

**Statement by the President of the Committee *for* Policy & Resources**

**Statement from Deputy Gavin St Pier at States Meeting 18<sup>th</sup> March re: Proposed initial economic response to the COVID-19 pandemic**

Mr Bailiff,

Last week, the UK's Prime Minister said that the coronavirus pandemic was the greatest public health threat in a generation. He was wrong, very wrong. It is in fact a crisis like no other that the world has faced in modern times. It is the first truly global emergency for at least 100 years, in terms of its scale and reach. No jurisdiction is immune. This disease is no respecter of location or GDP. For Guernsey, it is the gravest public health emergency since the island's population was starving in the winter of 1944, towards the end of the Second World War. That war was declared on 1<sup>st</sup> September 1939 but it was a phoney war that did not touch our shores until the Occupation began on 30<sup>th</sup> June 1940. We are now in the phoney war in the fight against coronavirus which **will** touch our shores in earnest in the weeks ahead. In the weeks before the Occupation, the island shipped as many people out of the island as we could; in the weeks, before this virus invades, we must get as many people back home to our island as we can – and then they must stay here. And if they return after midnight tonight, they must go into mandatory self-isolation for 14 days. And self-isolate properly – no exceptions, other than those required to meet the community's needs; this will apply irrespective of age or whether or not they have symptoms; and irrespective of where in the world they have come from including, of course, importantly, the UK. The Civil Contingencies Authority has met this morning and approved Emergency Powers Regulations which will be published today and laid before this Assembly as soon as possible in accordance with the Civil Contingencies Law, suffice to say that they give the Medical Officer of Health the powers to direct and enforce self-isolation.

How much has changed in a week. This time last week, I had a beard - and was looking forward to a weekend away. And now, this week we are talking about 'repatriation ships' and imposing

the greatest restrictions on the civil liberties of islanders since the Occupation. It's been and is surreal.

Every single one of us will have those we love whom we are concerned about. For me, I have one daughter who has an underlying health condition, for which there is limited experience about any specific risks from Covid-19. And I have an 80 year old Mother in West Sussex. She was diagnosed with dementia last year but is still living independently. My step-brother and I are trying to work out how we can remotely support her physical and emotional needs. We will all know someone who is likely to experience grief before this pandemic is over.

The extent to which our community will suffer casualties from this deadly virus is largely – and literally – in the hands of the community. Every woman, man and child needs to understand their role, their responsibility - not to themselves but to others – to their parents, their grandparents, their neighbours and to perhaps most importantly of all, to those they have never met and never will.

Members will understand the significance when I say: never has the call been so great, for so many, to do so much for the vulnerable few.

Public Health Services believe that 60% of cases can be avoided by good infection control – in other words hand washing and not touching your face – and ensuring social distancing. In short, we all have a duty to listen and then follow the advice from Public Health. This is not a hoax. This is not over-stated. This is not a practice. This is for real. This is deadly serious.

Before I turn to the economy, I want to take this opportunity to put on the permanent record on behalf of myself and I hope everyone in the Assembly and the community, our enormous thanks to the hundreds working in public services right now, to help the community plan and prepare to minimise the impact of this situation. Our health service teams are about to put through their paces and will need all our support to get through it. I have never been more proud to be part of any team than in the last week. Everyone is working around the clock in a fast changing environment under extreme stress, but they are doing so with good humour, energy, urgency and calm efficiency. When this crisis is over, can we please remember this moment? This is why we pay our taxes; this is why government is critical to the life of our community. So to each and every one of you – you know who you are – ‘thank you.’

In economic terms, this is the biggest demand shock to our economy since the quadrupling of oil prices in the crisis of 1973 – but is even faster than that one. If we do nothing, perfectly decent businesses will go the wall. We must not let that happen. Whilst I cannot overpromise that no jobs and no bankruptcies will occur as a result of this crisis, it is a reasonable objective to say, as far as possible, no business should be lost simply as a result of this crisis.

Although the duration and magnitude of the economic shock is highly uncertain, it will challenge cash flows and increase demand for short-term credit for households and working capital for businesses. The economic and fiscal policy response must focus on preventing unnecessary job losses and business failures, through the flexible use of the government's balance sheet.

I have spent 8 years seeking to repair our fiscal position and return us to balanced budgets and surplus. A week ago, I was confidently expecting that by the end of this term, I could safely say that the public finances would be considerably stronger than they were in 2012. But that is out the window for now – at least for this year. Opening the financial sluice gates does not come naturally to me, but that is exactly what we must now do. Let me make it very clear that we can and will make available whatever resources are needed to support the measures I am announcing today. This is intended to be a financial firehose to put out the Covid-19 induced economic inferno and meet the needs of our business community and those it employs.

Yesterday, in one of our now regular media briefings I stressed that the situation in Guernsey remains under control. What I said yesterday in relation to the health issues, applies equally to the economic ones. What we are doing now is what is required for our immediate needs; and we are planning ahead for more measures that may be required for when we actually need to deploy them – and businesses and taxpayers should assume that, at the right time, we will. I know from our regular dialogue with our Jersey cousins that they will be announcing further measures today – maintaining that dialogue is immensely important and will help inform our own decision making. But it is inappropriate for business to be looking to other places as a guide as to what to expect to meet our island needs – our economy is different.

We all need to ignore what's happening elsewhere and take steps that are well judged, proportionate and relevant to the Bailiwick's needs.

But there is only so much that government can do to plan and prepare. Self-evidently, the States cannot support the whole economy. As with individuals, businesses cannot abdicate responsibility to government. Businesses must act responsibly towards their employees, their customers, and their suppliers. But if we act now, together, we will be able to keep our economy going, ready to pick up when this crisis passes – which it will. Businesses should act now to engage openly with all stakeholders – employees, customers, suppliers, landlords and their banks.

However, we enter this pandemic in an extremely strong financial position. The Core Investment Reserve, established to be used in the exceptional and specific circumstances of severe and structural decline in public sector finances or major emergencies, ended 2019 with a balance of £195m. The current position is precisely the kind of event that warrants use of that Reserve. However, the general strength in our public finances, prudent approach to planning and excellent performance in 2019 mean that there is no immediate requirement to turn to the Core Investment Reserve.

It is the intention of my Committee to lay an emergency policy letter for consideration later during this meeting of the States, seeking delegated authority for the Policy & Resources Committee to act swiftly and decisively to support our community and businesses through this period.

It is absolutely vital that our government recognises the very real need to provide appropriate financial support at this time - and the very real impacts already being felt in certain sectors. We are all well aware that those in the travel and hospitality sectors have felt the full force of the travel restrictions put in place and encouraged by numerous governments. If we are to retain a strong and vibrant hospitality sector for the future, now is the time to provide help to tide them over this difficult period.

Therefore, the Policy & Resources Committee and the Committee *for* Employment & Social Security have agreed the following **immediate** measures which are designed to help our companies with their costs and, in particular, their cash-flow and support them to keep operating. I understand that the Committee *for* Economic Development has also been briefed

on, and is supportive of, these initial measures aimed at **all non-regulated businesses**, who are in the front line right now:

- Businesses will be allowed to defer the payment of employer's social insurance contributions due in the first two quarters of 2020 to support their cashflows;
- The collection of commercial TRP will be deferred over the same period and I would urge landlords to pass this on to tenants. This will provide further relief on outgoings over this difficult period;
- Where the States of Guernsey is a landlord to a local business, consideration will be given to deferring rent and we would hope that private and commercial landlords will also consider such measures;
- Similarly, the mooring fees for commercial fishermen will be waived over this period in recognition of the particular difficulties faced by that sector;
- Where the States of Guernsey is a creditor to local businesses, every effort will be made to pay swiftly and not wait for standard credit terms;
- Where the States of Guernsey is a debtor in other capacities, then every effort will be made to treat customers sensitively and supportively at this time.

These steps will, of course, inevitably put pressure on the States' own cash flow. We are actively thinking about how we can manage that, including of course seeking our own credit lines, so that we don't have to sell financial assets in our investment portfolios at precisely the wrong time – namely a falling market. If we need more authority from the States to facilitate this, we will return to this Assembly to seek it.

It is important that the States take a leading role in the measures that are put in place, but it is not only the responsibility of the States.

On Monday, we met with the hospitality and retail sectors, facilitated by the Chamber of Commerce. The Committee *for* Home Affairs are now giving consideration to relaxation of the Population Management Law, to remove any red tape for employees seeking to move from one job where they are under-employed, to another which may be required as jobs need backfilling. By way of example, to help keep our school system open as long as possible, we may need more help with cleaning whilst the hospitality sector may be able to supply those who can help. The Committee *for* Economic Development are looking at whether the rules

around self-catering could be relaxed so we can create more self-isolation or staycation space on the one hand and provide some replacement of income for the self-catering sector on the other.

Yesterday, we met the banks who are, will and expect to be businesses' first port of call for assistance when businesses need support. We can support the banks to enable them to relax their lending criteria in view of the extraordinary situation in which we are living. So we have been working with the local banks and co-ordinating with colleagues in Jersey and the Isle of Man to seek to expeditiously ensure liquidity support is available to those businesses who need it. We hope to be able to make firm announcements over the next two weeks about a pan-island scheme.

The measures I have outlined so far have been focussed on business, but we also wish to recognise the impact on individuals, particularly those who might be facing significant hardship and would not otherwise be entitled to States' benefits. Therefore, we will also be allocating £5m initially to a 'hardship fund', to be administered alongside our social security benefits, which will seek to target support to those in that situation.

Work is ongoing to develop the policy, principles and criteria for all of these measures which we expect to be able to release in detail next week.

Sir, the package of measures I have outlined today is our initial response. We know that the prevailing situation is temporary, but we do not know how long it will last or the route it will take. We will keep the situation under continuous review and be prepared to take further measures, either macro or microtargeted at a later date.

For example, work on the review of the government framework for air operations has been progressing. However, the view of the Policy & Resources Committee is that the review cannot, at this stage, be formally concluded and brought to the States of Deliberation. This is because we are now in this extraordinary period which is having, and will continue over the coming weeks or may be months, to have a profound impact on our air and sea links connectivity. Aurigny is reassessing its schedule and routes in order to ensure a minimum level of service, to protect the welfare of its employees and passengers, and to stem as far as possible, the significant financial losses that it – like all other airlines – will need to absorb during this period. It is inevitable that further financial support will be required and the

emergency policy letter being prepared will also include proposals for increasing the overdraft facility available to Aurigny.

The current environment is also impacting airports – not just Guernsey airport, but those to which we travel. The next few weeks is likely to change the aviation sector for the short and medium term. The review will now actively take account of the impact of this period on the government framework for air operations and take into account the recovery of our air links infrastructure when we are through this challenging period.

In relation to the PSO process, following the recommendations from the Committee *for* Economic Development, and further investigations, the Policy & Resources Committee has identified and confirmed a preferred bidder. Commercial discussions are ongoing, but in the current context of air travel uncertainty, these discussions will now take longer to progress. It is important for Guernsey and Alderney residents and taxpayers that we get this right. Given the service changes that will be in place for the next few weeks, the Policy & Resources Committee will continue to oversee the work with the preferred bidder in order to bring a policy letter to the States of Deliberation at the earliest possible juncture.

In closing, I would just like to reiterate that **we are not** locking down our community or economy, because we do not need to – or not yet anyway. We may not be leaving the island unless absolutely essential over coming weeks, but we can continue to safely educate our children and still support our local economy by shopping locally and going out, provided we rigidly adhere to the public health advice in relation to personal hygiene and social distancing, particularly for those in vulnerable groups. Our economy has not and does not need to come to a complete halt and, while government is playing its part with the measures I have outlined today, the community can also continue to keep our economy going, and maintain a semblance of the new-normal daily life until the crisis is over.

We will get through this.

As a community, we have the spirit to survive what we are about to endure. And we also have the financial strength to do so too.