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The future for financial services and the economy in Jersey

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Banking & Finance/Commercial/Corporate/Dispute Resolution/Financial Services/In-House Advisor/Pensions/Private Client/Restructuring & Insolvency/Share Incentives/Tax:
The Guardian newspaper carried a full length feature piece on 8 December 2015 saying that Jersey was in decline. Is this report justified and how have recent policy changes affected this offshore island? How will this affect those who rely on Jersey's tax regime? David Bowden, freelance independent consultant examines the implications, looks at the published research and talks to a number of Chief Executive Officers in Jersey including James Morris of the Jersey Chamber of Commerce, Steve Meiklejohn of law firm Ogier, Geoff Cook of Jersey Finance. He also talks to Jersey's Assistant Chief Minister, Senator Philip Ozouf for the consequences for business in Jersey.

Original news

The Guardian newspaper carried a full length feature piece with the title 'The fall of Jersey – how a tax haven goes bust' on 8 December 2015 saying that the financial services economy in Jersey was in decline. It said that Jersey had neglected its tourism and agricultural economy too. Is this report justified and how have recent policy changes affected this offshore island? How will this affect those who rely on Jersey's tax regime?

What were the main points in The Guardian article?

David Bowden (DB): 'The Guardian' carried a long read feature on 8 December 2015 written by Oliver Bullough. The title to the piece was 'The fall of Jersey – how a tax haven goes bust'. The impetus for the piece was the publication by the Jersey government of its budget plans for 2015-2019. Those forecasts predicted that unless action was taken then Jersey could face a budget deficit of up to £145m. The piece looked at each of Jersey's 3 main industries. It said that tourism was in decline with a halving in the number of hotel beds. It said that agriculture was in decline and the writer claimed he had only seen 1 dairy herd on his visit. Finally it claimed that Jersey was overly dependent on financial services. It also claimed that trust law in Jersey had been misused and sought to draw a link to mortgage securitisations of banks in the UK that had to be bailed out who had used Jersey companies.

Are reports that Jersey is in financial difficulties justified?

DB: There are 2 important recent Jersey government papers:

- Jersey Economic Trends 2014 www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20Jersey%20Economic%20Trends%20%2020141210%20SU.pdf (31 pages), and
- Draft Budget Statement 2016 issued on 20 October 2015 www.statesassembly.gov.je/AssemblyPropositions/2015/P.127-2015%20COMPLETE%20REVISED.pdf?_ga=1.35310498.206732695.1450710263 .

This draft budget statement contains the banking statistics, Jersey budget and its RPI predictions.

Finance has contracted since 2008 at the start of the recession. If spending was not kept in check, the island could have a deficit. The forecast is for £145million for 2019. Jersey has always had a strategic reserve fund (a fund for a rainy day). This currently stands at £786million.

On 12 February 2016, the ratings agency Standard and Poor's downgraded the credit rating of the States of Jersey from AA+ to AA. Standard and Poor's confirms that this is not reflective of Jersey's current position but is based on potential future uncertainties such as the UK's EU referendum and increased regulatory demands

The medium term financial plan outlines the Jersey Council of Ministers spending plan to 2019. This is contained in the draft Budget Statement 2016. If no action is taken, then as things stand now, this predicts a deficit of £145million by 2019. Jersey plans to make £90million cuts to public services. There are plans to introduce new health and sewage charges. On the flip side, Jersey is planning on raising the Christmas bonus paid to pensioners to £88.73 and to increase the spending on health, education and infrastructure. Jersey provides free TV licences to residents aged over 75 and cold weather payments to lower income pensioners. It is of note that 10% of Jersey residents pay just over half of all the income tax raised.

Jersey is looking ahead. The figures in The Guardian article talked about a 'looming deficit'. If there is to be a deficit – it would be in 2019 and beyond. This is 4 years away. Jersey is forward thinking in starting to plan for this eventuality now. It is good that Jersey is worrying about its medium term future. In 2013 Jersey had an operational deficit of £25.2million. In 2014 for the first time – from an operational perspective Jersey spent more than it earned. Absent combative measures Jersey's deficit could grow to £150million by 2019. Jersey has a strong balance sheet. These projections give the Jersey government ample time to do something. The UK is unlikely to bail out Jersey if it got into financial difficulties but this would be different if there was civil disorder. Jersey has fared better than its near neighbour Guernsey which still has an issue with empty or boarded up shops.

Senator Philip Ozouf: The article that appeared in '*The Guardian'* last year was based on speculation, not fact. These are the facts:

- Jersey has sizeable reserves and very little debt,
- our net revenue surplus runs to £6m,
- employment in the financial sector is back to 2007 levels,
- our reputation as a transparent, well-regulated finance centre is stronger than it has ever been, both in the eyes of professionals and in the estimation of organisations such as the OECD and the IMF.

Jersey has a very bright future, both within its traditional expertise of professional and financial services, and also in digital, FinTech and other government-supported sectors that are experiencing an exciting period of growth and development in the island.

James Morris (JM): Jersey has introduced a Goods and Services Tax ('**GST').** This has helped plug the gap. This was introduced on 6th May 2008 at a rate of 3%. The rate then increased to 5% on 1st June 2011. There has been an intense debate locally as to whether Jersey has a black hole. Jersey is preparing to deal with this. It is planning ahead in order to prevent a deficit from arising. Jersey has £700+Million reserves and so does not have a black hole.

In a recent 'Questions & Answer' session with Chief Minister and the Treasury Minister, it was stressed that Jersey has lots of reserves, there is not a black hole, Jersey needs to raise funds, and there will be changes over the next 10-20 years.

Steve Meiklejohn (SM): No. These points should be noted. Jersey has:

- an AA rating awarded by Standard & Poor's,
- net reserve surplus of £6million in the latest accounts,
- negligible debts,
- substantial reserves of £786million,
- no current fiscal deficit, and
- £5.6billion of net assets (according to the Treasury Minister's balance sheet).

There is a potential funding shortfall in 2019. Jersey has chosen to do something about this before it happens. Jersey wants to maintain its Health and Education spending which are key services. £55m for depreciation and £168m capital expenditure is planned of which £55m is reserved for free schools.

The shortfall would not be reduced if Jersey made no changes to other items of expenditure and its income remains at this level. There would then potentially be a shortfall. The Jersey government won't accept that position – it is planning ahead to meet that foreseen funding shortfall. It is looking at public sector pay restraint, restructure/redundancies in public sector and to start out in public/private partnership. In the medium term Jersey is aiming for a balanced budget by 2019.

The Jersey government is looking to be more creative whilst interest rate levels are still low. The government is planning to borrow funds to pay for a new hospital for Jersey with it to be repaid over 25 years at fixed interest rates. This is a strategic project. Should Jersey dip into its strategic reserve to pay for this? Jersey in the past has used this to fund road improvements. Jersey does not have PFI *per se* at the moment.

I am cautiously optimistic for the future in 5 years' time for my firm. The main reasons for this are:
- Jersey and the rest of the world have come through a substantial downturn in the last 8 years,
- Jersey financial services sector has contracted,
- As a result of the above, income from financial services in 2014-15 is not at the same levels as 2002-3,and
- There was a real spike just before the recession. Record levels of income in the island. Jersey hit new highs. In 2008-10, there was a dramatic fall. From 2010 onwards the economy has picked up. I look to London as a barometer.

Ogier remains one of the largest law firms in Jersey. Ogier operates in 8 different jurisdictions. It has 250 staff in Jersey. The last 2 years have steady overall. Ogier has exceeded its income targets for the last couple of years. Come through the worst – steady but improving slowly. In London, mergers & acquisitions is predicted to pick up in 2016. If that happens there will be a spin-off effect for Jersey. We have seen the worst. The island has fared pretty well.

The Jersey government has done well to keep the island ahead of the competition in the OECD/G20/EU. It is surfing at the top of a wave. We have all the recent reports. IMF 2008 report. Money laundering report – FATF. Jersey is in the top division for financial transparency, anti-money laundering rules and is ahead of both the UK and the US - and because of that is better regulated than the UK government. Better than the Tax Justice Network has given credit for.

In 5 years' time – modest growth – planning for single digit growth for firmer increase. The legal sector offshore is in pretty good health. 2 or 3 smaller firms have started up in Jersey. This brings greater choice. There is sufficient business to keep everyone occupied.

I see the following as growth areas:
- Private equity,
- Hedge funds,
- Corporate administration field, miscellaneous administration, quasi corporate/private client.

The latter has increased significantly partly because of private equity work and from trust companies

In the last 15-20 years, corporate funds administration has grown significantly. These other organisations in Jersey are also in this field. They are large enterprises who take on both school leavers and employ high calibre people:
- JTC www.jtcgroup.com ,
- Hawksford www.hawksford.com ,
- TMF Group www.tmf-group.com,
- Vistra www.vistra.com , and
- Aztec www.aztecgroup.co.uk .

Aztec has grown to 200 people from a start-up 10 years ago and has 400 people worldwide.

Geoff Cook (GC): The Guardian article is little more than unfounded allegation and raw speculation, with not a great deal based on fact.

Jersey has a net revenue surplus of £6m recorded in the latest set of publicly available government accounts, Jersey has negligible debt, substantial reserves and no current fiscal debt.

If you look at the current statistics, the Financial and Professional services industry in Jersey is on the up:
- Total net profit in 2014 was £1470 million - an increase of £290 million (25%) compared with 2013.
- Total expenditure on goods and services was £740 million - an increase of 4% compared with 2013, with almost half spent on-island.
- Number of local staff recruited directly from school and university was 390 FTE - 80 higher than 2013.

- Recent JFL Employment and Growth Survey estimated up to 1,000 new jobs over a 5-year period.
- Few financial service industries in the world could boast a 25% uplift in profits.
- Currently, there are over 12,800 employees in the finance sector making up approximately 44% of the island's total GVA and employing almost a quarter of the workforce.

How have recent policy changes affected the viability and future of Jersey?
DB: Jersey has population of around 100,000 people and there are 4 Michelin starred restaurants there. Financial services is still the largest earner for Jersey. The article in The Guardian does not define what is meant by 'financial services industry'. Instead it has focused on looking at the figures for bank deposits held offshore by the 4 main UK clearing banks. This is only one-third of the overall picture. Jersey retail bank deposits are not the bellwether of Jersey's financial services industry.

In recent years, Jersey has seen 2 growth areas in financial services:

- Private Equity Funds. These have benefitted from a good legal and regulatory structure in Jersey.
- Hedge Funds. Although these are typically incorporated in another offshore jurisdiction such as the Cayman Islands, Jersey is the principal office where these businesses are based. A number of hedge funds have left London to set up in Jersey.

There are a lot of medium sized players in Jersey from elsewhere in Europe:

- Switzerland,
- Germany, and
- Baltic States.

Jersey is reliant on France from who it gets its electricity. Inflation has decreased in Jersey recently.

JM: There is huge business diversity in Jersey. There are 600 member organisations in the Jersey Chamber of Commerce. Whilst this includes a lot of banks, our membership reflects Jersey business as a whole and not just financial services. Most UK towns have a chamber of commerce but there is only one for the whole of Jersey. It is a very active chamber of commerce with lots of events planned and a full calendar for 2016

SM: There have not been any significant policy changes. The banking sector remains strong and significant in Jersey. The Jersey government has recognised that it needs to do more especially in tourism and agriculture. In the digital sector, there has been some success but there is more that they can do to aid the economy. There is still a heavy focus on making financial services industry successful for the medium to longer term.

Jersey is ahead of the pack because of:

- International regulation,
- Court system, and
- Rule of law

Jersey has shown it has a viable financial system. In Jersey (as in Guernsey) there is no ability for counsel qualified in another jurisdiction to access the Jersey courts. Jersey has a unique legal system.

GC: Jersey's future and viability are both sound, with no major policy changes influencing its success to date. The finance industry remains strong with a positive outlook both in the short and the long term.

Business continues to flow to Jersey because:

- investors are attracted to its international reputation and viability,
- it is a well-regulated and well-managed jurisdiction, and
- it is at the forefront of transparency and implementation of rules on anti-money laundering and combatting the financing of terrorism.

To what extent have developments in the UK and the EU affected the stability of Jersey?
DB: The UK joined what was then the EEC by a Treaty negotiated by the Foreign Office dated 22 January 1972 (**Cmnd 5179-I**). Protocol number 3 to that Treaty deals with the position of the Channel Islands and the Isle of Man. By article 1, it is agreed that the EU rules on customs matters and

quantitative restrictions shall apply to Jersey. Special provision is made for agricultural products. Article 2 provides that Jersey residents shall not benefit from '*Community provisions relating to the free movement of persons and services.*' The Jersey government agrees under Article 4 to '*apply the same treatment to all natural and legal persons of the Community.*'

The effect of this Protocol is that Jersey benefits from the free movement of goods and labour under the EU treaties but Jersey is not a member of the EU. Jersey does not have to implement EU Directives but like Norway and Switzerland is finding it constantly needs to adapt its legislation to reflect initiatives from the EU.

The EU's rules on Alternative Investment Fund Managers (EU Regulation **694/2014** and Directive **61/2011/EU**) ('**AIFMD**') is not applicable in Jersey. However the Government of Jersey has done a good job of persuading the EU that Jersey has an appropriate regulatory jurisdiction that is equivalent to that stipulated in AIFMD. This means that fund managers based in Jersey can still market to the EU.

There have never been weak banks based in Jersey. Jersey did not have the problems that Iceland had during the financial crash of 2007-9. This stood Jersey in good stead during the downturn. There are over 500 banks in Jersey. The most recent survey showed that Jersey had no insolvent banks on its hands. Some overseas banks in Jersey have closed their Jersey branch.

SM: Not at all. Jersey is a conduit for inward investment to the UK. There are a number of features of the relationship between the UK and its Crown Dependencies or Offshore Territories. These are:

- Public register of beneficial interests,
- Companies disclose beneficial interests in English companies,
- It is bad for Jersey business where there is no regulation by the EU or OECD.

Both Jersey and Guernsey have a representative office in Brussels.

On the 4th Money Laundering Directive (**EU/2015/849** dated 20th May 2015) this will have an impact in the next few years. Jersey will have to introduce changes so there is a public register of beneficial interests of companies.

With regard to the EU, Jersey is not a full member. Jersey has signed up to free movement of goods and free movement of labour. Jersey has got a good deal with the EU on AIFMD. Norway and Switzerland need to be able to demonstrate equivalence.

If the UK votes to leave the EU, Jersey will continue as it is now with free movement of goods and labour. Jersey will work out what is best for Jersey but it will not become a full EU member.

GC: To set the scene, just 8% of Jersey bank deposits originate from the EU. About a third come from the UK and about 40% come from non-EU countries. Money deposited in Jersey does not go into the Jersey economy but goes into the treasury function of major banks in other financial centres where it is put to work in those economies. Jersey funds invest in companies in the EU and beyond. Jersey adds value to the EU rather than extracting from it and its non-EU status has not adversely affected the finance industries growth over the last 50 years. Indeed, many well-known European Financial Institutions have offices in Jersey. What's more, with AIFMD, Jersey's non-EU status has proved extremely attractive for investment funds and managers.

Under powers delegated to Jersey by the UK, Jersey has negotiated bilateral agreements with many EU countries independently of the UK. Jersey has also been assessed as a world-class jurisdiction by many independent bodies and institutions of the highest standards.

The Government says we are not ourselves seeking any change to our formal relationship with the EU but in any scenario we will always want to ensure that our interests are protected. It supports the UK in their task of renegotiation, particularly in their aim of making the EU more open and competitive. Jersey has on-going active engagement with the EU institutions and with other EU countries to ensure that our interests in Europe are promoted fairly and effectively. Stronger guarantees about preserving the integrity of the single market in financial services would be in the interests of both Jersey and UK. Making the EU more competitive should make it more outward looking and open to foreign investment – again something that is in our interests, as existing significant providers of investment funds into Europe.

But as mentioned, part of our strategic plan consists of not only Europe, but other growth markets further afield, such as the Middle East, Africa and Asia, where we are seeing strong interest and uptake in the Jersey proposition and where we have already made significant inroads in attracting business to the jurisdiction.

How has this affected investments, trusts and private clients who utilise Jersey's tax regime?
DB: A tax on diverted profits remains a live issue in Jersey. There is work ongoing on this from the OECD on Base Erosion and Profit Shifting that Jersey is watching closely. Although these measures seek to tax Amazon, Starbucks or Google properly, to avoid being caught by the new regime it will be necessary not just to have a registered office in an accountant's office in Jersey but a real presence in Jersey with employees working from that Jersey office. This is a fight that Jersey will have with the OECD but not just on its own as it affects all the other low-tax offshore jurisdictions too.

There is good City experience in the law and accountancy firms that are based in Jersey. This also is reflected in client service. Jersey is in the same time zone as London. Some other offshore jurisdictions in the Caribbean may not be so responsive to client needs and they are in a time zone 5 hours behind GMT.

The Royal Bank of Canada in Switzerland has exited that business. The RBC has sold its Swiss arm to Banque SYZ. Coutts has also closed in Switzerland. HSBC Global Trust has moved to Jersey. These bank moves demonstrate that Jersey is a 'go to' jurisdiction.

SM: Jersey is a jurisdiction of choice.

My field of practice is with private client and trusts. There are many trustees in Jersey. I am genuinely impressed by the high quality of new business that comes to Jersey. Jersey has an advantage because of its close proximity to the UK. What Jersey has done has stood it in good stead.

GC: As mentioned previously, Jersey's membership of the EU has helped strengthen and increase the attractiveness of our funds proposition. Jersey is included in the first wave of 'third non-EU countries' whose managers can seek authorisation for a passport to market their alternative investment funds (AIF) to professional investors throughout EU Member States. Jersey's private placement route into Europe continues to be actively used and ESMA's recommendation is a ringing endorsement of Jersey's alternative fund regulatory framework.

Overall, this announcement opens up considerable options to managers so that, whatever their strategy and target markets, they can rely on Jersey as a hub from which to offer highly flexible routes to investors in Europe and beyond.

Can you make any predictions for the next five years for jurisdictions such as Jersey?
DB: The Guardian article alleged that Jersey has allowed its agriculture and tourist industries to decline. This is not true.

The government of Jersey has been clear that '20 means 20'. The rate of income tax in Jersey is 20%. However, Jersey will have to look at tax rises in the medium term. Jersey has just abolished tax relief on interest paid on mortgages. Residents have to pay an additional tax to fund longer-term health care - www.gov.je/Benefits/LongTermCare/Pages/LongTermCareContributions.aspx. This was introduced at a rate of 0.5% in 2015, will rise to 1% in 2016 and will rise again to 3% by 2044. The age at which this supplement is paid could be lowered. The money raised is used to fund care for the elderly to prevent them having to sell their homes but they have to contribute the first £50,000 of capital they have to fund their care.

GST is levied at the rate of 5% on everything including food and books which would not attract VAT on a sale made in the UK. Senator Philip Ozouf (one of 8 Senators that represent the whole island) has said that the rate of GST could go above 5%. If it did, then Jersey may introduce some exemptions to GST. When GST was introduced it was at a rate of 3% and within a few years it increased to 5% at which rate it remains currently. There has been no equivalent '20 means 20' pronouncement from the Jersey government for GST. Jersey could also improve its collection of GST on imports.

JM: There are 3 pillars to the Jersey economy:

- Tourism,
- Digital economy, and
- Financial services.

Jersey has adapted. There are always some criticisms going to be made of government. There has been a slight increase in membership to the Jersey Chamber of Commerce but membership is by organisation and not by person. We currently have 600 organisation members who employ 27,000 workers which is over 50% of the Jersey workforce.

Jersey has continuously re-invented itself and it punches above its weight.

GC: I think principally Jersey should continue with more of the same for the foreseeable future, that is:

- supporting global financial flows,
- bringing knowledge and investment to and from developing areas,
- providing legal and *bona fide* services to private individuals, charities, businesses and governments engaged in valid cross-border economic activity, and
- leveraging the trends in global wealth to create opportunities.

Indeed, the rise in high net worth individuals and global shifts in wealth are prompting investors to seek efficient ways of deploying investment capital into diverse areas and markets. This includes institutions and intermediaries who are also looking for access to western and emerging markets through well-regulated, established centres. Jersey has an assured future, with a sound well-focussed strategy that will continue to build on its success to date.

The island celebrated its fifty years history as a modern international finance centre in 2013. We have a positive outlook and comprehensive plans in place to lead us into the future.

Has there been any impact for UK mortgages that are securitised via Jersey?
DB: Northern Rock securitized some of its mortgages. A Special Purpose Vehicles ('SPV') was used to affect this. The SPV was called Granite. HBoS also had a SPV for this purpose called Grampian. The SPVs were companies that were incorporated and based in Jersey. In the article in 'The Guardian' on 8 December 2015 a number of claims about these SPVs were made. These included claims that in the light of the credit crunch, Jersey had been caught 'dumping toxic waste on the beach' with Grampian and Granite. The article questioned what had been Jersey's involvement with these 2 SPVs.

The '*Run on the Rock'* report (www.publications.parliament.uk/pa/cm200708/cmselect/cmtreasy/56/56i.pdf **HC 56–I)** issued by HM Treasury Select Committee chaired by John McFall summarised the reasons for the Northern Rock failure:

> '***Northern Rock and its regulation***
> *The directors of Northern Rock were the principal authors of the difficulties that the company has faced since August 2007. The directors pursued a reckless business model which was excessively reliant on wholesale funding. The Financial Services Authority systematically failed in its regulatory duty to ensure that Northern Rock would not pose a systemic risk*.'

GC: What the Guardian says is incorrect.

The Grampian scheme suffered from a temporary lack of demand at the height of the financial crisis and HBOS did provide short-term support to the fund. When it became evident that the fund was comprised of safe mortgage-backed securities, the market funding resumed and the HBOS support was no longer required.

In respect of Granite and Northern Rock, the '*Run on the Rock'* report summarised the reasons for the Northern Rock failure, which included that the Northern Rock directors were the principal authors of the company's difficulties with a reckless business strategy. However, the Financial Services Authority also failed in its duty as a regulator of Northern Rock.

There was no connection between the Granite vehicle (a straightforward securitisation vehicle) and Northern Rock's failure. Such vehicles contribute to easing capital and funding requirements as assets are taken off an organisation's balance sheet through transfer and subsequent sale. The average mortgage in Granite's book was valued at £117,000 and the average size of the loan was 77% of the value of the property, compared with 60% for Northern Rock loans overall. Given that

Granite left the safest loans on the Northern Rock balance sheet, the arrangement contributed to stability rather than detracting from it.

What was the effect of the abolition of low value consignment relief (LVCR) for Jersey?
DB: LVCR was abolished for distance sales from the Channel Islands with effect from 1 April 2012 by section 199 of the Finance Act 2012.
The abolition of LVCR by the UK government has had some affect in Jersey. Jersey had some fulfilment centres which were staffed in the main by East European workers. These centres have now closed and the staff have been laid off. However this sort of business is still carried on but no longer in Jersey but in other places such as the US.

JM: LVCR was introduced originally when VAT was introduced in 1974. At the time, any goods imported to the UK where duty had not been paid were impounded. There were a lot of imports to UK from the Channel Islands. By the time the paperwork had been sorted out, goods such as flowers had perished. Guernsey lobbied on this that HMRC was spending a lot of time collecting minimal amounts of tax on items such as flowers where there was no paperwork.

LVCR was then introduced so that small imports such as fresh goods, flowers, etc. would not be caught by VAT. The LVCR exemption does not make it explicit that it covers CDs/DVDs. Eventually an industry grew up to exploit LVCR. The abolition of LVCR by the UK Government was a blow to Jersey – but it was not a mortal blow. It provided a lot of work for unskilled workers and it has now left limited roles for that sector of the workplace. Abolition of LVCR affected both Jersey and Guernsey.

The CD/DVD industry would have died anyway without LVCR abolition because of the move to downloading of such media wirelessly on to tablets/PCs/phones. Big supermarkets in the UK can and will outprice Jersey on things like DVDs of Harry Potter. It is a short term problem.

What future is there for Jersey in the digital economy?
JM: Jersey won't become a silicon valley but it can be a test bed, for example for medical technology. Digital policy within the Jersey government rests with Senator Ozouf.

GC: Last year was a pivotal year for Jersey as it attracted a growing number of new businesses to the island and local financial technology business exports have continued to grow. Jersey's success has been based on a combination of experience, innovation and proactively embracing new ideas. We have a world-class reputation and business environment where we can leverage our existing strengths and combine them with advanced technology and intellectual property. Fintech is now playing a crucial role in the evolution of the jurisdiction.

What relationship does Jersey have with the EU? What will be the impact for Jersey if the UK votes to leave the EU?
JM: Most people in Jersey are in favour of the UK remaining in the EU. Jersey is loyal to the crown but is not subservient to it.

GC: If the UK leaves the EU, this will trigger a two-year period to negotiate a settlement under the Lisbon Treaty. If foreign companies with headquarters in London decided to relocate elsewhere then this could affect Jersey to a degree. Jersey will then need a market access settlement agreement or bilateral agreements with EU countries it trades with.

Jersey has a representative Brussels office and external affairs monitoring. If the UK votes to leave the EU, this may create some challenges in Jersey. The situation will be fully monitored and assessed to ensure that Jersey's interest remain protected and we are confident that the jurisdiction will be able to address and adapt to any changes that such an outcome could bring.

How is agriculture faring in Jersey?
DB: Jersey has never received a subsidy from the EU from its common agricultural policy. Jersey still produces all the milk for the needs of everyone who lives in Jersey. Jersey has started to export milk to China – it is first sent to the UK to be dehydrated. Jersey does not import any milk. The milk is also used to make butter, cheese, ice cream and other dairy products. Jersey has fewer but larger herds of cattle now. However there has never been over-production of milk in Jersey. Jersey has now allowed in Aberdeen Angus cattle and so Jersey can now produce beef for sale locally.

The potato crop in Jersey is from January to April. Jersey continues to produce its Jersey Royal potatoes and to sell them for export. In addition to this, Jersey produces other vegetables for export such as carrots, lettuce, broccoli, kale, and so on.

Some new specialist ventures have started up. One of these involves farming a mollusc called an ormer which is found in Jersey. These ormers are then exported to Japan. There are still things that Jersey could do to improve the marketing of its agriculture. The venture 'Genuine Jersey' seeks to promote local Jersey produce.

JM: Jersey potatoes are famous as are its dairy products. Jersey has a vegetable packing centre which meets the health and safety packing requirements of all major retailers. The Jersey government supports private farms with this packing house. It should be noted that Jersey did not have a problem with BSE (foot and mouth disease).

GC: Agriculture represents 1 to 2% of the Jersey economy with significant support from the government. The industry has declined in most developed economies, driven by an increase in technology and competition from lower labour costs in other countries. It is worth noting that in the report dated 2 July 2013 prepared by Capital Economics called 'Jersey's value to Britain', they cited that the jurisdiction's specialisation in one industry such as finance was considered unremarkable when compared with UK authority areas of similar size. The full report is here: https://issuu.com/jerseyfinance/docs/jfl_-_capital_economics_final_repor?e=5246825/3796250

Is tourism to Jersey in decline?
DB: The general consensus is that Visit Jersey www.jersey.com has done a good job in promoting tourism to Jersey. The Guardian is correct to note that the market for 1 or 2 week beach holidays has declined. Jersey has now sought to attract an older or more affluent visitor who may come for a shorter break and who are more interested in walking on the cliffs.

Jersey has a professional rugby team. When it plays at home it attracts visitors to Jersey. Whilst this is presently a small market it is growing. Jersey has an airport. Between 2009-2013, the number of annual arrivals had been static at around 1.1 million a year. Flights arrive there from:

- UK,
- Ireland (Cork/Dublin),
- France (Nice/Paris),
- Germany (Berlin/ Dusseldorf/Frankfurt/Hamburg/Hannover/Munich/Stuttgart),
- Austria (Salzburg/Vienna),
- Belgium
- Netherlands (Amsterdam/Rotterdam),
- Poland (Krakow/Warsaw), and
- Switzerland (Bern/Geneva/Zurich).

Jersey has a seaport. It is 1½ hours on the ferry to France. There are 2 ferries a day to St Malo. There is a steady stream of visitors from France that either come for the day or for a short break. There are regular ferries to and from Poole and Portsmouth in England with journeys taking around 4 hours.

In its annual report for 2013 www.jersey.com/business/Annual%20Reports/Jersey-Tourism-Annual-Report-2013.pdf, Visit Jersey reports that there were 2.27million visitors to Jersey in 2013 and this included 149,000 German tourists. The average leisure stay is 4.3 nights. Visitors spent £228million in Jersey and the government is estimated to have raised £11million in GST from them. There are 6,500 people directly employed in the hospitality sector.

JM: The hospitality sectors sits within tourism. Jersey's financial services industries supports this. Its restaurants and hotels are delighted that these firms are here. When *Bergerac* was being broadcast, tourists came in their droves. Planes fly into Jersey from all over UK and Europe. Jersey may not be cheap and is no longer a 'bucket and spade' destination. Visitor numbers from Germany are going up and the next target market is Scandinavia. Jersey has a high number of repeat visitors.

SM: Visit Jersey is a publicly funded tourism body. It has been put in the hands of a private body with industry expertise and a full time CEO (Mr Beecham) who was previously CEO of Visit Britain. The government is planning to do the same with sport in Jersey by creating Jersey Sport in 2016.

GC: The sector has seen more difficult times since the boom in low cost airlines and it has lost the seaside holiday market.

However, recent reports have shown that annually from January to September, both leisure and business visitors have been on the rise over the past few years with the tourism promotional body developing new strategies and promotional activity to address the decline.

A point to note is that the finance industry spends £1m a day in the local economy (such as restaurants, hotels, etc.) and business travellers help to bolster the tourism and hospitality sector by supporting hotels, restaurants and travel links.

Interviewed by David Bowden of David Bowden Law (www.DavidBowdenLaw.com).