

**REPLY BY THE MINISTER OF
THE COMMERCE AND EMPLOYMENT DEPARTMENT
TO QUESTIONS ASKED PURSUANT TO RULE 6 OF THE
RULES OF PROCEDURE BY DEPUTY LAURIE QUERIPEL**

Question

1/ Has the Commerce & Employment Department yet put in place a voluntary register in respect of off-island tradesmen ("white van men") visiting Guernsey with their vehicles in order to carry out, or attempt to secure, construction industry-related work; and, if so, when was the register set up, and how many vehicles have been registered since its inception, and what is the range of trades covered?

Answer

In its report on Non-local tradesmen completed in November 2014, four types of off-island traders were identified. These were:

1. Those working as a sub-contractor for a local building firm on large building projects;
2. Those working as a specialist contractor, providing a service that cannot be provided by any on-island contractors;
3. Those working for a local resident or company that has employed them to do a specific job; and
4. Tradesmen travelling to the island without specific jobs or contracts and looking for work on a speculative basis.

The proposed establishment of a registration scheme for off-island traders would cover categories 3 and 4 of these non-local tradesmen. The Department is currently in the process of setting up the voluntary registration scheme. This has been re-prioritised for completion during the first quarter of 2016 which is later than the original intention to introduce the scheme during 2015. The decision was taken to delay introduction of the registration scheme following the difficulties experienced by Condor Ferries in the introduction of the Condor Liberation. The registration scheme will require the co-operation of Condor Ferries in order to implement the scheme.

In taking this decision, the Board was mindful of the fact that there was no evidence to suggest that the situation of visiting tradesmen arriving in commercial vehicles had changed during 2015

During 2014 and 2015 Housing Control continued to do stop checks at the harbour and had a physical presence meeting and enquiring on intended purposes of trades personnel coming into the island; this was to ensure compliance with Housing Control regulations. In the vast majority of cases all tradesman questioned had a legitimate reason for coming to work in Guernsey through a work based contract or working through Guernsey based contractors. There have been very few complaints or concerns raised to the Commerce & Employment Department or Housing Control in 2014 or 2015 and when received these are all followed up and acted upon.

Question

2/ Over the past three years or so the Department has been supplied with considerable evidence with regard to non-local white van men, including: lists detailing types of vehicles; sign-writing appearing on vehicles indicating trades/services offered; registration numbers; locations (including vans seen coming off the boat and on sites and tradesmen touting for business by going door to door, etc.); photographs; accounts from members of the public and relatives of those who have availed themselves (at times under pressure) of such services, at times with unsatisfactory outcomes; and comments made by the proprietors of local businesses during C&E business visits. In light of the volume and variety of evidence supplied, what correlation is there between the evidence that has been provided (involving some 600 vehicles) and those registrations that have been inscribed on the voluntary register?

Answer

The Department would anticipate being in a position to answer this question once the voluntary registration scheme has been in place for a period of 12 months.

Question

3/ How effective has the voluntary register been thus far, i.e. does the Department believe that it has obtained registrations from every tradesperson, or at least most, visiting the island with vehicles in order to carry out or secure construction-related work; and has the Department found that tradespersons visiting the island with their vehicles are more likely to register if they are coming to Guernsey to fulfil pre-agreed contracts rather than in the hope of picking up work once they have arrived?

Answer

The Department anticipates being in a position to answer this question once the voluntary registration scheme has been in place for a period of 12 months. The proposed voluntary registration system will require participants to display a registration document in the window/dashboard of their vehicle when in Guernsey. This will enable spot checks on non-registered vehicles to be more easily targeted. It is therefore hoped that the vast majority of visiting tradesmen will be covered by the scheme which will provide the Department with information on the number of agreed pre-contracts in comparison to those who intend to pick up work once they have arrived in the Island.

Question

4/ I believe Jersey has decided to require all non-local tradesmen who visit Jersey with a vehicle first to have been inscribed on a compulsory register, for which they must pay a fee in order to receive a permit to arrive and work on the island. This includes Guernsey traders wishing to work in Jersey. What is the Department's view on the effectiveness of Jersey's system and, having established its effectiveness, what is the Department's view on whether a similar system could or should be introduced in Guernsey and when?

Answer

The Department is not in a position to comment on the effectiveness of Jersey's registration system. It should be noted that Jersey's population and housing policies differ from Guernsey and that this needs to be taken into consideration in policy making.

Before such a system was introduced in Guernsey, the Department would need to be sure that there was sufficient justification for introducing such a system and that if introduced it would address any difficulties being faced by the construction industry in terms of unfair competition from non-local tradesmen within the

context of the Guernsey specific market. The Department would also need to ensure that such a scheme did not cause other unintended consequences for the industry. For instance, where off-island traders are here for legitimate reasons (for example where they are providing specialist services not available on island), the introduction of a registration fee for the issue of a permit may well add to on-island building costs and could, in the worst case, lead to local inflation of building prices. The costs of administering such a registration scheme also need to be carefully considered.

Question

5/ The most-recent unemployment figures released by the Social Security Department showed an increase in the number of people coming out of the construction industry. The most-recent labour market bulletin released by the Policy Council showed that there were 105 fewer people employed within the construction sector compared to one year ago (a fall of 3.5%). The latter also showed that construction is the largest component of the self-employed sector (with more than one-quarter of self-employed people working in construction), which makes clear the industry's importance from an employment and economic perspective. In view of this, what is the Department's view on how much money escapes from the local economy annually as a result of construction industry-related work being carried out on Guernsey by off-island traders; and what impact does this have on the value of the island's construction industry and on the local economy generally, including lost or decreasing revenues to the States' via Income Tax and Social Security contributions; and if the Department does not know the answers to these questions, why has the Department not carried out the necessary research and when does it intend to?

Answer

In any one year there will be a proportion of non-local labour employed in completing building contracts for a variety of reasons ranging from the need to employ specialist labour not available on Island to a general lack of availability of suitable local labour for large scale building contracts. Recent examples are specialist labour used for re-skinning fuel storage tanks, specialist supermarket and retail shop fitters, specialist plasterers and glass fitters, and national chains who use their own personnel to undertake fit outs to consistent specifications and (re)branding. This labour is only used where bespoke skills or expertise is not locally available.

Whilst the Department does have access to sector level income and employment figures, data is not currently available which would enable the Department to draw any firm conclusions about the impact of non-local labour on the sector. The evidence analysed in the Department's investigation into non-local traders, completed in November 2014, suggested that the potential impact of non-local traders on the construction sector was between 0.3% and 6.2% of sector output, depending on average contract values. It needs to be borne in mind that a significant proportion of these traders are likely to be in Guernsey for legitimate trading purposes. It should also be noted that robust controls are already in place to ensure collection of appropriate taxes and social security contributions.

Question

6/ The construction industry makes valuable contributions in respect of the size of the island's economy, employment opportunities (including apprenticeships and training), the services it provides to the local community, the contribution it makes to skills locally, and the consequential benefits enjoyed by other local businesses (merchants, suppliers, etc.). Does the Department feel that greater States' support of construction may be required in order that the sector does not contract further and in order that those working within the sector are more able to compete with off-island traders (bearing in mind the local cost base and the fact that many local traders are already making their best efforts to be competitive) and in order that the value of jobs within the sector does not diminish; and more generally does the Department agree that Guernsey is too small to be subjected to a totally free market approach and that such an approach could do great harm to some sectors and that therefore a more proportionate approach is required?

Answer

The Department keeps in contact with the industry by regular meetings with industry representatives through the Construction Sector Group and the Construction Industry Forum. The current performance of the industry is a regular topic for discussion. The Department recognises the importance of the sector for the Guernsey economy and as a provider of employment for many locals. The continued health of the sector is therefore of great concern to the Department and this was identified in the recent update to the Department's Economic Development Framework, published in December 2015. This stated that:

“C&E recognises that construction represents 6% of the economic output of the Island and is an important source of employment for many islanders. Although the Department has supported the industry with regular liaison through the Construction Industry Forum and Construction Sector Group, the intention in 2016 is to step up the level of engagement with the sector, and to raise awareness of its importance through an action plan”.

The Guernsey College of Further Education, as another example of the States commitment to the sector, has recently appointed a staff member to be a primary point of contact for the construction sector. The aim is for the College and the sector to work closely together so that the needs of the construction sector are met.

In terms of States of Guernsey tendering and procurement guidelines a local weighting has been added as part of the tendering process. It is recognised that some trades and businesses would like to see the weighting go further but this is a positive step in recognising the value of the island construction industry and trades and to award this business on island where there is resident expertise and where it is cost effective to do so.

The demand for construction industry resources on the Island is a complicated function of a number of factors, included the overall state of the economy, the amount of public and private sector building works being commissioned, current demand for housing (both in the local and open markets) and the availability of finance for building projects.

Question

*7/ The mandate of the Commerce & Employment Department include 'to advise the States on matters relating to the creation of a dynamic and diversified economy through the promotion and development of commerce and industry that is sustainable and operates in accordance with the strategic, economic, social and environmental policies of the States and to be responsible for promoting the interests of all sectors of the economy, including exporters of manufactured goods, non-financial services and e-business, financial services sector, visitor economy, **construction industry** [my emphasis], retail industry, horticultural industry, agricultural industry [and] sea fisheries industry...". The Department has stated that its objectives include greater economic diversity, maintaining the widest range of employment opportunities possible, developing skills and providing for every business and sector to be operating as productively as possible for the benefit of the local economy. Does the Department not consider that introducing a compulsory register for off-island traders visiting with their vehicles would fulfil both its mandate and its objectives?*

Answer

Whilst a compulsory registration scheme, which would need to be fee based to pay for the considerable administration required, may act as a level of protectionism for some independent or small businesses the evidence to justify its introduction has been inconclusive to date. What is also known is that a free market provides a level of flexibility for larger contractors and that any scheme would add a level of red tape and potential cost when the industry is lobbying government to be as "light touch" as possible. A compulsory scheme could have negative consequences and potentially see inflation within the building industry, an inability to deliver specialist services and impact consumer choice. This could potentially be more detrimental than a free market economy. This is why a better evidence base is needed.

Date of Receipt of the Question: 22nd December 2015

Date of Reply: 6th January 2016

Cost (approx)	£250.00
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