

Commerce and
Employment
Department



Review of 2011

Minister's Foreword

2011 has undoubtedly been a difficult year for the global economy and Guernsey has not been immune to the turbulent economic environment in which we trade. However the Commerce and Employment Board believes that it has continued to make real progress in helping to ensure Guernsey remains competitive and an attractive place to do business.

The review of activities in the following pages highlights some of the major achievements that have been realised over the past 12 months and demonstrates the breadth of activities for which the Department is responsible. Clearly the UK Government's actions regarding the exemption of the Low Value Consignment Relief to all mail order products from the Channel Islands was unwelcome news in the latter part of the year and Policy Council has commenced legal proceedings against HM Government. Notwithstanding this setback the Department has made substantial progress across a range of areas including Aircraft Registry, Replacement Slaughterhouse, Fisheries Management Agreement, Energy Resource Plan, Aviation Security Regulation, appointment of States Vet, Animal Welfare Ordinances, listing of companies on Hong Kong Stock Exchange, Alternative Investment Fund Management Directive, progress with Skills Strategy following work by the Development Group and Image Rights.

During 2012 the Department has contributed fully to the States Strategic Plan and worked closely with other Departments within the States and continues to develop a close working relationship with our colleagues in Jersey in areas of mutual interest. We are particularly pleased to see further joint working with Jersey demonstrating that where there is a political will there is a practical way to work together and realise benefits for both our communities. During the last 12 months Deputies Gillson and Sillars have resigned from the Board to take on new challenges at Health and Social Services and Education respectively and I would like to take this opportunity to thank them for the contributions during their tenure on the Board. We have welcomed Deputies Matthews and Brouard to the Board as their replacements and we intend to continue with a full work programme and busy States workload through to the end of this current term.

The Department is fully committed to openness and transparency and for the third successive year we have seen an increase in the range and number of media enquiries. In 2011 we issued 399 media responses, a 24% increase from the previous year and have also undertaken proactive communication through consultations and meetings with stakeholders and through the media.

As in previous years I would also like to take this opportunity, on behalf of the Board members, to thank all the staff in the Department for their continuing commitment and hard work in meeting the Department's objectives in what have been difficult times.

Finally the Board believes that it has established solid foundations and will be leaving a legacy upon which the incoming Board after the May elections will be able to build upon. On behalf of the current Board I would like to wish the new Commerce and Employment Board every success in its endeavours over the next four years.


Carla McNulty Bauer – Minister
December 2011



Economic Development Unit The areas of activity for economic development are broken down into the following broad areas which are reflected in the structure of the Economic Development Unit (EDU).

Enterprise

Activities relating to the creation and promotion of an environment that stimulates existing and new business activities that will make a positive contribution to the island's economy.

Over 2011 the Department continued to work with the fulfilment industry to achieve a balance between the economic benefits to the island of exports of goods that fall below the minimum threshold for the imposition of VAT (e.g. CD, DVDs and health supplements) and the UK government's concerns about the effects such exports may have on UK retailers. Notwithstanding the Department's efforts, the March 2011 UK budget announced that from 1st November 2011 the threshold for Low Value Consignment Relief would be reducing from £18.00 to £15.00. This was followed by a further announcement on 9th November, ahead of the Chancellor's Autumn Statement that LVCR would no longer apply to mail order from the Channel Islands from 1st April 2012. The Department is assisting Policy Council with the preparation of submissions for a Judicial Review of HM Government's decision to exempt all mail order from the Channel Islands from the Low Value Consignment Relief arrangements. In parallel, the Department is working with the industry and significant stakeholders to plan for what could be done to mitigate and recover from the effects of HM Treasury's decision if it results in a significant relocation of business away from the Island with a consequent loss of jobs.

The Department has maintained its relationship and level of support for the Guernsey Enterprise Agency (GEA) which provides advice and assistance for the establishment of new and expansion of existing businesses. There has continued to be a strong level of interest and use of the GEA's services by potential business start ups, albeit at a slightly lower level than in 2010. The Department is, however, in discussion with the GEA about the support it could potentially provide to assist with the fallout from the UK Treasury's decision on LVCR.

The Department has actively investigated potential areas for economic diversification within the economy. One such example of work in this area is a study conducted by the Economic Development Unit into the economic impact of the Cruise Ship Industry. This study showed that there may be some potential for further investment in cruise ship facilities at St Peter Port Harbour with the provision of an alongside berth for cruise ships. The Department has worked closely with the Public Services Department on this matter and a States Report will be presented in January 2012.



The States Strategic Plan, via its Fiscal and Economic Plan, also tasks Commerce and Employment with producing an Economic Development Strategy for Guernsey. The Department sought tenders to Carry out '*...a review of Guernsey's current economic profile and an assessment of potential future economic direction and opportunities..*' which would form the basis of an economic development Strategy; Oxford Economics Ltd was subsequently appointed and began work on the task in September 2011. At the date of producing this document, Oxford Economics' draft report had been received and is being reviewed. It is expected that the report will be promulgated in the early part of 2012.

Energy

Activities relating to the Department's contribution to implementing the States' Energy policies.

The Department played a lead role in supporting the Policy Council's Energy Policy Group in the preparation of a new Energy Resources Plan which will be debated early in 2012. This revised plan will provide greater certainty for the industry to assist with their capital expenditure programme.

The Renewable Energy Team (RET) has made steady progress in its long term aim of ensuring all processes and approvals are in place to enable the initial deployment of macro marine renewable energy generators in local waters by the end of this decade. RET continues to work with leading local and UK experts in renewable energy and in 2011 forged strategic alliances with leading Universities with expertise in renewables completing some research projects in 2011 and planning for around 15 University projects to take place in 2012.

The main work in 2011 fell into 3 main areas of overall focus:

Understanding the local environment and renewable resource – completion of:

A camera survey of the sea bed of the Big Russel.

An initial investigation into the offshore wind potential of Guernsey which led to the establishment of a new wind monitoring station at the Chouet headland.

Prefeasibility technical report into the wave and tidal opportunities.

An updated version of the Regional Environmental Assessment (REA) after further local consultation.

A high level strategic assessment of the whole CI resource with additional focus on a tidal map for Guernsey's waters.

Legislation

A first draft of the secondary legislation which will oversee the licensing of renewable energy systems was completed.

The Guernsey Renewable Energy Law was approved by the UK's Privy Council.

Commercial and other process

Continued to work with the other Channel Islands and are formalising this pan Channel Island approach.

Closer links were forged with Guernsey Electricity Limited who now assist RET and attend RET meetings by invite.

Several meetings with DECC (UK's Department of Energy and Climate Change took place) to progress various areas including the possibility of Guernsey being eligible for UK incentives to assist in the financing of macro renewable.

Further information on RET and its activities is available on www.guernseyrenewableenergy.com



Contingency Planning

Activities relating to assessing the risk of interruption to certain essential supplies and services to the island and what actions may be taken to reduce such risk and minimise the impact of any disruption.

The Department has responsibility under the 'Bailiwick Capability Programme', for looking at strategic vulnerability in a number of areas, including the Island's security and continuity in respect of food supplies. In the light of the arrival of Waitrose early in 2011 and other more minor changes to the food retail sector, the Department carried out a substantial review of existing continuity arrangements and delivered a report setting out the revised position to the Emergency Powers Advisory Group (EPAG) in September 2011.

In addition, under the auspices of the Programme, the Department is also tasked with examining continuity arrangements in respect of telecommunications, postal and electricity services. The Department received an interim report mid 2011 and expects to deliver its final report on this matter to EPAG early in 2012.

Land

Activities relating to the availability of land for business activities including contributing to the development of land use policies to ensure that they take account of economic considerations and commenting on planning applications in respect of business premises.

Following April 2010 States approval of revised policies for the release of sites for small workshops and open storage, the Department has been working with the Environment Department to progress the specific sites that were approved and identify sites that meet the revised criteria. Very few such sites have so far been identified and consideration is being given to how this may be addressed to meet a need acknowledged by the States.

The Department has had an input into the revised Strategic Land Use Plan considered by the States in November 2011 to ensure that it facilitates adequate provision for land for economic activities in the Detailed Development Plan(s) to be prepared by the Environment Department.

Following the Environment Department's determination of the planning application for Leale's Yard which includes major provision for retail development, the Department has commenced discussions with stakeholders on the Retail Strategy that will, amongst other things, inform the preparation of Detailed Development Plans. The Department has also been liaising with the Environment Department on the possible revision of the Use Class Ordinance.

Labour

Activities relating to the workforce including contributing to the development of population and housing licence policies to ensure that they take account of economic considerations, workforce participation and effectiveness (training and development) and commenting on housing licence applications based on “economic essentiality” (currently excluding financial services).

The Department continues to support the work of the GTA University Centre (GTA) with a cash grant to cover the overheads in providing training and development courses. The GFSC provided a similar sum but has given notice that it will cease providing a grant to the GTA from January 2013. In the light of funding changes notified by GFSC Commerce and Employment has been working with the Board and Chief Executive of the GTA to reduce overhead costs and achieve efficiencies. In addition, and in parallel, the Department has made a successful New Service Development Bid via the annual budgetary process to secure funding compensate for a significant proportion of the overall reduction in the Agency’s grant income from January 2013.

The Skills Strategy Development Group was formed towards the end of 2010, comprised of representatives of the private sector, the GTA University Centre, the College of Further Education and stakeholder States Departments including Commerce and Employment.



Supported by expert input from Frontier Economics Ltd, the Group committed to producing a Strategy that would provide opportunities for, and fully utilises, the potential workforce alongside delivering training that provides for a well educated, highly skilled and sustainable workforce that is essential to supporting the Island’s competitiveness and prosperity. The Group successfully delivered its report in April 2011 and following presentation to the political Boards of the stakeholder States Departments it was agreed that the Strategy document should go out to public consultation. At the date of providing this update the top layer of the politically led Skills Strategy Policy Group has been created, with Deputy Carla McNulty Bauer as its Chairman, and this Group has met on a number of occasions. The Skills Strategy Implementation Group, i.e. the development and delivery layer that underpins the Policy Group, will be employer led and an advertisement seeking a Chairman was placed in local papers, this closed at the end of December 2011 – an appointment will follow in early 2012. Further representatives from business and the community will be recruited to the Implementation Group early in 2012 following which the further development of the Skills Strategy is expected to gain a greater impetus.

Over the year the Department has continued to apply the principles of Primary and Secondary Benefits to the assessment of Housing Licence applications. In July 2011 the Department’s Financial Sector Development Unit took over responsibility from the GFSC for assessing Licence applications made by the financial services sector. In addition the Department has been represented on the Population Policy Group and contributed to the consideration of a future population management regime and replacement of the current Housing Control legislation. The Department is currently in discussion with the Housing Department regarding further streamlining and bringing greater clarity to the assessment process as in interim measure pending the introduction of anticipated legislation to support management of the Island’s population.

Working with Industry

Activities relating to establishing and maintaining good communication with individual business and business representative organisations in order that the Department keeps abreast of issues that impact on business activity and businesses are kept abreast of, and can contribute to, the development of policies and initiatives by the Department.

During 2011 the Business Guernsey sub group of the Department has successfully undertaken a number of initiatives including exploring trading opportunities with France. At the close of 2011 the group was reabsorbed into the Board.

By the end of the year political members will have visited approximately 50 individual island businesses across all economic sectors to get a perspective on the issues that they face and to discuss departmental and States' policies.

The Department continues to build on the relationships it has established with business representative groups such as the Chamber of Commerce, Confederation of Guernsey Industry and the IOD. Liaison with the construction sector has continued through regular meetings of the joint Treasury and Resources/Commerce and Employment Construction Group. The ICT Group, formed by the Department as a useful interface between that sector and the States of Guernsey as a whole, ceased to be directly supported by the Department during the second half of 2011 and now operates with the Chamber of Commerce umbrella, albeit that regular contact with Commerce and Employment is maintained.

The work of the Government and Business Group GuernseyFilm, which was originated by the EDU, has continued and events for the industry have taken place. The Department's involvement is now chiefly through the Finance Sector Development Unit and GuernseyFinance, although the EDU remains as a stakeholder with an interest in the group performing well.

Competition and Regulation

Activities relating to the development of a regime that seeks to maintain the highest possible degree of competition and consumer protection that is practical within the island's markets and the regulation of the telecoms, postal and electricity markets.

Over 2011 the Department has progressed the creation of the legislative framework for a regime to regulate competition and consumer protection. Having received Royal Assent for the primary enabling legislation, the Department has now received draft Ordinances from the Law Officers that are under consideration.

However the implementation of the legislation had been deferred in 2011 due to the fact that the States had not allocated the necessary funds as a new service development bid under the States Strategic Plan during 2010. However the Department was successful with a new service development bid in 2011 and it is intended for the OUR to take on competition responsibilities.

In terms of regulation, the States approved a States Report to improve the regulatory regime and ensure it is fit for purpose in Guernsey's circumstances. The Department will be monitoring how these changes are implemented so that the anticipated benefits are realised.

Communications and Connectivity

Activities relating to passenger, freight, data and postal services to and from the island.

Following the joint consultation exercise on Car and Passenger services to the CI, undertaken with Jersey late in 2010, the Department has worked closely with Jersey's Economic Development Department on the application of the current agreements. During the year the current operator, Condor Ferries Ltd, has introduced a number of improvements, some of which were highlighted during the consultation, including improved communication with passengers, better reporting of reliability and customer satisfaction and a greatly enhanced booking facility. At the date of providing this update both Islands are in active discussion with Condor regarding service options post expiry of the existing agreement at the end of 2013.



During the year the Department has responded to a number of external issues that potentially affect the viability of air routes to the Island and/or the pricing of fares. These include significant increases in Gatwick landing charges, the UK Treasury's plans to reform Air Passenger Duty and the Department for Transport consultation on Sustainable Aviation. A welcome by product of this work is that it has helped to develop and further cement existing relationships with the Island's air carriers.

The Department continued to provide 'legacy' support on the Plymouth and seasonal Norwich and Dusseldorf routes. However, whilst continuing to promote its interest in new routes, in the light of financial constraints and following a Board decision, the Department will primarily react to approaches from operators and the ability to support is likely to be significantly affected by budgetary constraints.

Client Services Unit The major part of the work of all sections of the Unit remains the routine delivery of statutory, regulatory, technical, and advisory services to the public and local industry. On a section by section basis, the following notes give a summary of the noteworthy developments and activities in 2011.

Trading Standards

With staffing up to required levels, the section has carried out a programme of regular weights and measures checks in 2011 including recommending regular checks in Alderney. Several newly installed items of trade equipment have been verified as suitable for use. The section has also progressed several development projects. Work on the review and updating of local prescribed quantity and weights and measures regulations has been possible during the year. This has been time consuming and detailed work with much completed by the end of the year.

A start has been made on the development of new “fair trading” legislation, agreeing a staged process of legal drafting with the advice of staff of St James Chambers. Also the section has commenced the review of the 2003 Legislation that put limits on trading on Sundays. The Section has completed an initial review of the operation and administration of the Law with the Islands Douzaines and has instituted some administrative changes to improve and speed up processing of applications. The section anticipates a wider public consultation during 2012 to establish a reliable picture of attitudes to the existing restrictions.

Employment Relations Service

In comparison with the previous year, 2011 saw a fall in the number of disputes referred to the section for assistance with resolution. This allowed more time for the completion of policy development tasks not completed in 2010. In particular the results of a public consultation into attitudes to employment protection was collated and reported to the C&E Board and later published for the public. As a result, the C&E Board established a prioritised list of employment protection topics for further development in 2012.

A significant contribution was made to the work of the Social Policy Group in respect of the development of a policy review of maternity provisions which was linked to, and part of, work required to allow the States to ratify the UN “CEDAW” convention for the elimination of discrimination against women.

As required by law, the section coordinated the first review of the Island’s minimum wage rates, a piece of work that at this point in time with the Law only in place for 2 years, is a significant activity in terms of public debate, rather than being routine. The conclusions of a consultation were reported to the C&E Board and recommendations were submitted to the States in a States Report. New rates were adopted from October 2011.

Later in 2011, the section started work s on the delayed review of the Industrial Disputes and Conditions of Employment (Guernsey) Law 1993, which will be the subject of a consultation and will be completed in 2012.

A successful series of short employment relations workshops were run in collaboration with ACAS staff in October using the administrative services of the GTA.

Health and Safety Executive

Progress was achieved on a number of fronts. One project completed, with a States Report submitted in December, was a review of levels of fine available to the Magistrates Court following the conviction of a duty holder for offences relating to the "Health and Safety at Work (General) (Guernsey) Ordinance, 1987. This Report will be in the March 2012 Billet.



Guernsey Dairy

A steady and successful year of operation for the Dairy which was profitable and fully self funding, able to invest in key upgrades to the facilities to ensure the reliable high quality of its products. Raw milk production from local dairy farms was maintained at a relatively steady level during the year and despite a predictable drop off in the winter months the Dairy was able to supply all the Island liquid milk needs. Part of this is due to continuing reduction in processing milk losses which were reduced by a further 9% compared to 2010.



The Dairy achieved SALSA (Safe And Local Supplier Approval) accreditation during the year and the Dairy's Quality Management Systems were reviewed and audited with staff training completed to HACCP Level 1. The implementation of the Dairy's capital investment plan continued steadily with the full installation of a new milk packaging machine, butter packer, third milk collection tanker, and upgrades to the existing SCADA system (to mention a few).

Guernsey Dairy Cheeses again received awards with, in 2011, the Guernsey Dairy Smoked cheese winning a gold medal at the prestigious Nantwich Cheese Show. Butter exports (to Waitrose in the UK) and local sales have remained strong despite a price rise during the year at the present time while the Dairy can fulfill its key commitments to Waitrose and local retail outlets, it has not been in a position to offer discounted catering butter for sale locally.



Agriculture and Rural Environment Service

The Agriculture and Environment Adviser, on request, contributed information to the Dairy Industry Review and the Milk Price Review Panels during the year and provided the Commerce and Employment Board with a summary of the Dairy Industry Performance.

As in 2010, considerable support was given to the developing Guernsey Renewable Energy Project in the co-ordination of environmental assessment activity and contribution to public debate through a number of articles and presentations.

A further significant use of time was in the provision of comment and land use advice in response to planning application consultations on agricultural sites and preparation for and attendance as an expert witness at a number of Planning Appeals Tribunals.

The A&EA was a statutory consultee regarding the new airport development which involved a considerable time commitment. He was also very involved as a statutory consultation on the 'Revised waste strategy for Guernsey', especially regarding the treatment of food waste, anaerobic digestion and composting.

Field and Support Services

2011 was a year of consolidation for the farm services staff as changes made in 2010 were bedded in and new IT systems were installed to handle the more efficient transfer of data to and from the organisations in the UK that verify local herd information records.

Work to obtain a replacement slaughterhouse continued at an accelerated pace in the year as with T&R giving the project was given in principle approval and the establishment of a Project Board. Following very positive consultations with users in the summer plans were drawn up and a tender process completed in time for a States Report to be submitted in December for inclusion in the March 2012 Billet.

Drafting of the major Animal Health Ordinance was completed, with minor amendments (such a stronger penalties) approved by the States in November 2011. The Ordinance is expected to receive final approval from the States early in 2012 and to come into force during the year. Linked to this the Department has appointed a part-time States Veterinary Officer - Mr David Chamberlain - to the first ever such directly employed position. A significant aspect of the work of the SVO will be the implementation of the new animal welfare regime as well as bio security, veterinary advice to the Department and oversight of Island agricultural facilities such as the AI Centre.



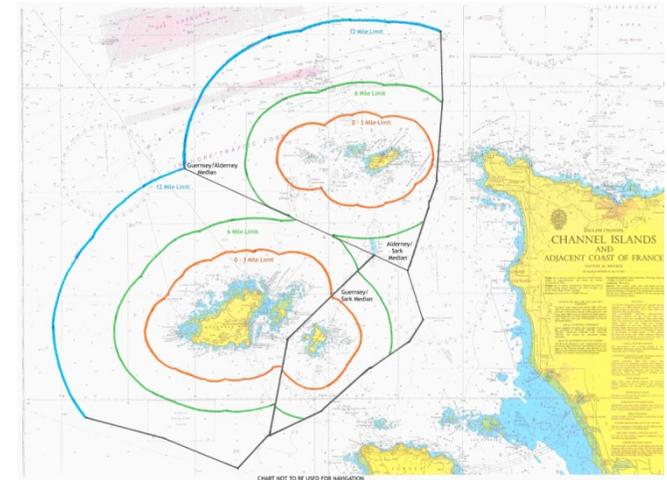
Sea Fisheries

The headline activity in 2011 was the work to establish and gain full agreement on a Fisheries Management Agreement between the three Islands of the Bailiwick and the UK authorities. Such an agreement, which has been sought unsuccessfully for nearly 20 years, was approved and signed in November 2011 with the full support of the fishing industry of the Bailiwick and represents a major and necessary step towards the establishment of a durable licensing regime in the waters around the Bailiwick out to 12 miles. A States Report and Project de Loi were submitted in December and will be debated in March 2012.



The Fisheries patrol boat (Leopardess" is a major asset for which the section is responsible. Away from the spotlight and to ensure the maximum sustainable life for the boat before its replacement is considered, the section has thoroughly reviewed the maintenance and operational procedures for its use and has been developing a maintenance schedule with the Dutch shipyard that built the boat.

The Leopardess has been used on regular patrols throughout the year and made courtesy visits to French ports as part of a programme to ensure good liaison. In the light of the developments in relation to licensing, the SSFO, as a member of the Bailiwick Fisheries Management Commission, attended meetings in Jersey with Island officials and Jersey fishermen.



Plant Protection and Laboratory Service

In view of the high health status recorded in the 2010 survey of local bee hives it was decided to institute a rolling programme of annual bee inspections to more consistently monitor the situation in the light of high levels of infestation with American Foul Brood noted elsewhere (i.e. Jersey). In the event, the 2011 summer inspection indicated a very healthy situation with no quarantine pests recorded.

The section continues to monitor by survey for a number of plant pest species both to protect exports and local flora and the environment. Surveys in 2011 showed that a high plant health status continues with all quarantine pest surveys proving negative.



Civil Aviation



Another busy year for civil aviation activity in the Bailiwick saw significant steps forward with a number of projects. They will be developed further during 2012.

It became apparent early on in 2011 that both Guernsey and Jersey would need to make adjustments to their aviation security arrangements to take account of changes already in place in the UK and Europe. A key part of the change would be the creation of an aviation security regulatory role in the Channel Islands, previously carried out on our behalf, to a certain extent, by the UK Department for Transport. Jersey agreed to work with us on creating a joint solution whereby we would appoint one individual to act for both jurisdictions, in what has turned out to be, a part-time role. This can best be described as the 'least cost' option for both Islands and resulted in an appointment to the role at the end of 2011. In a further squeezing of efficiency from the aviation regulatory functions, it is intended that the appointee will also perform the role of Deputy DCA to provide cover during any periods of absence of the DCA.

Last year ended with much activity, appointing consultants to assist with a feasibility study into the establishment of an aircraft registry for Guernsey, or potentially, jointly with Jersey. In fact, the consultancy project ran exactly to time and below budget, with a report being provided at the end of March 2011. As a result of the recommendations in the report we changed our approach to the project and revised our preferred option. This was represented in a Report to the States in September, which was agreed in full. We have approval in principle to proceed with the arrangements to establish an aircraft registry for Guernsey, or possibly jointly with Jersey, prepare the necessary legislative changes and prepare a full business plan to be agreed with Treasury and Resources.

Of course, besides these special projects the day to day responsibilities and function of the Office of the DCA continue. The Airport is making progress with the runway and aprons refurbishment project. It is anticipated that work will start early in 2012. In addition, the project to introduce special GPS instrument approaches, known as SBAS approaches to Alderney has now been fully approved and will be operational for Aurigny passenger flights to Alderney in January 2012. The Airport is also on track with its project to replace the primary radar and procure secondary radar for the Island. Again, this project has strong links with a parallel project in Jersey, because the two radars will provide mutual cover and resilience for a vital operational and safety resource. All of these projects require regulatory input and approval action by the DCA.

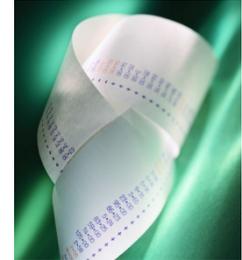
In the meantime, the DCA is assured of the aerodrome and Air Traffic Control's safe and effective operations through regular oversight and safety audit activity carried out throughout the year.

Administration and Central Resources

The unit has continued to work closely with the centre as part of the Financial Transformation Process, providing data where required to assist the project team in working towards value for money goals, in particular feeding into work streams involving finance, procurement, property, energy efficiencies and HR. In addition the unit has been proactive in providing resources to central ITU and assisting with the work stream to centralise ICT services throughout the States of Guernsey. This work will continue on into 2012.

The unit has over the last year and will continue throughout the next year to provide timely monthly and quarterly management accounts and year-end accounts. These are provided for the Commerce and Employment Department including the Guernsey Registry and the Guernsey Dairy. They are also produced for GuernseyFinance and the Office of the Public Trustee. The 2012 budget was submitted in accordance with the Treasury and Resources timetable.

The unit has successfully provided back office support to the Department's various business units throughout the year providing finance, HR, ICT and administration services. In addition to normal support the unit is involved with providing functional lead resources for the SAP/Shared Transaction Services Centre project, which began in late 2011 and which will continue throughout 2012.



Marketing and Tourism

The visitor economy performed well in 2011 despite a turbulent trading environment. Whilst final figures are still to be delivered for the calendar year numbers to the end of September detailed a 1.4% increase in the number of staying leisure visitors (125,300). Interestingly statistics show that business visitors were up for the same period year on year by 13.1% but visiting friends and relatives traffic was down 14%. These are trends that you would perhaps expect to see in reverse during periods of economic uncertainty. The number of beds within the Guernsey accommodation stock held steady at 5500 and despite a challenging year there was a general confidence and satisfaction with 2011 performance.

The visitor economy strategy continues to see a considerable amount of strategic and operational work undertaken by the marketing and tourism team across four key areas. Land use, accommodation and quality assurance, transportation, product and marketing.

The UK market still delivers upwards of 75% of Guernsey's leisure visitors, but 2011 saw strong performances from both the German and French markets, largely due to better connectivity and associated investment in marketing activity. This, together with a better inter-island schedule, also helped contribute to a massive 53% increase in day visits.

A programme of industry visits was commenced mid year, news e-mailers were introduced to convey industry updates to both off and on Island interested parties and presentations were delivered to industry in the Spring and Autumn to report, in detail, on activity that had been carried out. The aim was to build on and strengthen industry partnerships and relations. Steps were also put in place to provide better behaviour and qualitative data for 2012, though budget restrictions may mean that creative ways need to be identified to capture this information.

Our VisitGuernsey social media presence has seen a sustained growth and web hits to VisitGuernsey.com reached an all time high, whilst postal brochure distribution held steady. 216 partnership opportunities were delivered to the Industry as part of our print advertising campaigns. A 73% saving was achieved off of advertising rate cards and through effective negotiation £179,388 of free advertising space was secured through developing and nurturing strong industry relations. During the course of the season Guernsey attracted 53 visiting journalists across our core visitor markets of UK, France, Germany and the Netherlands resulting in excellent achievements in advertising equivalent values across all countries. Collaborative funding arrangements with trade partners, such as key tour operators in all markets, continued on a "match" funding basis providing excellent value and return on investment.



Work continued throughout the year to nurture the opportunity for filming elements of the Guernsey Literary and Potato Peel Pie Society film in Guernsey. Whilst directly incentivising the film is not an option a considerable amount of time and effort has been put into pitching Guernsey and working with the producer and film house (FOX) to hopefully convert the opportunity. From a visitor economy and community perspective it is very much hoped that aspects of the movie can be filmed on location for authenticity purposes.

Air and sea movements, in terms of visitor travel, held up well and latest figures show an increase of visitor passenger movements year on year. With over 50% of air and sea passenger movements being visitor related this continues to demonstrate the importance of both leisure and business traffic towards the sustainability of a robust network of routes for the Island. Seasonal charter services from continental Europe all put in a strong performance and will return for 2012. This includes the weekly scheduled seasonal Air Berlin service which was launched in 2011, proved successful, and will return for 2012.

2011 delivered an excellent cruise liner season. Sixty nine ships arrived with 63,134 passengers landing in Guernsey Reports from the cruise lines on visitor experience have been very encouraging.

Guernsey's visitor economy continues to see welcome inward investment into the accommodation sector at all grades with several properties closing for periods to undertake full refurbishment. Quality standards, at the last round of assessments, continued to move upwards for both accommodation and places of visitor attraction.

2011 saw the launch of the "Taste Guernsey" food assessment. Twenty seven establishments have signed up to date and an excellent standard of delivery is reflected in the results which is encouraging for all.



Finance Sector Development

The Unit was involved in a large number of projects throughout 2011 and substantial progress has been made during the last 12 months. The Department recognised the growing workload of the FSDU and has provided additional support through the recruitment of an additional policy advisor. The Unit now has 2.6 FTEs. While the Unit is small it is very efficient in how it manages its staff and budget.

Some of the Project highlights for 2011 include:

Approval of Guernsey as a recognised jurisdiction by the Hong Kong Stock Exchange. This was achieved by working very closely with the finance industry and following 12 months of negotiations and discussions with the HKSE.

Release of the draft Foundations Law for public consultation. The Unit worked closely with the Law Officers' Chambers to prepare a consultation draft. The consultation responses have all been analysed and the Department will be presenting the final legislation to the States in the first quarter of 2012. The Unit conducted a broad consultation on proposals for the introduction of a financial ombudsman service.

The Unit supported the Director of Civil Aviation in preparing a States Report on the introduction of an Aircraft Registry. That Report was approved by the States in late 2011.

The FSDU is also involved in a number of cross departmental initiatives such as the FEFG and the Corporate Tax Review, and in taking forward recommendations from the Lord Hunt review and stimulating new banking business.

In addition to that the FSDU is also supporting the Policy Council in the recruitment and appointment of Commissioners for the Guernsey Financial Services Commission. The FSDU ran two recruitment campaigns in 2011 to recruit three new Commissioners for the GFSC. In addition the FSDU is working with the GFSC to develop an appropriate induction campaign for Commissioners.



Throughout 2011 it became apparent that the FSDU needed to develop its understanding of the initiatives being led by GuernseyFinance. This would ensure the FSDU had a better understanding of the needs of those outside the Island which use its financial services industry. As a result the FSDU has begun to participate in GuernseyFinance Initiatives such as in London, Europe and the Far East.

A significant part of the Units time has been on responding to EU initiatives such as the Alternative Investment Fund Managers Directive. The Unit prepared a response to several EU consultations on the implementation of that Directive. There remain a number of emerging EU directives which will have a third country impact on Guernsey such as the Markets in Financial Instruments Directive. This is likely to require increasing attention in the coming years. The priority for the FSDU will be to conclude the legislative programs for Limited Liability Partnerships, Foundations, Limited Partnerships and the Company Law. Following that the focus will be on reviewing Guernsey's insolvency regime.

Guernsey Registry

The Registry has had another very successful year, achieving an excellent compliance rate on the annual validation process in January, with 229 companies being struck off for non-compliance with the legislation, significantly lower than in 2010.



Collection of the Guernsey Finance LBG Levy was also successfully delivered through its on-line portal and 13 registrations are listed on the Register of Recognised Auditors.

The Registry has continued to develop its profile locally and internationally, providing a link to the European Business Registry system. It is represented on the Bailiwick AML / CFT Committee and through its Customer Focus Group has continued to develop its service. In particular a new website was launched in October 2011 and the Registry continues to increase the guidance available and to develop its on-line portal to meet the needs of users.

A new Registrar was appointed in March and following the retirement of a Deputy Registrar of Companies in May, new staff have been recruited and are performing their duties very well; with the team delivering the high level of service users can expect from the Registry. Development of staff is critical to the future success of the Registry, with staff successfully completing training at a variety of levels, significantly one staff member achieving certificates in Marketing and Digital Marketing and two team members completing their MSc in Corporate Governance in 2011. Future developments for the Registry include enhancements to the on-line portal, including the integration of Limited Partnerships, the introduction of Foundations and Limited Liability Partnerships and amendments to The Companies (Guernsey) Law, 2008.

Intellectual Property Office

In 2011, the IPO completed the research into image rights, carried out a successful industry consultation and prepared for the Board the States Report which was passed by the States of Guernsey. Work is continuing on the drafting of the legislation in preparation for bringing the legislation to the States in 2012. Industry support for image has been very strong and actively engaged through working groups.



The international treaties have continued to be progressed and the Office received a letter expressing UK intention to extend the international agreements of Berne and Paris and a recognition of TRIPS compliance as assessed by Professor Llewelyn. The international work with the UK continues to link closely with the External Relations Group and is advised by the Law Officers. Work to implement the Registered Patent and biotechnological inventions ordinance and the service is scheduled to be completed in 2012. The Office will then provide a full suite of the main IP registrations. The Office has continued to fulfil the registry requirements of the law and is one of the most rapid registry services in Europe for trademarks. The Commercial IP group has grown significantly in 2011 and now includes leading representatives of the data centre / telco industries along with a broader section of the finance industry in addition to the legal and IP specialist sectors.

The Registrar has represented the IPO at the World Intellectual Property Organisation (WIPO) and met with the high Legal Counsel to facilitate the extension of the international treaties. Successful presentations were also made at the Biotech and Pharmaceutical Patenting conference in Munich, at the STEP conference in Guernsey and to an international Chinese delegation at the invitation of STEP UK and the CASS business school of the University of London. Training in IP for the wider registry team has been provided and this has enabled the Office to work with one less person providing a saving on budget while adding resilience to the registry services.

External Agencies

The Guernsey Enterprise Agency (GEA) was formed in 1992 to assist business start-ups. The principal service is a free consultation to anyone thinking of starting a business. Existing businesses can also benefit from the GEA's free consultation service to help evaluate any opportunities or challenges they may be facing.



In 2011 the Guernsey Enterprise Agency continued to provide an excellent level of service for clients both on and off the Island. As well as the day to day business of providing support to people wishing to start a business it was also involved in the Global Entrepreneurship Week initiative for which it gained a High Impact Event badge for its efforts. The free drop-in sessions organised that week and a previous drop-in session for inventors proved extremely popular. The Agency has also forged closer links with the Chamber of Commerce, working with them on several initiatives. We have also continued to raise the profile of the Agency through the media. The new agency website at www.gea.gg has also continued to expand and improve during the year with more and more business wanting to become involved.

Guernsey Finance Ibg is the promotional agency for the Island's finance industry globally. Its strategic objective is to ensure that the core competencies and values of Guernsey as an international finance centre are accepted and respected by the international community, and that finance business flows are enhanced.



The global financial crisis initially came to a head in 2008 yet more than three years later and the repercussions are still being felt. It is therefore important that Guernsey Finance continues to reassure existing introducers as well as target potentially new sources of business.

During 2011, Guernsey Finance has once again been operating within the same overall resource allocation and yet still delivered increased value. Investing in a new Technical Director / Deputy CEO increased fixed costs – and therefore reduced the funds available for operational activity – but in fact, this appointment has provided the platform for Guernsey Finance to be able to provide an enhanced offering in terms of Guernsey events, third-party conferences, media work and e-marketing. In particular, the Guernsey Funds Forum in London was a huge success, BBC Business Editor Robert Peston was a keynote speaker at a private equity seminar, we held a specific Solvency II seminar in London, work with the media continues to result in a high value of editorial coverage and there are ever-increasing numbers of visitors being driven to the Guernsey Finance website.

Guernsey Finance activity is also aimed at helping to diversify the business base. As such, there has been an increased focus on raising awareness of the Island's specialisation in niche products and services such as overseas pensions, film finance and renewable energy. In addition, the agency is not just targeting key business introducers within traditional centres like London but also the 'emerging' markets of the Far East, India, Russia, the Middle East and Latin America. Guernsey Finance organised its first official delegation to Moscow in May, a delegation to China in August and there were visits to the Far East, Latin America and India all within the space of a month during November. During the year, Guernsey received approval for its companies to be listed on the Hong Kong Stock Exchange (HKEx) and a Memorandum of Understanding (MoU) has been signed between the Guernsey Financial Services Commission (GFSC) and the Chinese banking regulator.

The key indicators are suggesting that the Island is performing more strongly than many of our closest competitors.

The Guernsey Training Agency exists to facilitate training across all sectors of the economy and is part funded by the GFSC and part by the States through a grant from the Commerce and Employment Department. The funding from the GFSC will cease at the end of 2012 and subject to the rigors of the States accounting procedures funding post 2012 will be received from government, the GTA will be expected to contribute around 30% of its overall running costs. During 2011 the GTA has made significant cost savings which equate to around 20% of its total budget. A service level agreement has been drawn up and agreed between the GTA and the Commerce and Employment Department ensuring that key performance indicators are in place for the GTA and this is reviewed annually.



During 2011, the GTA has consolidated its position within the Guernsey education and training market. Working closely with the College of Further Education economies of scale have been achieved and duplication within the course market has been avoided. The GTA has also been part of the skills strategy work undertaken by Commerce and Employment and has very much welcomed being involved with this strategy. It is planned that the GTA will continue to be part of this initiative particularly in the gathering of labour market information.

The start of the academic year saw all the postgraduate courses recruiting reasonable cohorts and the GTA continues to enjoy excellent working relationships with its university partners and professional bodies. Finally the GTA has introduced the first part-time undergraduate degree to be fully taught on island. This represents a significant step forward in the provision of higher education on island.

The Office of Utility Regulation ("OUR") is the independent regulatory agency established by the States of Guernsey to regulate the telecoms, electricity and postal markets in Guernsey. The Office is an organisation of four staff, whose primary objective is to fulfil the statutory obligations set down in the Regulation of Utilities (Bailiwick of Guernsey) Law 2001 and the separate sector specific primary legislation which covers each of the three utility sectors under the OUR's remit. In addition, the OUR is required to implement States Directions as provided for under the Law.



During 2011, the OUR focused on the continued development of a more competitive telecoms market, where possible taking pan Channel Island approaches to issues. Working with the Jersey Competition Regulatory Authority (JCRA), significant effort has been made to identify solutions for greater competition in the fixed market in both Guernsey and Jersey. It is expected that consumers will see the benefit of this work in 2012. In the postal sector, a further price control for Guernsey Post was put in place from April 2011, part of which will see Guernsey Post given greater freedom to set individual tariffs within an overall control on total revenue. Further pricing flexibility is being given to Guernsey Post following the announcement in November that the LVCR regime is to be scrapped from April 2012 and the OUR has worked to identify further regulatory measures to help address this. In electricity, further work was carried out to set new prices for Guernsey Electricity which has sought to balance the needs of customers with respect to affordable tariffs while ensuring Guernsey has available to it the necessary infrastructure to ensure a robust supply of electricity. During 2011, further work to strengthen the co-operation with the JCRA has seen a new joint website (www.cicra.gg), a common IT platform and greater co-operation between staff on pan Island projects. In September the States of Guernsey agreed to appoint the JCRA board as the Board of the OUR which will further promote pan Channel island co-operation on competition and regulatory issues.

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