiveness to potential inward investors and customers of existing businesses. To this end, initial discussions have been held with business groups, stakeholders and exhibition organisers as to the potential for a Guernsey EXPO and a formal business case is under development for consideration and, if required, support from the FGEF will be considered.

6. Developing the right labour force for economic success

- 6.1 The delivery of economic success for Guernsey is critically dependent upon ensuring the Island has the appropriate workforce both today and in the future. The CfED has the responsibility to develop and implement policies that lead to appropriate skills existing in our workforce to support the ongoing operation and development of the economy. In order to deliver upon this requirement, the CfED, working in conjunction with the CfES&C, have restarted Skills Guernsey in order to identify skills gaps in the economy, ensure that providers of education and training address these problems, and coordinate ongoing monitoring and actions in this area.
- 6.2 In recent years three major audits of the skills gaps in the local economy have been conducted by consultancy companies and the firm who conducts such surveys for the UK Government. Each of these studies has identified a gap in softer skills in the workforce, whilst the latest and largest exercise in 2014 also focused on an increasing lack of a number of technical skills. Whilst many have noted the importance of this issue, this evidence base has not led to any effective action. Rather than repeat these exercises, Skills Guernsey has collated the previous work and sought to confirm / extend the analysis through extensive discussions with employers, business groups and providers of training and education.
- 6.3 These consultations have proven to be very consistent in confirming the previously identified skills gaps and have also identified developing challenges in terms of the digital agenda and the development of outsourcing. Skills Guernsey is now working to develop a set of clear recommendations to address a number of key themes and these are summarised below. Skills Guernsey, via the CfED and CfES&C, will report back to the States more fully on the work conducted and the recommendations that follow.

⁹ Billet d'Etat XX – 2018 Budget Report

- 6.4 Digital skills are essential for all sectors of the economy. Technology is now universal amongst industry but local businesses are struggling to find individuals with the level of digital skills required. Consistent with the requirement of the Digital Framework (see above), the CfED and CfES&C are committing to develop the digitally skilled workforce of the future. This work is combining the attraction of digital skills to the Island alongside education and training.
- 6.5 Short term actions are being taken alongside the development of longer term digital educational roadmaps which outline how training will be provided for children throughout the educational process, and for older workers seeking to develop new skills. An update on the approach to digital skills will be produced shortly and has been supported by firms throughout the economy. This work focuses on growing future digital skills, inspiring the future workforce, developing industry partnerships and the specialist skills that will need to be brought onto the Island. The core outcomes of this strategy are that business demand for a skilled digital workforce is identified and can be met, leading to an increase in the number employed in key digital roles. In the longer-term, the Guernsey education and training system will need to deliver graduates, apprentices, specialist, generic and vocational skills (this includes retraining), and ensure that graduate and post-graduate level qualifications can be offered with a focus on digital and cyber courses.
- 6.6 As with all major economies, outsourcing in Guernsey has become a reality in the finance sector as well as in selected other areas of the economy. Interviewees were clear that the motivation for such outsourcing is not just lower costs but also the quality of the labour obtained in some cases. The initial work for Skills Guernsey is to document and build a fuller understanding of the roles being outsourced, in order to understand whether there is opportunity to address these skill gaps with local resources, and to consider if training or other policy responses can address this trend.
- 6.7 A consistent theme of the studies of skills in Guernsey is that attitudes and employability skills are a concern for employers. This conclusion continues to be strongly presented by industry with specific concerns on employability skills, productivity and attitudes, as well as communication and business skills. There are specific steps already being taken by the CfES&C to increase the 'employability' of school leavers via the curriculum and further specific work-streams are being considered.
- 6.8 The role of apprenticeships and work-based learning is critical to the Guernsey economy where a large number of smaller firms are responsible for substantial levels of employment. There is clear evidence that in terms of return on investment, over time, government's contribution to skills development through

such schemes as apprenticeships repays investment several times, in terms of high earnings, economic activity and tax returns. Industry is clear that there is considerable appetite for apprenticeships to provide deeper levels of skill and cover a wider range of the economy than present. The development of 'modern apprenticeships' are therefore essential and encouraged as part of the review of the States' Apprenticeship Scheme. Further work-based learning options, as well as flexible training provisions and support for small businesses will be reviewed in addition to funding mechanisms which could be employed to offer a much wider 'modern apprenticeship' approach across the economy.

- 6.9 In line with other economies, there is an industry shift in Guernsey to seek to recruit people with higher-level qualifications. Discussions with Industry suggests a shift away from recruitment of school leavers in a number of sectors with an increasing focus on more qualified and graduate qualified labour and fewer GCSE appropriate posts. Skills Guernsey will work with the Guernsey Careers Service and CfES&C to monitor developments in this area and consider if there are better ways in which to encourage Guernsey graduates back to the Island.
- 6.10 Finally, there is a clear demand for Guernsey's workforce to be innovative and for greater entrepreneurial growth. Interviews across all types of firms, from the most sophisticated to more basic operations, reported the opportunity for further innovation in their sector, as well as a demand for more entrepreneurship. Guernsey is not unique in this challenge and Skills Guernsey will consider what can be learnt from others in how to further foster and encourage innovation in the workforce and schools.
- 6.11 Moving forward, the CfED will work closely with the CfES&C to create a robust and sustainable engagement framework between Industry and Skills Guernsey. The creation of a Guernsey Enterprise Agency ("GEA", see section 8 below) will form a focal point for the activity that has been missing. This has been welcomed by educational and training providers.
- 6.12 There are, however, a series of gaps in the amount of people with requisite skills on the Island today and the continued growth of the economy will expose further skill gaps. The CfED's current understanding is that there is a need for net immigration of at least 200 people per annum to keep the working age population at its current level, irrespective of any need to increase it. As such there is a need to look further afield. It has already been acknowledged by the States that *"...there will always be a need to import key skills and labour in order to grow the economy, stabilise public finances and sustain our quality of life¹⁰."* It is also accepted that there is a need to focus on developing and maintaining Guernsey's workforce at a size and make-up

¹⁰ Billet d'Etat XVII, 2015

consistent with achieving the States' strategic economic, social and environmental objectives.

- 6.13 This work directly supports the strategic outcomes in the P&R plan of being a centre of excellence and innovation as well as a strong, sustainable and growing economy, and, consequently, it is not incompatible with existing strategic population policy if it results in more people relocating to Guernsey for employment purposes. The CfED will, in any event, work closely with P&R and the CfHA in respect of their work on strategic population policies and, between the Committees, will ensure the balance needed to grow the working population against other factors.

7. Supporting the finance sector

- 7.1 The finance sector remains Guernsey's primary source of employment, export earnings and tax revenues: combined, the sector comprises the economic sectors of finance and business services. Current informal estimates suggest, subject to the potential revision of national accounting data that is ongoing, that the sector generates in the region of £1.5bn in economic value added, i.e. generating in the region of half of the Island's economic output, a third of all employment and accounts for a significant proportion of tax revenues. Securing a sustainable future for the sector is clearly the most critical activity for the economy of Guernsey.
- 7.2 Despite demonstrating resilience in the face of the global finance crisis, the sector has faced more challenges over recent years. Whilst some institutions have been very successful, aggregate growth has largely been absent. Only in the insurance sector, which has demonstrated product and technology leadership, has there been demonstrable growth. Relative to some of our competitors there are some challenging comparisons in terms of growth, the delivery of a clear financial services strategy and framework, and effective promotion of the sector.
- 7.3 To address these issues the role of government is to:
- i. Create the conditions for investment by the private sector.
 - ii. Ensure a clear vision and a collaborative framework where all parties (private companies, regulator and government) work together in a clear and understood manner.
 - iii. Ensure that such a framework has leadership and direction and that a clear coherent strategy is followed.
- 7.4 In recent years a sense of direction has been missing. The CfED will shortly propose a policy framework that reaffirms the States' commitment to the finance sector, a commitment to creating a supportive environment for the sector, and one that sets out a clear set of principles, priorities, way of working and a series of actions to

reinvigorate growth and innovation in the sector. This policy framework will be a first step in the delivery of a strategy to boost growth and the competitiveness of the sector.

- 7.5 The framework will also set out a revision to the fora through which effective and focused co-ordination between industry, government and regulator is achieved and which is required to provide the leadership needed to focus and harness the efforts of stakeholders on delivery.
- 7.6 Guernsey has maintained a policy commitment over time to being a well-regulated tax-transparent jurisdiction. However, being well-regulated and tax-transparent is a necessary but not sufficient condition for growth. Setting and maintaining a proportionate risk and regulatory environment is pivotal to growth of the sector and proportionate compliance with international standards is a route to secure trade and market access.
- 7.7 Central to successfully creating growth and supporting the policy framework will be a clear development strategy. This will not be a long strategy but an action-focused plan to create the conditions for success.
- 7.8 Guernsey's proven route to economic success has been to build on its strengths, areas of comparative advantage and, in particular, being the first to develop and capture new markets, as demonstrated by the development of Protected Cell Companies and Guernsey's ongoing role as a leader in this area. Key to growth is the creation of a supportive and collaborative environment for firms and industry, and co-ordinating and driving action when opportunities arise. The strategy is to build on existing strengths, 'extend from the core', to move first to develop and secure new markets and products where Guernsey has real, or perceived, sources of comparative or competitive advantage.
- 7.9 To summarise, the policy framework sets out how the CfED, in conjunction with industry, the regulator and other States Committees, will seek to create the right environment for the sector. The development strategy seeks to catalyse and kick-start sector growth.
- 7.10 Initial action areas include funds (including green finance), fintech (including blockchain and smart contracts), fiduciary services (including family offices), wealth management and brokerage services, and global passporting. Action plans will be the subject of confidential development and dialogues and work streams are already underway with industry. The results of this work will be communicated to members in due course in an appropriate form.

- 7.11 Geographically, the focus will recognise changing patterns of global wealth generation and as such pivot to a handful of priority target markets will be absolutely necessary.
- 7.12 Sitting within the overall strategy for the finance sector is a Brexit strategy (including World Trade Organisation entry). In this area the CfED, alongside P&R, are seeking to leverage better trading relationships with both the UK and EU by contributing to the regulatory recognition debate in the UK to improve market access, and by focusing on the complementary economic role Guernsey plays supporting the City of London.

8. Supporting success across the real economy

- 8.1 Guernsey has a broad economy outside of the finance sector, often referred to as the real economy for simplicity. The CfED has been working with representatives from across Guernsey's real economy to develop strategic approaches to supporting their success. The remainder of this section summarises the work and initial conclusions together with the next steps that will be adopted.
- 8.2 Guernsey Enterprise Agency ("GEA")
 - 8.2.1. The lifecycle of businesses can be summarised into three phases: start up, growth and exit. In Guernsey, support for firms across this lifecycle has been limited and there is widespread academic and practical business literature showing the ways in which such support can increase the productivity of firms, their ability to survive over the critical first three years of their lifetime, and then to grow and become substantial employers. The CfED will invest in the development of an effective GEA, which encompasses and extends the activities currently performed by Start-Up Guernsey, to support this development path for businesses of all types.
 - 8.2.2. The GEA, which will be an Agency outside of the States with a private sector-led board, will form a centre for firms from across all sectors of the economy and provide a one stop shop for all matters for businesses of all types and all stages of their development. The terms of reference for the GEA will shortly be published, alongside the key performance indicators that the CfED will expect them to deliver against. The GEA is expected to be funded by a combination of existing funds and the FGEF for three years and over this time will be expected to prove its worth for ongoing support by the CfED. The key roles of, and therefore opportunities from, the GEA are discussed below.
 - 8.2.3. There are numerous requirements for setting up a business and its ongoing management in Guernsey which the GEA can guide firms through. The GEA will be the source for businesses providing information on all regulations that impact

businesses, and ensuring these are readily available and shared through a variety of media to reach all parties. The CfED will also ask the GEA to work with firms from across the economy to audit and make recommendations for the simplification of these requirements.

- 8.2.4. Firms require access to effective advice and mentoring throughout their lifecycle. The CfED has conducted a series of discussions with business organisations, successful businesses, and individuals who have succeeded in the creation, growth and exit of businesses, and who have indicated their willingness to act as sources of advice and mentoring. Similarly, the ability to talk to peers, sources of business, and individuals who can add to the development of a business are key to all types of businesses. Guernsey has a series of business organisations and networks which seek to address some of the requirements in this regard, however, representations to the CfED have identified many other opportunities in this area. The GEA will work alongside existing networks in a collaborative fashion and develop further fora as required.
- 8.2.5. As discussed above, there are challenges facing Guernsey businesses in obtaining the skills they require to be successful both immediately and in the future. A series of short and longer terms measures to address skills gaps are proposed through Skills Guernsey, which will work in collaboration between the CfED, CfES&C, training providers and industry. The GEA will be the focal point for industry, ensuring that their needs are captured and ensuring that the delivery meets these requirements.
- 8.2.6. Businesses of different types and in different phases of their lifecycle require different types of finance. For some business owners this can be a daunting prospect and the GEA will work actively with these firms to help them with advice on the appropriate form and sources of financing. The development of more active angel investment networks (locally and in London) and the recently agreed Guernsey Innovation Fund provide just some of the potential sources of finance alongside more traditional forms of finance. The GEA will also review and report to the CfED whether sufficient sources of financing exist for smaller firms in Guernsey and, if there are market failures in the provision of capital to businesses with appropriate business plans, work with the CfED to consider how this issue may be addressed.
- 8.2.7. The size and nature of the economy in Guernsey means that many businesses will need to export to succeed. Working alongside a series of related organisations in the UK and elsewhere, the GEA will work to proactively support firms seeking to export their goods / services. The GEA will work closely alongside the digital development team within the CfED and the revitalised Digital Greenhouse will form a hub for such activity.

8.2.8. Whilst the GEA will be an organisation primarily focused on working with businesses to overcome challenges to their development, it will be important to make sure that Guernsey firms remain suitably informed of market developments and opportunities. The GEA will seek to make use of both physical and digital approaches to delivering this role, ensuring that where on-island events are used, the focus is on quality rather than quantity, and on opportunities for doing business with the world.

8.3 Tourism

8.3.1 Tourism is in the blood of Guernsey and it has been a key part of the economy for many years. Whilst measuring the economic impact of tourism is an imprecise science, in direct terms the hospitality sector contributes c. 2% of the GDP and employs c. 2,000 people. However, tourism has a larger indirect footprint due to the expenditure created in retail and other sectors of the economy. The sector also has critical externality effects on the economy, for example, tourists' use of air and sea links creates additional traffic on routes and hence increases their viability. As such, tourism will continue to be part of a balanced economy for Guernsey. There have, however, been falls in visitor numbers to the Island over an extended period, leading to significant questions being posed both within the sector and outside about the cost of travelling to, and from, Guernsey and the tourism product itself.

8.3.2 The CfED has set itself the task to undertake a challenging review of the sector and policy adopted to support it. The review has consulted with tourists, visitor accommodation providers, hospitality providers, attraction owners, and other key stakeholders. The key areas and preliminary policy direction are set out below. Following the finalisation of work in these areas the CfED will set out its proposals to the Assembly for its consideration early next year.

8.3.3 The CfED currently intends to return to the Assembly with proposals to remove the particular restrictions placed on the entry and exit of visitor accommodation from the Guernsey market over, and above, other uses of land. At present, guidance provided to the SLUP and IDP means that new visitor accommodation is limited to the main centres of St Peter Port and St Sampson/Vale and to the sites already in visitor accommodation use. Visitor accommodation seeking a change of use away from the visitor accommodation 'Use Class' have to meet strict policy criteria and pass a viability test. The guidelines applied by the DPA also require a property to have been marketed in the UK / Guernsey for at least two years.

8.3.4 The conditions put in place to limit exit from the sector were an attempt to protect bed stock should the number of tourists increase to numbers seen a number of decades ago, in line with the tourism strategy adopted by the Commerce & Employment Department but not put before the States for

endorsement. However, the average full-year level of visitor accommodation annual occupancy / utilisation in 2016 was 52%. The lower levels of utilisation faced by some visitor accommodation means that they are essentially committed to the sector even if their business becomes commercially unviable and unsustainable. This has resulted in challenges to the quality of some visitor accommodation, due to inability to invest and a number of properties have already been closed for business with the risk of additional closures.

- 8.3.5 In removing these restrictions, visitor accommodation will be able to apply for change of use with proposals being assessed against the other policies of the IDP. The CfED will confidentially consult further with hotel owners to understand which business owners want to exit or expand their operations and whether any transition measures might be needed to ensure that the Island's bed stock meets market demands. Alongside exit from the sector it is important that new investment into visitor accommodation is encouraged from those operators who wish to develop the type of facilities necessary to meet the expectations of today's tourist. The CfED is therefore proposing to remove the particular restrictions placed on the entry and exit of hotels from the Guernsey market over, and above, other uses of land.
- 8.3.6 The nature of the Island's attractions is broadly unchanged from that of three decades ago. Guernsey's attractions are predominantly based on heritage and the outdoors. The early conclusions from a consultancy study of the attractiveness of these attractions is that whilst they appeal to the target audience for the Island, they are not unique and do not have the appeal to this audience that marks Guernsey out as a special destination to visit. As a result, work is being conducted to understand the way in which the attractions of the Island may be better enhanced, and if there are alternative attractions that could contribute to Guernsey's appeal to its target tourist markets. This work is at an early stage but indications are that developments of the type envisaged are likely to require the States to invest in the tourism product alongside private capital. Assuming this is the case, the CfED will consider the extent to which this can be supported from existing funding sources or, if necessary, approach the Assembly to consider any such investments.
- 8.3.7 The tourism strategy will also need to consider how the Island is best promoted. As identified above, the CfED is considering the best approach for the delivery of the promotion of the sector and it would appear appropriate that the industry moves to a position where it invests alongside the States in its own promotion in a similar manner to the finance sector. In the meantime, the CfED is working to continue to best promote the tourism product and has agreed with P&R to invest up to £337,000 from the FGEF to back a series of tourism marketing activities to

capitalise on the release of the major film of the book *The Guernsey Literary and Potato Peel Pie Society*. This support will include both advertisements that can be run in the cinema and online, events on and off Island, as well as public relations and promotional work with the Island's tourism sector. This investment will be made gradually as the plans of the film's producers crystallise beyond the known Spring release date. Levels of investment will also depend on the success of the film.

- 8.3.8 Clearly tourism is impacted by how people can get to the Island. The work identified above in relation to air and sea transport is expected to help address the challenges the sector faces in this regard. However, it is important that strategies are developed and implemented that are not reliant on major infrastructure developments occurring in short order. As such, the CfED is working with tourism stakeholders to seek to understand how it can better maximise tourism spend in the period prior to transport infrastructure decisions being made. This includes defining the promotional target consumer in a better manner and working with the retail and other sectors, as described further below, in a proactive manner.

8.4 Retail

- 8.4.1 Retail and wholesale activities employ c. 4,000 people in Guernsey and are a key part of business and community life. However, the current Retail Strategy for Guernsey, endorsed by the former Commerce & Employment Department but not the States as a whole, is now almost five years old, and the research which informed it dates from as long ago as 2009. More importantly, this strategy does not place the views of consumers themselves at its centre. The CfED has reviewed this strategy and the policies resulting from it, to ensure that the approach reflects the needs of today's consumers, enables the retail sector to operate without unnecessary barriers, and creates the conditions to enable retailers to offer the best possible customer experience. This review has already included a survey of the opinions of 700 consumers, discussions with retailers and developers, and a review of international trends and actions. Following further consultation in forthcoming months the CfED will formally set out a new retail strategy to the States for its consideration early next year.
- 8.4.2 The CfED intends to return to the States with proposals aimed at removing restrictions placed on the location of retail that limit accessibility and convenience. The present retail strategy sought, via the retail-related planning policies of the IDP, to broadly limit many types of retail development (in particular the sale of non-essential goods) outside of St Peter Port and the Bridge to protect these main retail centres. Initial feedback from consumers has suggested this has not met many consumers' preferences and developers have indicated some developments have been halted as a result of these policies.

- 8.4.3 Making retail a career of choice and equipping employees with the skills for success is critical to the success of the sector and the development of employees. At present many people do not see retail as a viable, attractive career option, however, the sector offers significant opportunities to employees who wish to develop a career in a variety of roles. Appropriate training is required to equip individuals with the skills they need to fulfil their potential and access progression opportunities, and to make people aware of the opportunities available in this diverse sector. The work of Skills Guernsey (see above) has identified the potential for the introduction of a retail apprenticeship and the CfED are working alongside the College of Further Education and industry to consider the best format for such a modern apprenticeship, how it may be financed and best suit the needs of the sector.
- 8.4.4 In order to maximise expenditure from both local consumers and tourists, the retail sector needs to work in the most effective manner possible with the hospitality / tourism sector. The manner in which retail and leisure activities have combined has developed over recent years in both Guernsey and other jurisdictions. The CfED is therefore launching a series of workshops with stakeholders from the retail, hospitality and tourism sectors to understand the best ways in which they may work together to maximise consumer value and therefore spend.
- 8.4.5 There is a need for the retail sector to promote itself in a positive and joined up manner for the benefit of retailers, stakeholders and the community. The evidence of other jurisdictions, and indeed in Guernsey, is that retail benefits most when various parties combine to promote the offering and increase activity in the area. The CfED is actively considering how the sector may work together to promote and enhance retail across the island, learning from how bodies in other jurisdictions are structured and financed. A single promotional group would also provide a way for a currently fragmented sector to achieve a regular, cohesive, two-way dialogue with government in a manner beneficial to the sector and the community. This approach requires collaboration with retailers and the CfED is working with various parties to establish in which way this may be best achieved.
- 8.4.6 The basis of retail has changed completely with the development of the Internet and e-commerce becoming a key (or in some cases only) way to market for many retailers. The CfED believe it is critical to encourage and support retailers in Guernsey to work with, alongside and also compete with the online retail offering. Retail is a rapidly developing competitive activity where Island based companies must compete not only with alternative local providers, but also with online competitors and off Island locations. Retailers' responses will, primarily, be based on the profitability of their options, therefore the CfED has commissioned consumer research to understand what influences Guernsey consumers' decisions

whether to shop online or in store. As well as threats, online retailing presents opportunities for local stores in terms of local customer reach, new markets internationally and working as part of the fulfilment chain. These form a specific focus of this research and will be shared with retailers to inform their business decisions.

- 8.4.7 Finally, it is important to consider concerns about parking and access to the main retail centres in both the short and the longer term. Survey evidence commissioned by the CfED suggests that the availability of parking in St Peter Port is an important criteria for consumers as to whether they shop in St Peter Port or elsewhere, but less so in the decision of whether to shop online or physically. A working party has been established with the CfE&I to consider shorter term opportunities to improve parking and access to town as well as informing the work being carried out by the air and sea infrastructure group to develop a master plan for the redevelopment of the St Peter Port Harbour Action Area (see above). The redevelopment of St Peter Port Harbour has the potential to deliver longer term comprehensive solutions to the issues of accessing and parking in town for retail, leisure and work purposes, but should this project not proceed at the pace envisaged it may be necessary to consider alternative approaches.

8.5 Golden Guernsey

- 8.5.1 The CfED is seeking ways to support the promotion of Guernsey produce, services and goods. One method of achieving this is to recognise that produce, services and goods come from, or have substantial use of, Guernsey goods and labour in the form of a “marque” of origin. Internationally, there are many examples of such schemes which suggest that such recognition can:
- i. Encourage local consumers, proud of the Island, to purchase locally.
 - ii. Be a basis for tourist expenditure on unique Guernsey goods.
 - iii. Highlight our production legacy.
 - iv. Be built into a brand which wider markets begin to recognise as championing the uniqueness and quality of the produce, services and goods Guernsey produces.
- 8.5.2 The CfED will be bringing forward proposals for a “Golden Guernsey” scheme that seeks to recognise goods from Guernsey-resident businesses where at least one of the following criteria applies at a significant level:
- i. Ingredients are produced, reared, grown or caught in Guernsey and its surrounding waters; or
 - ii. The manufacturing process is conducted in Guernsey; or
 - iii. Creativity and/or professional skill is applied within Guernsey.

8.5.3 The Golden Guernsey scheme need not be burdensome or bureaucratic, rather it can be developed in conjunction with industry and producers, and aim for them to take on its ongoing management and administration. As such, discussions are being held with employer groups to understand how this can be achieved.

8.6 Construction

8.6.1 The construction sector within Guernsey has faced demand based challenges in recent years as larger projects have not sustained the levels of activity enjoyed by the sector previously. This Policy Letter has focused on the creation of investment and growth in many areas of the Island's economy. This will create construction activity at both the larger scale and, if effective, flow through the housing stock of the Island as the economy grows. This should create the activity to support the development of the sector, particularly when combined with a series of States' building projects brought forward by other Committees, and the States recognising the importance of investing in infrastructure and allocating 3% of GDP per annum to this.

8.6.2 It is important that the relative economic impact of the provision of large scale construction activity from on Island providers and their labour forces is considered when letting such contracts. This is not to unduly favour local providers or seek to discriminate against off Island providers who may be able to provide appropriate quality at lower costs, but simply to appropriately recognise the economic multiplier effects that exist from local profits, employment and expenditure. The States' procurement approach has a recognition of local input but the CfED will work with them to look at ways this may best reflect economic impact. It is also important that, where possible, States building activity is phased in a manner to avoid an immediate glut of activity followed by another fallow period. The CfED will work with all States Committees to find practical ways in which such phasing can be best achieved. Finally, support from the States to allow previously approved housing schemes to progress, provides an important route through which the CfED would encourage the States to support the construction sector as well as wider economic development goals. The CfED also believe it is important that the States act upon, recommendations provided within, the KPMG report in their Guernsey Housing Market Review.

8.6.3 The provision of skills within the construction sector is important. The likely revision of the apprenticeship model from the CFE will provide opportunities for the sector but may also reduce the financial incentives they receive. The CfED will work with employers within the sector, through its role within Skills Guernsey (see above) to best support businesses to continue to invest in, and obtain the required skills for, the sector to flourish.

8.7 Continuing economic diversification

- 8.7.1 The scale and success of the finance industry has over recent decades dominated the Guernsey economy, in a way in which horticulture and tourism have in past periods. Whilst the CfED is committed to the ongoing success of our primary sector it remains critical to support ways in which the economy can be further diversified.
- 8.7.2 The scale and nature of Guernsey means that any industry that will succeed within the Island must have the ability to succeed with a limited scale of labour force and land. The CfED is currently working with a series of different parties who have approached the States with opportunities that meet this criteria but to date there is no progress that can yet be announced. The CfED is of the view that its key role is not to pick any such winners but rather to create the conditions where such firms may prosper. This Policy Letter has focused on policies to create just such conditions, i.e. digital connectivity, transport connectivity, skills in the workforce, land for industry, promotion of economic activity and the support for firms through their lifecycle.

8.8 Brexit

- 8.8.1 There has been considerable discussion of the economic effects of Brexit on the finance sector given the unknowns in relation to trading patterns following the UK's exit from the EU. In the real economy the questions are, in the main, clearer and have been central to the ongoing debate between the UK and the EU, e.g. the movement of people, any additional tariffs and requirements on the movement of goods and non-tariff barriers to trade that may develop. The CfED, alongside the external relations team in P&R, will continue to work with representatives of each part of the real economy to understand the specific requirements within Guernsey and to best advance this in representations to the UK Government.
- 8.8.2 The fishing sector is likely to be particularly impacted by the changes that will accompany Brexit in relation to fisheries management, access arrangements and trade in fisheries products, as has already been seen with UK serving notice on the London Fisheries Convention. The interests of this sector are, and will remain, central to the concerns of CfED.

9 **Future Guernsey Economic Fund**

- 9.1 The FGEF is a fund that was created by the States to provide investment into areas where the potential exists for economic growth, and therefore taxation revenue, but where commercial investments would not currently invest due to market failures or the need to invest as a jurisdiction being greater than the return to an individual investor. To date this fund has been administered by P&R and it has invested in:

- i. Additional support for Guernsey Finance.
 - ii. Additional support for marketing campaigns for Visit Guernsey.
 - iii. Support to the promotion of the film of the book The Guernsey Literary and Potato Peel Pie Society.
 - iv. The establishment of Locate Guernsey.
 - v. The establishment of the Digital Greenhouse.
 - vi. Route support for the Cardiff to Guernsey air route.
 - vii. A study on the establishment of a Guernsey University.
- 9.2 The FGEF currently has £4.7m remaining for investment. The States has agreed to top up the FGEF based on the provision of half of any additional tax revenue obtained that is over and above each investment made. To date, no formal calculation of the impact of these activities has been made and the CfED will be conducting this in the next few months to understand the return from these past investments.
- 9.3 The CfED has proposed a series of actions within this Policy Letter. In many cases these actions will not require investment from government over and above the time of staff within the CfED. In other cases a source of funding, such as the States' Capital Reserve, has already been identified. However, for a number of the proposals made, investment will be required from the FGEF.
- 9.4 In particular, the use of the FGEF has been identified as the source of funding for the following initiatives:
- i. Support for air routes to the Island which can be confidently expected to have a positive economic impact upon the Island. In particular, the CfED is already involved in a series of discussions in relation to alternative air routes to London airports.
 - ii. Establishment and operation of a proposed GEA which will support firms of all types through their lifecycle and form a hub for the development of skills in the economy.
 - iii. Further promotional support for business on the Island.
 - iv. Support, if required, for an Inter-Island ferry service.
 - v. Support, if required, for a proposed Guernsey EXPO.
- 9.5 Each of these investments is expected to have a positive impact on the Guernsey economy over the longer term but will need to be conducted in a fashion to obtain the maximum possible return.
- 9.6 In the budget¹¹, P&R set out that the control and governance of the FGEF should be considered by the States in relation to this Policy Letter.

¹¹ Billet d'Etat XX – 2018 Budget Report

10. Timetable for further States consultation

- 10.1 In presenting this Policy Letter and associated propositions to the States, the CfED has invoked the provisions of Rule 17.9 of the Rules of Procedure of the Assembly and their Committees, which allows for propositions to be debated and approved without amendment on the basis that more detailed proposals will be brought to the States for approval. The CfED will, over the forthcoming months, bring a series of detailed proposals to the States in each of the areas set out below for their consideration.
- 10.2 The timing of the following actions is an estimate at this stage and will reflect both the feedback from stakeholders and the ongoing workload of the CfED.
- i. Air Transport Licensing Policy Letter: January 2018.
 - ii. Telecommunications sector policy statement: February 2018.
 - iii. Updated digital framework: February 2018.
 - iv. Skills strategy: February 2018.
 - v. Tourism strategy: March 2018.
 - vi. Retail strategy: March 2018.
 - vii. Conclusions and recommendations on air and sea transport: Mid 2018.
 - viii. Conclusions and recommendations for St Peter Port Harbour development: Mid 2018.

11. Propositions

- 11.1 The States are asked to decide whether, after consideration of this Policy Letter, titled "Guernsey Economic Vision: Investment, Growth and High Value Employment", dated 13 November 2017, they are of the opinion:
- 1. To support the proposals set out within this policy letter in accordance with Rule 17(9) of the Rules of Procedure. The Committee is of the opinion that these proposals are of general policy and that this Proposition should be considered by the States without amendment on the understanding that if it is accepted the Committee will return with detailed proposals which could be accepted or rejected with or without amendments.
 - 2. To agree that administration and control of the Future Guernsey Economic Fund shall be immediately transferred to the Committee *for* Economic Development in support of the delivery of the proposals set out in this Policy Letter.
- 11.2 These Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the Assembly and their Committees.

12. Committee Support for Propositions

- 12.1 In accordance with Rule 4(4) of the Rules of the Procedure of the Assembly and their Committees, it is confirmed that the propositions above have the unanimous support of the Committee.

Yours faithfully,

PTR Ferbrache
President

J Kuttelwascher
Vice President

A Dudley Owen
J Merrett
J Mooney