

PRESIDENT OF ECONOMIC DEVELOPMENT'S SPEECH TO THE CHAMBER OF COMMERCE

18 FEBRUARY 2019

Good afternoon everyone

I last spoke at the Chamber just over 12 months ago, not long after becoming the new President of the Committee for Economic Development. We have had a busy year since then, including getting our Economic Development Strategy through the States in June, and prioritising our 20 objectives in a further Policy Letter in November.

This, then, is a timely opportunity to update you on our first year's progress. I don't expect you all to have remembered what our 20 priorities are, but, to summarise, there are four main objectives:

- To maintain and grow our existing economy, including the finance sector and tourism and hospitality
- To grow our economy through diversification – such as through the establishment of an international university presence
- To demonstrate, unequivocally, that Guernsey is open for business
- To work in partnership with other Committees and external partners – for example the partnership with Guernsey Finance and GIBA on the development and implementation of the finance sector strategy

Some of our workstreams are about 'economic enablers' (eg connectivity, skills and promotion) and some are specific projects in the area of economic diversification.

One of the highest priorities has been transport connectivity, and here there has been a great deal of progress.

In July, we persuaded the States to support our "quasi Open Skies" policy, despite opposition from the Policy & Resources Committee, and the new policy took effect in September. And then we obtained support for our Investment Objectives in relation to air and sea links in December.

These objectives include establishing a route to an international hub airport, to maximise onward connectivity to the rest of the world, maintaining a frequent service to London, our most important business connection, and developing our network of regional routes to the UK and Continental Europe.

We are working hard on the first objective, and I want to stress that it would not have been possible to achieve this without the move to open skies in September. We will provide route development support from the Future Guernsey Economic Fund, if necessary.

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In the meantime, we have opened six new regional routes in as many months, and five since the formal introduction of the open skies policy—effectively, one new route per month: Edinburgh, Bournemouth, Liverpool, Southend, Glasgow and Groningen in Holland.

In the near future we will be bringing forward proposals for the award of PSO contracts on the Alderney route.

We have enhanced Guernsey's connectivity – and, in my view, we have now created the environment for the States to consider the evidence for investing in the airport infrastructure and extending the runway.

Everybody in this room knows that the P&R view is not to do any further work.

In April, the States has the opportunity to challenge that decision and to direct P&R to undertake further work on assessing the business case for extending the runway.

That work must be done, and I welcome the support of the Chamber of Commerce and the IoD for this approach last week. If you agree with us, please let your States Members know.

While all the noise has been around the runway, Economic Development also continues to focus on sea links – a critical part of our transport connectivity for business and the community.

We are working with Condor to see how we can get the best possible service for Guernsey, and we are having positive discussions. I am talking with Senator Lyndon Farnham, my counterpart in Jersey, and we have agreed that Guernsey should be involved in the review of the service levels specified in the agreement between Jersey and Condor. We need a collective approach to this, and in due course I will be pleased to update Chamber.

I can, however, confirm that over the summer there will again be inter-island passenger services between Guernsey and Jersey, operated by Manche-Iles Express, on a commercial basis – with no government underwriting.

Between April and October there will be 60 return sailings – five more than last year's initial timetable, before Economic Development stepped in to trial additional services.

The majority of these sailings will enable Jersey to Guernsey day trips, but there are also a number of opportunities for Guernsey to Jersey day trips. Most sailings are on a Tuesday, Friday or Saturday. Please help us sell that service, and attract people to Guernsey to spend money in our shops and restaurants.

Furthermore, Condor's schedules for 2019 offer better opportunities for inter-island travel.

So in short, over the past 12 months, we have made significant progress and we are heading in the right direction.

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The actions we have taken show that Economic Development is prepared to set out clear priorities, take action, and invest in our economy. In short – to demonstrate that we are open for business.

A second priority area is Digital Connectivity. The Digital Framework published in 2017 identified the role that government can play in directly supporting the digital and wider economy through digital innovation and capability.

The economic objective of the digital framework is to develop digitally enabled industry, data and innovation. This is an area which fulfils all the requirements of a high value economy; that benefits from our flexible and responsive regulation and legislative environment; and that builds on our brand values around trust and security.

In order to support the aims set out in the Digital Framework, the Digital Greenhouse will have a higher profile role in developing our digital offering. The implementation of the telecommunications strategy will set out how the infrastructure will be put in place to enhance digital connectivity, will be cognisant of security concerns, while reducing the barriers faced by business - cutting red tape - will also support the development of agile digital businesses across the economy.

The telecommunications sector strategy was published in mid-2018 after consultation with industry and stakeholders. The implementation and monitoring of that strategy is being overseen by the Committee for Economic Development, and work is now beginning on a policy letter for mid-2019 that will ensure Guernsey is a fast-mover on 5G.

Alongside the digital framework and the implementation of the telecommunication strategy, this year will also see us progress with the Future Digital Services work. By early April, the preferred strategic partner will be selected after a detailed commercial procurement and a policy letter published for debate by the States.

Guernsey has a legacy of underinvestment (or more accurately poor investment) in technology. Government has technology built in silos, lacking contract management, lacking any strategic direction leading to thousands of individual applications, multiple under-supported systems, many customised to a point we don't understand how they work, many now beyond expected lifespan, working on a network that is now stretched to breaking point. I welcome the work of the Chief Executive and the Chief Information Officer in getting to grips with that.

The rapid advancement in technology over the last five years – the fourth industrial revolution – means we have an opportunity to take advantage of AI, cloud computing and mobile computing but we are also doing it within an environment of a growth in the cyber threat and an increasing need for data protection.

And just as technology underpins every aspect of public service, it also underpins a successful and resilient 21st century economy. Without a secure technology foundation we cannot deliver the services our customers expect and deserve, we cannot meet the

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expectations of a modern workforce and we will fail to deliver the full potential of our business offer.

For that reason there are three components to the Future Digital Services project: government IT, moving some services to digital to create greater effectiveness and efficiency, and an economic development component.

This last part means that the preferred bidder will begin to invest in and support a number of the projects in the economic development strategy. What those projects are depends on who is successful, but it is clear that it will support us in driving forward the digital framework, the growth of a data economy, parts of the finance sector strategy such as fintech, the skills strategy and potentially even the idea of a university in Guernsey – on which more shortly.

We have run a commercially based, extensive procurement process over the last two years. We started with 16 bidders from global companies to locally led consortiums. It was soon clear that the best outcome was a mix of a global leader as prime contractor - to lever their scale and knowledge - with local providers as sub-contractors to ensure the island benefits. We will know our nomination for preferred bidder by the end of this month. We will announce our preferred bidder by the end of March.

So the outcome will also drive opportunities for local businesses, alongside the prime strategic partner. It will provide the critical infrastructure that Guernsey needs as a global financial (and knowledge based economy) hub. And the scale of the investment will lead to more local investment in IT and the freeing up government IT staff for use in the wider economy. So it will be truly transformative for government and will be a positive catalyst for our economy.

The work on digital and telecommunications priorities will serve both to maintain and grow what we already have, and to support us in diversifying the economy.

As an example of our diversification projects, we are making progress on our investigations into the possibility of establishing an international university on Guernsey.

On Friday I met with the Vice Provost and others at Brock University, in Ontario. I have also met with representatives of universities in Cape Town and Slovenia, while one of my colleagues on the University Working Party has met with representatives of Deakin University in Australia. I can say that there has been a warm and positive response to the suggestion that these universities might partner with us in developing this project.

An international university in Guernsey would boost our economy. It would support the further development of Guernsey as a knowledge economy. It would promote Guernsey to new market and different people, helping us to develop a different brand.

I am grateful for the support that the Chamber of Commerce gave this idea a couple of years ago. And I hope that the Chamber and its members will continue to be positive about this

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idea. If members of Chamber see an opportunity to be involved in this initiative, from whatever perspective, I would be very pleased to hear from you.

Whilst maintaining our support for the financial services industry, the Committee sees other opportunities for diversification, including:

- Medical technology ('Medtech'),
- renewable energy, using our natural resources of solar, wind, marine current and tidal energy
- developing our eastern seaboard
- developing specific sites, like Leale's Yard and the Albany
- data analytics and processing, including cyber security and digital services.

The types of businesses that we most want to attract are 'scale ups' in high value added industries. In this context, the term 'scale-up' describes the process in the business cycle whereby an existing business is seeking to expand, achieve new investments, and seek new market opportunities.

The types of people we want to attract are ambitious entrepreneurs who want to take advantage of the work/life balance Guernsey offers – a high quality of life in a safe, conveniently-connected location with a low-tax and professional environment.

As of the 1 January this year we have committed to a further three-years of funding for Locate Guernsey of £1million; and a further three years of funding for the Digital Greenhouse. Both enterprises will have a critical role in attracting these businesses.

Locate Guernsey's new team have commissioned an independent expert review of how we compare to other jurisdictions – on tax, on housing and employment, on schools, on standard of living, on a wider range of issues.

And we are considering what we can do to support and promote the open market as an economic enabler, further to the review of the population management regime being led by P&R.

We all have a part to play in promoting a positive image of Guernsey. Guernsey is still a great place to do business, and the initial findings from the benchmarking exercise are that Guernsey is indeed on a par with other competitor jurisdictions. But our ambition is to be better than average. We are too small to be mediocre!

The economic development strategy also contains a commitment to a red tape review – an audit of the rules and regulations which we may not need anymore, or perhaps did not even need in the first place. The Red Tape Working Party is due to report its findings back to Economic Development towards the end of March. At that point, we will determine what it can do in order to help to address any issues that have come up through this process.

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We asked an independent business expert, Peter Shaefer to lead the review, and are pleased that as part of this the Chamber of Commerce has provided representation on to the review.

The group had its first meeting in December of last year, and it agreed to focus its work on three areas:

- Number one: it's always good to know how you compare to the competition right now. This is why we are evaluating how easy it is to do business in Guernsey compared to other countries. We are using a widely recognised benchmarking approach: the World Bank's Doing Business index. The index covers 10 areas, including starting a business, getting credit and trading across borders, among others. This work is being led by officers from Economic Development.
- Number two: in parallel to the benchmarking, we want to understand if the local business community has any immediate and specific concerns which the States should seek to address - if it isn't already. This analysis is being undertaken through feedback from various business groups, including the Chamber of Commerce's membership. This work has already identified some areas to look at including access to finance, start-up costs and access to international payment platforms.
- Number three: we want to learn from the experience of others, and apply any relevant lessons learned here in Guernsey. For this purpose, we are looking at how other places have been successful in removing barriers to doing business. This will help us to identify effective solutions to our own challenges. This research is being led by Peter Schafer.

Finally I should mention a topic that is outside our Economic Development Strategy, but foremost in all of our minds.

Managing our response to Brexit is critical to maintaining our economy. But let's be clear, there is no point wasting political time, staff time and taxpayers' money scenario-chasing when even the people in charge of Brexit don't really know what is happening.

The main thing is that we are prepared for a post-Brexit future, and critical to that will be extending the UK's membership of the WTO to Guernsey. This is neither a simple nor a quick exercise, but we have prioritised resource on this and we are well-placed to progress this.

Officers and the Committee are talking to businesses on a daily basis. Understandably, those who may have concerns or risks in relation to their business may not want their clients, customers or supply chains to know. So quietly, and I believe effectively, we are helping businesses as and where we can – but of course, the decisions are for businesses to take.

We are cognisant of the importance of assisting SMEs in preparing and responding to Brexit, and are grateful to the Confederation of Guernsey Industry and the Chamber of Commerce for assisting us in communicating directly to their members.

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If there are businesses here today who want to talk to the States about Brexit planning, we would welcome your approach – either directly to me, or through the Committee's officers.

I appreciate that I am running out of time, but more can be covered in any questions that you might have – on matters I have covered, or any other areas within our mandate.

But in summary I would emphasise a number of points:

- That Guernsey's air transport connectivity has been strengthened and enhanced by Economic Development over the past 12 months, and that we are now very much heading in the right direction – YOU told us it was the number one priority for business, WE are delivering. And now the next step is for the States to tell the P&R Committee that work needs to be done to assess the full business case for extending the airport runway
- That we are also focusing in 2019 on our digital connectivity
- That we have not just published a strategy – we have set out a plan for action that we are following and delivering against
- That we are fostering a truly open for business approach – of which the red tape review is an important part
- And that if there are concerns or opportunities over Brexit, opportunities in relation to the university or the seafront then please let us know – Economic Development will be pleased to hear from you and, where possible and appropriate, to work with you.

Thank you