

Media Release

Date: 14 September 2020

Policy & Resources agree to continue financial support measures for worst hit sectors

The Policy & Resources Committee has agreed to continue the payroll co-funding scheme for the most impacted sectors and businesses until the end of 2020, having previously been extended to the end of September.

However, there will be a further reduction of those eligible for support once the island moves into phase 5c of its exit from lockdown strategy. While no date has been decided to move to phase 5c, it is expected within the period of this three month extension to States-funded support.

More information on plans for business support once in phase 5c are included below, however the main changes include:

- An increase in travel activity
- As a result, some sectors and businesses will be removed from ongoing support, such as taxi operators and those businesses reliant on outbound travel
- A one-month grace period will be put in place once we move to phase 5c
- Travel activity will be closely monitored to ensure ongoing support measures are appropriate and further decisions will be taken at that time.

However, the current position continues to be that the island remains in phase 5b for the time being. While this remains the case, certain sectors and businesses are able to continue applying for either 80% or 100% of the minimum wage for employees, depending on the extent to which the business is impacted.

For the avoidance of doubt, the current expectation is that businesses within the following sectors, which are more reliant on travel activity, will be the most likely to require support over this current phase 5b period:

- Travel agents & tour operators
- Event companies such as those working in corporate events or weddings
- Taxi operators
- Sectors and businesses reliant on regular outbound travel

- Please note that the visitor accommodation sector is being dealt with separately via the Visitor Accommodation Grant scheme and further details on this will follow in due course.

Claims will only be considered from businesses whose last claim was eligible in the July–September period.

Retail and hospitality sectors (excluding visitor accommodation providers) will no longer be eligible to claim under the payroll co-sharing scheme during this further extension period. This is because Q4 traditionally signals the end of the core tourist season and therefore businesses in those sectors will be returning to a more normal trading condition. It is, however, recognised that the absence of a positive summer period may bring financial strain over the coming months. Businesses are encouraged to look to other sources to provide required financial support, such as bank borrowing.

The Business Disruption Loan Guarantee Scheme (BLDGS) is available until the end of December, which involves government guaranteeing 80% of the loan and thereby makes it easier for viable business to access borrowing at this time. Businesses at risk of failing and meeting the criteria set out above can have their position assessed on a case by case basis with States' support expected to be seen as a last resort.

Once the island moves into phase 5c, there will be an increase in outbound and inbound travel activity - thereby further raising the potential for improved trading conditions for these remaining businesses in need of support. This will result in some sectors and businesses being removed from ongoing support, such as taxi operators and those businesses reliant on outbound travel.

However, it is recognised that it will take a little time for travel activity to build and therefore a one-month grace period will apply following the implementation of phase 5c where support will continue. The volume of travel activity will be closely monitored to ensure ongoing support measures are appropriate and further decisions will be taken at that time.

It is likely that some activity will not return to pre-Covid conditions for some considerable time. An example of this is corporate travel whereby the greater use of technology is likely to see future levels of activity reduced. Clearly there is need, and expectation, for businesses to adapt to the new conditions as the taxpayer cannot be expected to financially support businesses who may never to return to previous levels of activity.

It was previously announced that TRP for 2020 and employer contributions for the first two quarters of 2020 could be deferred until June 2021 on the basis a suitable repayment period had been agreed. One small change has now been agreed whereby the period for repayment has been extended until end of September 2021. This is specifically to help those businesses who rely heavily on the core summer season, such as hospitality, to have the benefit of this period before repaying. For businesses not heavily reliant on the summer season, the end of June date will continue to apply. This means the many repayment arrangements already in place are unaffected.

Deputy Lyndon Trott, Vice-President of the Policy & Resources Committee, who leads on the financial support measures, said:

“The support we’ve provided so far has been unprecedented and has without question kept many businesses afloat during what has been an incredibly difficult period for those worst affected. Since moving into phase 5 and our Bailiwick bubble we have seen many businesses returning to a more secure level of activity, and consequently less have needed our help. But there remain sectors who very much need our continued support and the Policy & Resources Committee has decided to continue with the more targeted approach we have taken in recent months, particularly those businesses impacted by the continued restrictions on travel.

“We are of course keen to ensure that businesses continue to do everything possible to get back onto their feet as quickly as possible. Government-funded support cannot be provided long term so businesses must adapt to the new conditions – as I know many have or are doing – rather than assume financial support from the States will continue. This includes examining all avenues available to them, such as borrowing, to ensure the well-being of their business going forward.”

As has been the case throughout the period since the Covid outbreak, government will continue to closely monitor the situation and liaise with industry representatives together with individual businesses to ensure support measures remain justified and proportionate.

Ends