



COMMERCE AND EMPLOYMENT

A STATES OF GUERNSEY GOVERNMENT DEPARTMENT

# Review 2012

---

## **Minister's Foreword**

It was my great honour, in May 2012 to be voted into the position of Minister of the Commerce and Employment Department (the Department) by the States of Deliberation.

I have thoroughly enjoyed the various debates around Commerce and Employment (CE) related economic, regulatory and promotional matters since election. The Commerce and Employment Board (the Board) have moved quickly to prioritise issues and work streams and to familiarise themselves with a range of in-depth educational matters that cover the Board's mandated responsibilities.

A number of key developments, challenges and opportunities have presented themselves within the first seven months of the Board's four year term. The Board also undertook to progress and complete various important legislative and commerce related projects initiated by the previous administration. In 2012 these included the successful completion and launch of Image Rights legislation, Foundations (Guernsey) Law and more recently the draft Limited Liability Partnerships (Guernsey) Law for consultation. The Department also commenced work on a new financial services development.

The Board continued to support business and the workforce through the retail, construction and skills groups as well as move the development of a new economic development strategy for Guernsey from consultant assessment to public and stakeholder consultation phase; the strategy is now in drafting. Good progress has been made on the aircraft registry project and Aviation Security Direction. Finance Sector Development, Registry, Economic Development and Marketing and Tourism units listened to and worked within businesses across sectors with regard to policy and business development at what continued to be a difficult trading environment and challenging year for the majority of businesses. The year 2012 has seen a greater level of competitiveness across business, with companies having to work increasingly proactively and effectively in order to succeed. Following the very disappointing outcome of the judicial review on Low Value Consignment Relief (LVCR), the Department has worked with colleagues across committees to mitigate and monitor the impact and put in place support as required.

During 2012, initiatives such as: the introduction of competition legislation, the re-launch of the "new look" Awards for Achievement, a successful operational year for Guernsey Dairy and the Guernsey Registry and the effective service delivery of a range of client led services across agriculture, health and safety, trading standards and plant health have all been progressed. The Board reinforced its commitment to progressing Renewable Energy and introduced micro solar options into the research and development phase for Guernsey.

Following the election, the Board set up a political cross departmental ICT steering group to progress and facilitate a range of ICT strategic issues which are of the upmost importance in ensuring competitive and affordable business infrastructure to and from the Island. Sea Fisheries succeeded with setting up a robust licensing regime for the 12 mile limit which will come into force within the first quarter of 2013.

The Department continued to support and award grants to Guernsey Finance, Guernsey Training Agency and Guernsey Enterprise Agency.

In 2012, the Department responded to 251 media enquiries, issued 25 proactive releases and facilitated a range of presentations, stakeholder briefings and discussion forums. 94 housing licence applications were received for industry comment relating to financial services and 72 for non financial services posts. A total of 124 planning applications were received for sector specific comment in relation to planning policy and development strategy.

I know that the Board has been impressed by the breadth and depth of work that is ongoing across a range of specialisms and disciplines and I hope that you agree as you read the Department's review in more depth and look ahead to our published business plans for 2013.

**Kevin A Stewart – Minister**

**December 2012**

---

## Economic Development Unit (EDU)

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.**

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. In 2012, the Agency saw a record number of clients coming through its doors with more than 400 registrations. It also forged closer links with the Guernsey Chamber of Commerce and other agencies and, additionally, the Agency hosted a number of events during 2012 to help those who might be thinking about starting out in business.

The Department has actively investigated potential areas for economic diversification within the economy – for instance a study was conducted by EDU into the economic impact of the Cruise Ship Industry. A further example that has potential implications for the vast majority of Guernsey businesses is the ICT Strategy. An ICT Strategy Working Group has been formed under the Chairmanship of the Minister, with political representation from the Ministers of the Treasury & Resources and Home Departments and Deputy Soulsby. The Group has become a focal point for strategic discussions between government and industry. Its principal aim is to grow a strong, cutting edge ICT sector which makes a significant contribution to Guernsey's economy, both in its own right and by supporting other sectors of the economy. At its meeting held on 23<sup>rd</sup> July 2012, the Policy Council endorsed the Group's progress to date and future aspirations. These include ensuring: that the on-Island data-carrying infrastructure is fit for purpose and receives adequate long-term investment; that off-Island data connectivity is resilient and affordable; that radio spectrum is used efficiently for the provision of 4G and other wireless data services; and that telecommunications regulation is and remains effective.

Other areas of interest include encouraging local ICT startups and supporting the development of coding skills among school students. The ICT Strategy is expected to form an integral part of the Economic Development Strategy, which is currently under development.

The States Strategic Plan, via its Fiscal and Economic Plan, also tasks CE with producing an Economic Development Strategy (EDS) for Guernsey. In September 2011 CE 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 EDS. The company appointed, Oxford Economics Ltd, delivered its final report in March 2012. This document was presented to States Members and candidates standing for the election of States Deputies at the end of March. Following the formation of Department Boards, subsequent to the election, the Department in conjunction with the Policy Council's Fiscal and Economic Policy Group (FEPG) entered into a period of consultation on the development of an Economic Strategy for Guernsey. In all, 70 business leaders and other key stakeholders attended a series of subsequent workshops held in October 2012. In excess of 300 consultation responses were submitted and, at the date of producing this update, analysis of the response is in the final stages of preparation. Discussions are also underway with the FEPG regarding how the Strategy will fit in to the 2013 States Strategic Plan, and how best to develop the Strategy into a series of measurable actions.



## Energy - RET

### Activities relating to the Department's contribution to implementing the States' Energy policies - Renewable Energy Team (RET)

The year 2012 has seen significant progress across all areas as RET prepares Guernsey for local macro renewable energy (MRE). Where possible work streams have been completed but the medium / long-term nature of MRE means that much of the work is not completed in a single year.

### Environmental / Resource

Significant progress was made in understanding and assessing all the different local MRE resources. RET completed a license agreement with Guernsey Electricity Limited (GEL) to access significant tidal stream data which is now under detailed analysis to understand the total resource and locations (to be completed Jan 2013). Other studies in the year have quantified other more specific areas of the resource.

The wind resource continues to be monitored by RET owned equipment and a technical assessment of the resource was completed. Economic modeling of the potential energy output and affect on energy prices has taken place. The Regional Environmental Assessment (REA) has been extended to cover offshore wind.

Potential for macro photo voltaic generation on Guernsey has been assessed and exploration of the best way to exploit this on States and commercial property is underway. An early stage high level assessment of the local wave resource was completed which started to quantify the potential for wave power.

An initial mapping exercise of Bailiwick waters was completed and a plan to extend this work into a marine atlas and then zoning of development areas is underway.

### Legal and Commercial

Detailed drafting instructions for secondary legislation regarding licensing of offshore MRE were completed and consequently the Law Officers are nearing the completion of the first draft of secondary legislation. The objective of securing rights for MRE development was further progressed through a joint project with ERG, St James Chambers and Jersey.

### Cooperation / Communication

The Channel Island Marine Renewable Energy Group (CIMREG), being a CI wide group at political and officer level (now including the IOM) to progress MRE, was formally signed in the year with three subsequent quarterly meetings being hosted in Guernsey. In addition to the work with CIMREG, RET continues to work very closely with Sark and the Board of Guernsey Electricity Limited (GEL) with members routinely attending RET meetings and assisting with its work.

Discussions have started and continue with the UK, France and EU in terms of accessing their energy markets and subsidies, with continued active involvement at British/Irish Council. A subsequent dedicated meeting with the UK Secretary of State for Energy focused on Bailiwick energy matters.

RET has expanded its links with leading UK Universities and Renewable groups with many dissertation projects and several group studies with over 60 academics or students visiting Guernsey assisting with the strategic direction of renewables as well as discreet projects. RET also registered interest from French Universities for potential links.

RET continued to engage with the public to ensure informed and balanced debate by publishing findings and reports on its website as well as through the media, presentations, and its first public open day - all supported by leading UK academics. A PhD was started which is focused on engaging with the local population and stakeholders regarding renewable energy. Further information on RET and its activities is available on [www.guernseyrenewableenergy.com](http://www.guernseyrenewableenergy.com)



## Security of Supply / 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. This supply issue has remained stable during 2012 but a review of transport arrangements will be carried out early in 2013 in the light of Condor Logistics withdrawal from the logistics sector which is due to be completed by the beginning of January.



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 was supported in this work by the OUR (now GCRA) (CICRA) and its interim report provided to the Emergency Planning Officer / EPAG in March 2012. EPAG is expected to give further consideration to the need for a further in depth review during the first half of 2013.

## 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.**

In 2012 EDU liaised with Guernsey's Commercial Property Agents as part of a comprehensive process of engagement about Guernsey's Use Classes Ordinance as used by the planning section of the Environment Department. This work has been fed back to that Department and will in due course be introduced into legislation. The outcome will be a more business-friendly regime.

The process of working towards the replacement for the Urban and Rural Area Plans was undertaken in earnest during 2012 and EDU provided early-stage submissions to the Environment Department as part of this. That will continue into 2013 and EDU will provide an ongoing contribution into the process to help represent the importance of the economy in any future plans.

A new project was started to investigate whether there is sufficient land for small traders in the construction and allied trades sector. This work will be ongoing but so far has involved widespread engagement with many stakeholders in that sector and a paper on the subject will be presented in the first quarter of 2013.



The land requirements relating to Guernsey's important retail sector have also been part of a larger work stream (see below) towards the creation of a Retail Strategy for Guernsey.

## 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, the Department worked with the GTA Board and GTA Chief Executive during 2012 to reduce overhead costs and achieve efficiencies. In addition, and in parallel, the Department has made a New Service Development Bid via the annual budgetary process to secure funding to compensate for a significant proportion of the overall reduction in the Agency’s grant income from January 2013; at the date of providing this update a meeting of CE and T&R senior staff and GTA Board representatives is in the process of being convened to give further consideration to the Bid.



In late 2011 political representatives of CE, Social Security and Education Departments provided their endorsement for the main recommendations of the Skills Strategy Development Group’s *‘Towards a Skills Strategy for Guernsey’* report, that was delivered in the second quarter of 2011. This gave the ‘green light’ to the creation of the ‘Skills Guernsey’ initiative that will overarch the development, implementation and objective evaluation of the Island’s Skills Strategy. The employer led *‘Skills Guernsey Implementation Group’* (SGIG), under the chairmanship of Dr Elaine Monkhouse, was formed in February 2012 and is supported by five business community representatives, senior staff of stakeholder States Departments and the GTA University Centre. During the course of 2012 the SGIG has focused on four key areas:

- Supporting and encouraging employable people back to work.
- Ensuring that young people leave school / further education with skills and the right attitude to secure suitable employment.
- Encouraging employers to: look local; consider people with disabilities; encourage training and development; take apprentices; offer work experience; nurture existing talent and offer flexible working conditions.
- Ensuring that training and development provision meets the Island's employers' needs, across all sectors.

The SGIG Chairman’s report on 2012 is being compiled at the time of providing this update; this will be considered by the Skills Guernsey Policy Group (which is chaired by Deputy Robert Sillars). This report will include details of planned further developments for 2013 and, without wishing to pre-empt the content of that report it is expected that some of Skills Guernsey’s focus in 2013 will continue, inter alia, to:

- Support people of all abilities in finding employment
- Roll out an employability skills programme
- Conduct a sector by sector skills gap analysis and review of training provision

Over the year the Department has continued to apply the principles of Primary and Secondary Benefits to the assessment of Housing Licence applications. The Department has taken a lead and has worked very closely with the Housing Department on developing a computer based system for the assessment of applications. This should be more streamlined and will bring greater objectivity to the process by using anonymised data collected by the system. At the time of providing this update, the Housing Department is continuing to work with its IT developers on the detailed specification and testing of the new system. The Department has had little direct involvement with the work of the Population Policy Group over the last year, the Group’s work appearing to have been scaled down. However, the Group has recently given notice of a review of its activity and the Department’s involvement in this important piece of work is expected to resume early in 2013.

## 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.**

On 9 November 2011, the UK Chancellor announced, ahead of his autumn statement, that the £15.00 threshold applied to goods exported from the Channel Islands would cease from 01 April 2012. The Department assisted the Policy Council with the preparation of submissions for a Judicial Review of HM Government's decision but regrettably in the High Court on 15 March 2012, the decision was upheld. In parallel with pursuing the Judicial Review the Department worked extensively with the Education and Social Security Departments and fulfilment sector employers to investigate means to ameliorate the effects of the withdrawal of LVCR and to support those who unfortunately lost their jobs when employers decided to relocate to territories outside of the UK government's jurisdiction. The Department continues to value and work closely with the fulfilment and bulk mailers sector. Although a number of companies decided to locate to other territories, collectively the sector directly continues to provide employment for local residents and remains an important employer and contributor to the Island's economy.

At the end of the first quarter 2012 the Department established the Guernsey Retail Strategy Group, tasked with producing a Strategy for Guernsey. The Group is a true 'public private partnership' and is industry led (by the Chairman of the Chamber of Commerce Retail Sub-Group). It is also comprised of a senior member of the Town Centre Partnership, a Bridge traders' representative, professional Planning and Development staff and CE's Business Relationship Manager. This sector was identified in the Oxford Economics Report as presenting economic growth opportunities; in addition, retail has strong connections to Land Use issues (see above) particularly in the context of the possible Leale's Yard development. The Group's draft report was presented to the Board at the beginning of December 2012 and a final version of the same should be produced in the first quarter of 2013.

From the beginning of 2012, the Business Guernsey sub group of the Department was successfully reabsorbed into the main Board. This decision has subsequently been upheld by the new Board that formed following the elections in April 2012. A major part of the Business Guernsey Group's raison d'être was the departmental interface with businesses which continues now, albeit as part of the main Board's duties. Those visits have continued in 2012 and have been to a variety of different companies and sectors.

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 T&R / CE Construction Sector Group.



## 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.**

During 2012, the enactment of full competition legislation in the Island was achieved through approval by the States of; Ordinances in May and July, and Regulations in September. The legislation also provided for the establishment of the Guernsey Competition and Regulatory Authority (GCRA) with the same Board as the Jersey equivalent entity, effectively bringing into existence the Channel Island Competition and Regulatory Authority (CICRA) as a joint agency to meet the needs of both Islands. Such an arrangement will not only reduce costs, but should also help to achieve a high level of co-ordination in competition law policies between the two islands. Indeed, in the future other administrative requirements may be able to use CICRA, as a model for further joint working with Jersey in order to increase efficiency and reduce costs. In terms of regulation, the States approved, in May 2012, the legislative changes following their consideration of the Review of Utility Regulation in September 2011, and other States Resolutions, as a result of the Review, are also currently being pursued. In particular, the Department is participating in a joint Working Party with T&R to examine ways of ensuring that the Regulation of States' owned utilities continues to be appropriate to the Island's needs.

## Communications and Connectivity

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

Guernsey and Jersey are party to a 'Joint Policy Statement on Sea Links' (JPS) that expires 31 December 2013. This provides that the incumbent operator of services must be given at least 18 months' notice in the event that the Islands should decide to invite tenders for services from an alternative provider. Consequently, as a stakeholder Department of the External Transport Group (ETG), (the other being Public Services), CE began exploratory talks with Jersey's Economic Development Department (EDD) and Condor Ferries Ltd regarding the provision of Services from January 2014.

As a result of those discussions, the Islands produced a revised JPS to cater for the network of lifeline services that cover the Islands and the northern and southern routes for the period to 31 December 2018, such services continuing to be provided by Condor Ferries Ltd. In Guernsey's case the provision of Roll On/Roll Off freight services has also been included in the JPS. This document received the endorsement of Policy Council on 27 November 2012 and of Jersey's States on 3 December 2012. Guernsey will further specify the detailed aspects of service provision through a revised Memorandum of Understanding (MoU); work on this document is underway at the time of producing this update. Whilst these negotiations and agreements have secured the Islands' lifeline Roll on/Roll off, foot passenger, car and freight services for the medium term, Condor Ferries and its parent company, Macquarie Infrastructure, have stated that they wish to continue the momentum of recent months and wish to work on a greater partnership/strategic basis with the Islands towards a longer term agreement that both they as providers and the Islands would ideally seek. This approach is expected to develop early in 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, some of which have 'carried over' from 2011. A welcome by-product of this work is that it has continued 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 2012.

## Trading Standards

Updated regulations for non-automatic weighing machines were introduced in March 2012 following advice from the Law Officers' Chambers.

Meetings were held in 2012 with many of the island parish authorities to discuss better working procedures for Sunday Trading licence applications and processing. As a result, the parish notes for guidance reference booklet was rewritten and circulated to the parishes in September 2012. In advance of the States Debate on the "Hadley Requête" (which proposed a 12 month deregulation trial period for Sunday Trading) the section spent a significant amount of time preparing and delivering presentations and guidance information for States Members and the Board to help ensure there was a fully informed debate, avoiding misunderstandings regarding the law.

Work on the review and updating of local prescribed quantity regulations was completed in 2012 finalisation of new regulations is scheduled for early 2013.

## Employment Relations Service

The number of complaints registered under employment protection legislation (at 60 plus) in 2012 was at a similar level to that in 2010, a noticeable increase over the level recorded for 2011. At the same time, the overall level of contacts received by the team (some 1500), the number of hearings (12), and the number of collective disputes (4) were at a similar level to that experienced in 2011.

During 2012, there was a doubling of the number of enforcement notifications (25) issued by the section, for the non-issuance of written statements or pay slips. This may be as a result of an increasing awareness of the law or a greater willingness on the part of employees to contact the Department to advice of non issuance.

As required by the Law, the section coordinated a review of the Island's minimum wage rates, leading to the submission (delayed by the 2012 elections) of a States Report in September 2012, which brought about a further increase in rates. The new rates recommended by the Department came into force in October 2012. As a consequence of political level discussions throughout this process in 2012 it was agreed that further investigation will be done to consider the relationship between the minimum wage and the living wage.

Section staff contributed to two Social Policy Group initiatives with employment protection significance; the introduction of further benefits and protection surrounding maternity and paternity and the proposed disability and inclusion strategy. From the section's perspective the two areas of work will be continuing in 2013.

At the end of the Year the section's work to assist the introduction of regulation of locally based Maritime Manning Agencies culminated in the States approval of proposals for an enabling Projet de Loi. Work on drafting of the necessary detailed Ordinance, to come into force during 2013, was also commenced.

## Health and Safety Executive

The year was mainly pre-occupied with the section's core tasks of advice on accident prevention at work, investigation of incidents and, where appropriate, prosecution of offences.

At the March 2012 States meeting proposals were approved to increase the 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. The new fines came into force on 26th September 2012.

After one unsuccessful attempt the section was pleased, in the autumn to appoint Mr Robin Gonard a fully trained and qualified Health and Safety Officer previously employed in Cumbria.



## Guernsey Dairy

2012 was a successful year of operation for the Dairy which was again able to post an operating surplus which enables it to fully self fund key upgrades to facilities and ensure the reliable high quality of its products.

Raw milk production from local dairy farms was the subject of a major peak in the late spring (due to calving pattern and improving spring weather) followed later in the year by a major trough. Of these two events, the second is the most difficult for the Dairy to deal with, but investments in recent years in more precise control systems combined with a continual programme of training and improvement meant that, despite unprecedented low levels of raw milk output from farms (due to the poor summer weather and insufficient early autumn calving) the Dairy was able to supply the local liquid market throughout the year.

Eventually the Dairy did import milk from the Jersey Dairy to supply the catering (13.6 litre) packs trade during late November and December, with all milk diverted to supplying the liquid retail products with success. Whilst a good deal of cheese was made earlier in the year during the spring flush, period stocks will need to be built up again in 2013, as cheese production was cut from the autumn onwards.

Butter exports (to Waitrose in the UK) and local sales have remained strong and two promotions during the year, whilst remaining profitable, showed an excellent sales performance which boosted Dairy returns. This sales route ensures that butter does not ever become a surplus and need to be sold at low off Island clearance prices. Low supplies were fully maintained throughout the year and the Dairy has not had to offer discounted catering butter for sale locally.



## **Agriculture and Rural Environment Service**

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

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.

Support is also given to the team working on the implementation of the waste strategy for Guernsey, especially regarding the treatment of food waste, anaerobic digestion and composting.

## **States Veterinary (Officer) Service**

From the beginning of 2012, the first year of operation of a directly employed state veterinary service (as a technical authority and advisor rather than a practicing vet) commenced and the States Veterinary Officer – Mr David Chamberlain has been engaged in three main areas of work:

Of particular public interest – although not done in the glare of publicity – has been work to develop a number of codes of animal welfare that are needed prior to the Island's new animal welfare legislation coming into force in early 2013.

In a similar review and development role, the SVO has been reviewing the regulation of veterinary medicines and the Island's animal health (import and export) regulations and procedures.

The final area of work concerns the Island's slaughterhouse where the SVO is the officiating vet in the existing facility as well as spending a significant amount of time working with the specialist design team for the new facility (being built at Longue Hougue) on detailed internal design to ensure it will allow both ease of operation and fully comply with food regulations. Following three weeks training in the UK the SVO obtained a full slaughterhouse OV authorisation.

## **Field and Support Services**

Work to obtain a replacement slaughterhouse reached its formal end point in 2012, with the States consideration and approval of a report giving full details of the proposal, the preferred contractor and the budget for the project. Work started on site in November 2012 and completion is anticipated in the first half of 2013.

During 2012, the section continued to make small but significant changes to the computer programmes used to monitor and record the Island's Dairy herd. By the end of 2012 it was possible to generate, for the first time, raw milk production predictions as well as, in a separate project, make redundant a processing step and software, which will save staff time – further improving efficiency.

The section (with the SVO) successfully completed the routine annual herd health monitoring and in the autumn commenced a further monitoring scheme for Blue Tongue Virus with a view to seeking "disease free status" from the EU authorities which will ensure there are no unnecessary barriers to the export of livestock.



## Sea Fisheries

Following the signing of the Fisheries Management Agreement with the UK in 2011, the Sea Fisheries section submitted a States Report and the Project de Loi (The Sea Fish Licensing (Bailiwick of Guernsey) Law, 2012) which was debated and approved in March 2012. At the same time the States of Deliberation approved The Sea Fish Licensing (Bailiwick of Guernsey) Law, 2012 (Commencement) Ordinance, 2012 which will bring into force commercial fishing vessel licensing within the Bailiwick's 3-12nm limit on the 1<sup>st</sup> February 2013. From this date, all vessels commercially fishing within Bailiwick waters will need to have a Bailiwick fishing vessel licence. This legislation will ensure that the fish stocks which are abundant within Bailiwick waters are not commercially exploited and that the Bailiwick fishing fleets are given the protection that they need to continue to fish in a sustainable and profitable manner. This legislation has been supported by the States of Alderney General Services Committee and the Sark Chief Pleas Sea Fisheries Committee and is welcomed and backed by the fishing industries in Alderney, Guernsey and Sark.

In May 2012, the section's patrol vessel Leopardess was delivered to Damen Shipyards Hardinxveld Holland (where the vessel was originally built) for routine maintenance to both ensure it was able to operate to all necessary safety standards and to ensure its useful life was cost effectively extended. The vessel underwent painting, welding and corrosion work, as well as classification work, to ensure that the vessel meets all of the required sea going standards.

On completion, a full survey was carried out to ensure that the vessel was fit for sea before the section's officers delivered her back to St Peter Port. The survey report confirmed that the vessel was in good order and is maintained to the required standards. On the return passage, the vessel visited Portsmouth to have upgrades completed on the vessel's Electronic Chart Display and Information System (ECDIS), to ensure that this system is current and calibrated to the highest standards.

The section's officers regularly carry out routine patrols in Bailiwick waters and in recent months have been extending patrols into the mid-channel for the Marine Management Organisation (MMO). This comes following a successful training and assessment programme by the MMO. Enforcement at sea is integral in preventing fish being caught and landed illegally and in September all of the sections qualified British Sea Fisheries Officers were assessed at sea along with the capabilities of the Leopardess by the MMO South Western Marine Senior Sea Fisheries Inspectorate. Boarding's were carried out at sea and the sections officers were assessed to ensure that the standards of inspections not only met the UK required standards but also EU.

All of the sections officers completed the assessment successfully and are now warranted to inspect fishing vessels throughout British Fisheries Limits anywhere in the UK. The Leopardess also proved to be a more than suitable asset for the MMO. As a result, the section has already completed patrols on behalf of the MMO outside of Bailiwick waters. This approach not only ensures that the section's officers meet the highest standards required throughout the EU but also ensures that the sections officers and vessel is known to fishermen fishing within the extended area and is now not limited to patrolling solely Bailiwick waters. This has already proven extremely useful and vessels that have caught fish in Bailiwick waters and left the area who may have believed that they are outside the Bailiwicks jurisdiction have been inspected.



In June 2012, following many months of negotiations by the Sea Fisheries section, the Port of Dielette was opened to Bailiwick fishermen to land catches of fish and shellfish into France. This is an important port for the Bailiwick industry and previous attempts by the section and fishermen, over the past decade, have not succeeded. The opening of the port of Dielette has been welcomed by Bailiwick fishermen and the French authorities, as well as the (French) Government run fish auction market in Cherbourg, where catches are sold. Bailiwick vessels are now able to land catches without the risk of carrying heavy loads through the Alderney race which at times can see dangerous weather conditions. This saves both time and money and reduces risks. Catches are collected by refrigerated truck and are transported directly from the vessel to the auction market, ensuring that catches reach the market in pristine condition. Throughout 2013 the section will continue to work with the French authorities and develop links and ensure that fishermen have the facilities they need and that this important landing port is secured for the future.

## **Plant Protection and Laboratory Service**

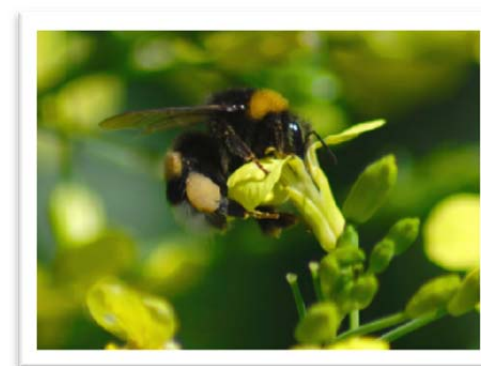
Tree diseases are continuing to feature in the work of the section and in 2012 two fungal diseases, namely, Ash Dieback and Sudden Oak Death presented different problems.

Ash Dieback, caused by the fungus *Chalarafraxinea*, was confirmed for the first time locally on recently planted stock from the UK. The whole planting was removed and destroyed and legislation was quickly put in place to ban ash tree and log imports to reduce the risk of further disease outbreaks. Experience from Europe indicates that the disease can devastate ash tree populations and it is important, therefore, to prolong disease freedom to keep local stocks healthy.

Sudden Oak Death, caused by *Phytophthora ramorum*, is currently not present in the island due to import controls and a continuing eradication programme. The section is working with a local horticultural company to prove that their nursery is free from this disease to allow the opportunity to export to Australia and New Zealand where this disease is absent. Research data has been published indicating that plants can be infected artificially and this has prompted the Australian and New Zealand plant health authorities to impose a ban on clematis imports from countries where this disease is present. To help achieve this disease freedom status in 2012, the section intercepted three batches of plants from the UK with the disease; the first interceptions for four years. Controls will continue to keep this serious plant disease out of the island.

A significant part of the work of the section involves monitoring by survey for a wide range of plant pest species to protect exports and the local environment. Surveys in 2012 continued to show that Guernsey has a high plant health status with all quarantine pest surveys proving negative. Bee surveys also showed a continuing high health status of local colonies.

Colorado Beetle continues to be a threat to the Channel Islands from France. However, international collaboration between the countries, under the auspices of EPPO, has continued to keep the pest out of the islands. A scientific paper was published in 2012 summarising the success of the international campaign from 1980 to the present day.



## Civil Aviation

Another busy year for civil aviation activity in the Bailiwick saw significant steps forward with a number of projects.

In Guernsey, the satisfactory oversight of the safety regulation of the Bailiwick's aerodromes (Alderney and Guernsey) and associated Air Traffic Control Services and Airspace. The continuation of effective liaison with Jersey authorities to ensure a consistent approach to safety regulation across the Channel Islands and ongoing participation to provide regulatory advice and certainty in the Airspace Change review process for the Channel Islands being led by Jersey Airport. The office of the Director of Civil Aviation (DCA) has continued to deliver sound and appropriate advice to the Department on a wide variety of aviation matters in accordance with the DCA's advisory function.

During the year the DCA has successfully achieved all targets with respect to the Aircraft Registry Project, which remains on track for implementation during 2013. Dialogue has continued with Jersey to re-join the project. Final decisions will be as a result of the Working Group report issued in November 2012.

During 2012, the aviation security regulatory functions were integrated into those of the office of the DCA, in accordance with the States Resolutions of July 2011. On time, on spec., on budget. The appointment of the Aviation Security Regulator (ASR) for both Guernsey and Jersey was established in March 2012, in line with the States Report (July 2011), under the office of the DCA. In 2012, the introduction of Aviation Security Regulations to meet EU and UK standards have been achieved, which are recognised as equivalent for aviation security purposes. The establishment of the relationship between the DfT and the office of the DCA / ASR, together with a signed agreement for the working arrangements for the next five years between the Bailiwicks and the DfT. A new MOU has been established to take account of the new regulations and the appointment of the ASR.

A programme of security audits has also been commenced to demonstrate the effectiveness of the aviation security quality control programme which will be introduced this year as part of the new regulations. This work has been carried out to position the Bailiwicks for third country recognition by the EU which is planned for 2013.



## 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.

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 Department including the Guernsey Registry and the Guernsey Dairy. They are also produced for Guernsey Finance and the Office of the Public Trustee. The 2013 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.



## Marketing and Tourism

Guernsey 2012 tourism season put in a solid satisfactory performance in what was a difficult year. Booking patterns were increasingly volatile with visitors booking with shorter and shorter lead in times to travel. This is a national trend for domestic and short haul tourism and Guernsey is certainly mirroring the experiences felt elsewhere. As a result the industry has to adapt its way of working and introduce more “retail” offer led models of working in order to remain competitive and succeed.

The beginning of the season (Jan-Apr) was particularly sluggish and has resulted in the team working on a shoulder month Tasty Walk campaign that will run for the first few months of 2013 and an outdoor museum campaign that will tail the season to hopefully stimulate bookings later into the autumn and Winter. Moving to focused campaigns is a natural next step in order to develop on the success of focusing on product led themes in 2012. Walking, which was the dominant theme in 2012, had been noticeably successful with many industry partners noting an increase in the number of those visiting with walking or hiking as the main motivation. The summer season, overall, was more positive and in the main occupancy held at similar levels to the previous year for staying visitors during the peak months. End of September figures (full year report which will be published end of March) show that staying holiday visitors (in visitor accommodation) are down 2.1%. In light of the poor wet weather, Olympics and economic challenges Guernsey’s decrease was disappointing but not as significant as many of its competitors.

There was a significant downturn in friends and relatives visitors (FRV) in 2012 and a flat corporate market. In terms of sea travel the loss of Weymouth has significantly affected the growth the Island had experienced in day and short break passengers from the previous year as the market demographic and behaviour for Weymouth is different for Poole. Airport closure and fog days also contributed to an already downward trend in passenger movements.

In May 2012, Guernsey staged a very successful leg of a Channel Islands trade workshop with over 42 business partners from tour operators, travel agents, on line travel portals and carriers all attending from target markets and undertaking business development with Islands of Guernsey tourism and hospitality players – represented by 60 stakeholders.

Annual statistics are not yet available but German and French visitors seem to have been steady with a growth in those visiting for walking and culinary. The Netherlands dedicated inbound weekly charter (from Rotterdam) has performed satisfactorily but less visitors seem to be travelling across the continent and reaching the Island by sea. Due to the poor weather we have seen over 25% of our cruise calls cancelled this year which is disappointing for cruise passengers – luckily we have strong working relationships with the Cruise lines and Guernsey’s position as a cruise destination is well established. Despite this Guernsey still welcomed 60,486 passengers in 2012. Group travel continued to perform strong and both travel trade and direct consumer business remain of the upmost importance to Guernsey as channels to market. All sector campaigns hit return on investment targets and many exceeded the goals that had been set. Revenue targets for advertising sales on-line and through the brochure were also met which, in turn, offsets the cost of wider promotions.

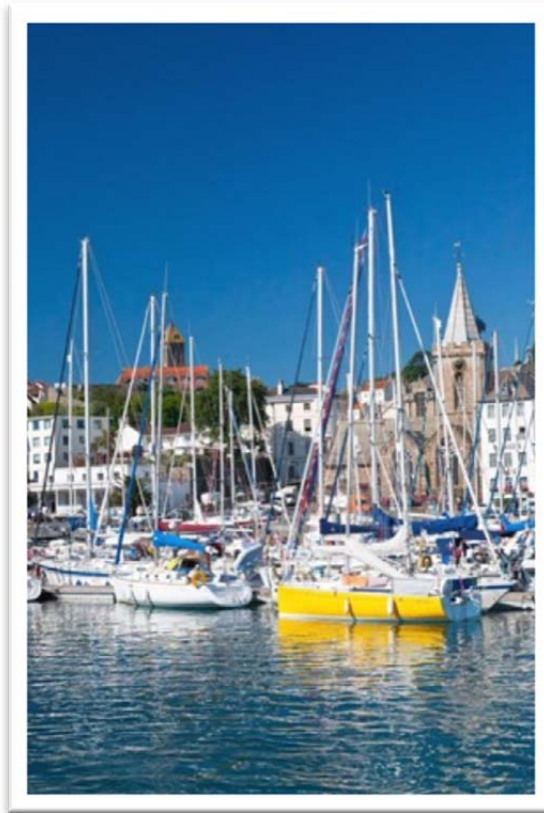
A rich and robust 2013 marketing strategy was launched to the Industry in November 2012 and focuses on a brand campaign and four product campaigns that will run through the year and incorporate all aspects of marketing and promotion. The focus is on a national press and e-mailer campaigns but will also feature digital, PR and social media. VisitGuernsey 2013 brochures were launched and well received at World Travel Market in 2012. Late 2012 also saw the launch of a new and more interactive VisitGuernsey.com, after a considerable amount of hard work. 2012 saw web traffic rise an impressive 21.85% to 893,572 unique visits. VisitGuernsey’s social media presence also went from strength to strength with significant increases in followers across all mediums. The new web site should prove to be an excellent asset for 2013 destination promotions.

---



VisitGuernsey continued to be represented at key destination travel shows in the UK and at some special interest exhibitions such as BBC Gardener's World and the Outdoor show. Reports from the team that attended were that there was an upward trend in footfall and a very healthy interest in Guernsey, Herm, Sark and Alderney.

During the last Quarter, as part of our integrated strategy, marketing and tourism appointed a new destination specialist UK PR agency (Lotus UK), as well as a locally based digital agency (Blix); exciting developments as we increase the weighting of digital activity within our promotions.



## Finance Sector Development

Over the past 12 months the FSDU has made significant progress on a number of key projects as well as dealing with a number of emerging international issues. Projects which were finalised in 2012 included the development of the Foundations (Guernsey) Law 2012 which was approved by the States in July and is expected to be approved by the Privy Council and brought into force in early 2013. The FSDU also concluded its post implementation review of the Companies (Guernsey) Law, 2008 which was approved by the States at its November meeting. Finally the FSDU released the draft Limited Liability Partnerships (Guernsey) Law for consultation. That Law should be finalised and presented to the States in early 2013.

The team continued to provide support to the Director of Civil Aviation on the introduction of an Aircraft Register and the Registrar of Intellectual Property on the implementation of Image Rights.

In addition the FSDU:

- Issued a public consultation on the UK's Retail Distribution Review to determine what Guernsey's response should be,
- Continued working closely with Jersey on the establishment of a Channel Islands Financial Ombudsman Service,
- Supported the External Relations work of the Policy Council by giving presentations to visiting ambassadors from Germany, Sweden and Switzerland,
- Provided comments to the Housing Department on more than 110 housing license applications in the financial services sector.
- Commenced work on the development of a Financial Sector Strategy which will be concluded in early 2013.

An emerging issue through 2012 was the Foreign Account Tax Compliance Act (FATCA) a US initiative which has the potential to have an impact on the Island's finance industry. Following the announcement by the US and the UK of the development of an Intergovernmental Agreement (IGA), the FSDU is heavily involved in negotiations.

International activity continued to be significant in 2012, with the FSDU supporting Guernsey Finance initiatives in London and the FarEast. The European Union legislative agenda also continued to have an impact. The Unit was involved in working on the Island's response to the Alternative Investment Fund Managers' Directive, the Statutory Audit Directive, and the markets in Financial Instruments Directive.

Regulatory policy issues also became more significant during 2012. The FSDU was asked to advise on the Department's policy towards several emerging developments. A key issue to emerge was the evolution of Mobile and Alternative Payments Systems and the approach Guernsey should take to those new means of providing financial services. The FSDU formed a working group of experts which were to consider the implications of these new business models and the regulatory consequences of Guernsey seeking to develop that new business.

Finally the FSDU continues to work with new business opportunities for the Island. Over the past 12 months the FSDU has worked with a variety of businesses which expressed an interest in establishing in Guernsey. Several of those businesses have now established operations in Guernsey or will be doing so shortly. They range from new investment managers, forensic accountants, to Middle Eastern financial services providers.



## Guernsey Registry

The Registry has had another very successful year, achieving an excellent compliance rate on the annual validation process in January, with 170 companies being struck-off for non-compliance with the legislation, lower than in 2011. The number of companies on the Register is static at c.17, 500 despite the global economic environment and there has been growth in the number of Limited Partnerships on the Register from 1,300 to 1,400.

The Registry has reviewed and can confirm compliance with the Resident Agent requirements of the Companies Law.

Collection of the Guernsey Finance LBG Levy was once again successfully delivered through the on-line portal and 12 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. The new website launched in October 2011 continues to be enhanced and the Registry continues to increase the guidance available and to develop its on-line portal to meet the needs of users, including enhanced data download functionality.

Development of staff continues to be critical to the future success of the Registry, with staff successfully completing training at a variety of levels. Significantly several staff achieved success in Institute of Chartered Secretaries and Administrators qualifications.

Future developments for the Registry include further 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

The services and work in intellectual property (IP) continued to expand and develop in 2012. The primary development has been the consultation, drafting and progress of the image rights legislation. On the 24th September the legislation was passed by the Legislation Select Committee and by the States at its meeting of 28th November. The Office opened and received its first registration on Monday 3rd December. Registered image rights with statutory protection is a world first for Guernsey. The industry response has been very positive both in the island and internationally. Opportunities for added value and wealth management services are being progressed. These will add considerably to the commercial potential of managing the rights in the Island. The communication and marketing of image rights is linking with Guernsey Finance and the industry. There have also been seminars and training events on Island for professional practitioners and presentations for States members.

The trade mark registry has grown to 4,861 marks. Service levels to clients have demonstrated improved service times providing application to registration times within 8 weeks (subject to no second examination issues or opposition) and all other standard applications including assignments within 24 hours. These service delivery levels are much faster than the main IP Offices and are an added benefit in dealing with the Island registry.

On 1 March 2012, the Office commenced services for Patents and Biotechnological Inventions. Having carried out an audit on patents transferred from the Greffe to remove patents that were no longer valid, the number of patents on the register is 141. The renewal process, with an annual renewal fee, is being carried out for the first time and to date all the registered patents are renewing, leading to increasing fee revenues in this sector.

Significant progress has been made on double taxation agreements (DTAs) under the auspices of the Income Tax Authority. A DTA has been signed with Malta and negotiations concluded with Hong Kong, Luxembourg, Qatar, Singapore, Isle of Man and Jersey (revision). The Islands IP environment has continued to develop its profile locally and internationally. The membership of the IP commercial group now stands at over seventy five with representations from the legal, fiduciary, accountancy, insurance, telecommunications and individual business sectors.



## External Agencies

### Guernsey Finance lbg

In July 2012, Fiona Le Poidevin succeeded Peter Niven as Chief Executive of Guernsey Finance, the promotional agency for the Island's finance industry globally. Fiona had previously been Technical Director and Deputy Chief Executive since her appointment in March 2011. Peter has remained as a consultant at Guernsey Finance until the end of 2012.

The in-built succession planning has seen a seamless transition for the agency and its pursuit of its strategic objective, which 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.

During 2012, Guernsey Finance has been continuing with its work to ensure the Island is well placed to take advantage of opportunities within the 'emerging' markets. In April, a delegation from Guernsey visited Inner Mongolia in China, combining a student exchange programme with the promotion of the Island's financial and agricultural sectors. This was followed up in October, where attendance at the STEP Asia conference in Hong Kong was backed up by meetings with both government, regulatory and business leaders in Beijing and Shanghai.

The year has also seen delegations to Moscow (in March) and Mumbai (in December) to reinforce attendance at industry conferences in those cities at the same time. Furthermore, Guernsey Finance has maintained its programme of representation in the Middle East and also attended relevant conferences in London which have a focus on the emerging markets, including Latin America. The push to diversify the industry has seen continued work in the area of film finance and also an enhanced effort related to promoting Guernsey as a hub for cleantech financial services.

As well as stepping up our work in new markets, ongoing pressures from the UK, EU and US mean that it is also important for Guernsey Finance to maintain its visibility in 'traditional' introducer markets. Indeed, we have continued with our events programme in these centres. A significant proportion of the conferences remain those which have been attended historically but there is continued and ongoing dialogue with the sector associations to ensure these remain appropriate or if not, which others might be most suitable instead. A team also made the first visit to the US for several years.

Hosting Guernsey events remains important. The Guernsey Funds Forum in London continues to go from strength to strength, with this year's event attracting more delegates than ever. A seminar was also held in London in October to promote the new foundations legislation and this was also the subject of a breakfast briefing given at the STEP Asia conference in Hong Kong.

Guernsey Finance has also continued to maintain its high level of media activity and also drive forward with developments in e-marketing, including the launch of a revamped English language website and the start of modifications to the Chinese and Russian language microsites.

The logo for Guernsey Finance, featuring the words "Guernsey" and "Finance" stacked vertically in a teal, sans-serif font. The logo is set against a white background with rounded corners and a subtle drop shadow.

## **The Guernsey Competition and Regulatory Authority (GCRA) (formerly the Office of Utility Regulation (“OUR”))**

This is the independent regulatory agency established by the States of Guernsey to apply the competition law and regulate the telecoms, electricity and postal markets in Guernsey. The Authority is an organisation of four staff, whose primary objective is to fulfill the statutory obligations set down in The Guernsey Competition and Regulatory Authority Ordinance, 2012 and Regulation of Utilities (Bailiwick of Guernsey) Law 2001 as well as the separate sector specific primary legislation which covers each of the three utility sectors under the GCRA’s remit. In addition, the GCRA is required to implement States Directions as provided for under the Law.

During 2012, the GCRA focused on the continued development of a more competitive telecoms market, where possible and appropriate, adopting pan Channel Island approaches to issues. To this end the GCRA and the JCRA now function under a single board, CEO and Deputy CEO, referred to as the Channel Island Competition and Regulatory Authorities (CICRA). Facilitating access to networks by competitors in the telecoms, working with the ICT steering group formed by the States and informing spectrum strategy considerations with a view to awarding 4G licenses in 2013 has been a key part of the GCRA’s activities over 2012. Changes in the postal sector have led the GCRA to consider the most appropriate approach to regulating this sector going forward. Guernsey Post has already been given greater freedom to set individual tariffs within an overall control on total revenue. In electricity, further price increases have been experienced as a result of the off-island cable failures which have impacted on GEL’s costs.

