



# STATES OF JERSEY

## Corporate Services Scrutiny Panel Economic Stimulus Package

**TUESDAY, 13th OCTOBER 2009**

**Panel:**

Senator S.C. Ferguson (Chairman)  
Deputy C.H. Egré of St. Peter (Vice Chairman)  
Connétable D.J. Murphy of Grouville  
Deputy T.A. Vallois of St. Saviour  
Professor M. Oliver (Panel Adviser)

**Witnesses:**

Mr. D. Warr (Chamber of Commerce)

**In Attendance:**

Mr. M. Robbins - Scrutiny Officer

**Senator S.C. Ferguson (Chairman):**

Thank you very much for coming in, David, it is appreciated.

**Mr. D. Warr (Chamber of Commerce):**

My pleasure.

**Senator S.C. Ferguson:**

I wonder if, as usual, for the purposes of the lady doing the recording and the people doing the transcribing, if you could just say who you are and what your position is.

**Mr. D. Warr:**

My name is David Warr and I am the Vice President of Chamber of Commerce. I also head up the small business group at the Chamber of Commerce on the Executive Council.

**Senator S.C. Ferguson:**

Super. I think you have had our health warning thing before.

**Mr. D. Warr:**

Yes. Careful what you say. [Laughter]

**Connétable D.J. Murphy of Grouville:**

Dan Murphy, Constable of Grouville.

**Deputy C.H. Egré of St. Peter (Vice Chairman):**  
Collin Egré, Deputy of St. Peter and Vice Chairman.

**Deputy T.A. Vallois of St. Saviour:**  
Tracey Vallois, Deputy of St. Saviour.

**Senator S.C. Ferguson:**  
Sarah Ferguson, Chairman of the Panel.

**Professor M. Oliver (Panel Adviser):**  
Mike Oliver, Economic Adviser to the Panel.

**Mr. M. Robbins (Scrutiny Officer):**  
Mick Robbins, Scrutiny Officer.

**Senator S.C. Ferguson:**  
Super. Really I suppose what we are wanting to find out is have things changed significantly, have you found things significantly better or worse? How is Chamber and small business in particular viewing the current economic situation?

**Mr. D. Warr:**  
Now, Chamber, I do not know if you are aware, did a check up of their membership, they sent out what they call a SurveyMonkey to their membership to find out just prior to - and which you took part in, Senator - the stimulus package evening event. We did some research on that and I think what we found on the whole was that against 6 months ago I do not think things had changed very much. I think there was still a sense of there were not huge amount of people being laid off, I do not think people felt the economy was being strong and very healthy, I think it was much the same as ... you know, keeping very close tabs on what is going on and going on from there. That is really the overall feedback that came from us. As I say, no major deterioration.

**Senator S.C. Ferguson:**  
Yes, it was noticeable also there were no major increases in salaries.

**Mr. D. Warr:**  
Absolutely and I think there is sort of ... on the stimulus evening, a lot of hand went up about people who had had wage freezes, was there not, in line or looking at the question about what was happening in the public sector and comparing and contrasting. But, as I say, I think everybody is being careful, we are hearing noises of the occasional redundancy being made around the place but nothing in terms of, as we possibly might have seen, 20 or 30 people going from a particular firm. So it is haphazard around the place. You cannot point your finger at it and say: "That sector is suffering more than another at the moment."

**Senator S.C. Ferguson:**  
You are not having any particular sector screaming harder than the other?

**Mr. D. Warr:**

No, I would not say so. Obviously areas are where tourism is concerned, people are concerned about tourism but I think tourism has ended up having a half decent season in August and September, so I am encouraged, certainly from where I am sitting, and from what people are saying to me on that front. I think the ... you know, obviously the areas of concern for people are the issues which cropped up potentially with ShiptoMe, this idea that maybe business maybe moving more off the Island, the internet, the impact of that and the ongoing of that. I came away from a meeting this morning in the Town Hall about how we might reinvigorate town and encourage people to spend more money in town. I think it is really important that people are aware of that, this "Think Twice, Buy Local" all of those kind of things I think are really important to keep people's eye on the ball of local economy.

**The Deputy of St. Peter:**

You said that you feel things have not deteriorated as badly as you may have thought a few months ago. What is the perception of the Chamber with regard to the immediate future? How do they see things happening over the next 3, 4, 6 months?

**Mr. D. Warr:**

I wish I had a crystal ball on that front.

**The Deputy of St. Peter:**

That is what we are trying to work out.

**Mr. D. Warr:**

That is right, trying to work out. I think what is interesting is if we look at the stimulus package which Senator Ozouf brought out under Treasury, he was very at pains to say they were releasing money into the economy to try and encourage and stimulate the economy, it is difficult to know quite ... I mean he is in a slightly tricky position because I do not think the economy has deteriorated as much as was potentially predicted. So he obviously is concerned that he may, if he shoves too money into the economy, end up creating an inflationary situation. Putting pressure on the economy in that bizarre kind of way. So even from Treasury's perspective I think they are getting mixed messages, whether it be in construction, whether it will be in finance and all sorts of ...

**The Deputy of St. Peter:**

How much you think has been pushed in from the stimulus package so far?

**Mr. D. Warr:**

That is the 64 million dollar question. I think he had a number of something in the order of ... was he up to £22 million? Would I have come up with that kind of number? But I know where he is ... the areas which we know for a fact the monies have been spent have been in the Skills Executive, setting that up, the other ones were the Advance to Work Scheme at Highlands, those kind of areas and obviously there is a little bit gone into construction. One of the example he quoted was anyone driving in along Victoria Avenue should be seeing work being done there and apparently that is part of the stimulus package. So bits and pieces are currently happening. I think we have these green, amber and red lights, do we not, at the moment and I think more stuff is now moving into the green light area.

**The Connétable of Grouville:**

What about investment? You are obviously ... everybody has, at the moment, put up the barricades and insulated themselves so they do not get too badly hurt by it. Is anybody out there thinking of investment into the future or not? Apart from the stimulus investment.

**Mr. D. Warr:**

Yes. I do not know, I think probably the people to ask are people like Wayne Gallichan, from Economic Development, those kind of people, and asking them whether there is anything coming in. I think the issue right now with a lot of people is bank lending and banks funding and financing things. We have a base rate of 0.5 per cent but you would never know that if you had a overdraft facility and various things like that. So I think one of the issues is probably not so much that businesses do not particularly want to invest, it is the cost of investing which is the issue at the moment. Also if you can get funding in the first place. Obviously this business angels network which is potentially being set up, has come to light over the last week or so, I will be having a meeting later on this week to see what that all means to the economy as well. So, clearly there are people who are wanting to invest but maybe cannot do it through the traditional channels.

**The Connétable of Grouville:**

So the intention would be to invest but unfortunately it is impossible to do so at the moment because of banks?

**Mr. D. Warr:**

Yes, banks are certainly limiting the funding available. That is right.

**The Connétable of Grouville:**

So the optimism is there, though?

**Mr. D. Warr:**

I think ... when you say “optimism” that is a difficult one as well.

**The Connétable of Grouville:**

A lack of pessimism.

**Mr. D. Warr:**

So a lack of pessimism, thank you, yes. I am going down the not negative route, am I not? I think it is just caution. It is going to be, again, quite interesting looking at some stats this morning about what is happening in the U.K. (United Kingdom) and in the retail sector. This year they have seen a drop off in spending, for instance, in August, in the summer time this year, and they are very, very concerned - this is a U.K. consultancy business - about what the spending is going to be like at Christmas time, which is obviously a crucial retail time. So I think maybe the biggest test for us coming up will be Christmas sales and how businesses do around the Christmas trading period. Because I think it is a crucial time.

**The Deputy of St. Peter:**

There is a view the High Street is still functioning quite successfully at the moment.

**Mr. D. Warr:**

Certainly in Jersey it is. I think Jersey is remarkably holding on well. How much of that is because we do not have too much out of town shopping, I am not entirely sure. The other thing which is interesting to note is that there has not been any - and this is factor which came out of this meeting this morning - metrics done about footfall on the High Street and whether footfall is declining year on year. In the U.K. now they have got statistics over, say, a 4 year period. We do not have any of those kind of stats in Jersey. Right now, certainly in the Chamber, they are trying to find ways of measuring that to see what is going on.

**Senator S.C. Ferguson:**

Are you finding that ... we were talking this morning with E.D.D. (Economic Development Department) about the Small Loans Guarantee Scheme. Are your people finding that useful or ...?

**Mr. D. Warr:**

To date I have not heard anything particularly positive out of the Small Loans Guarantee Scheme. I have heard people who have had one, gone to their bank and then found they could not get the money. The bank would still not back the scheme. So I have seen that already happen. So I am not convinced about where the Small Loans Guarantee Scheme is going at the moment. As I say, I have yet to see somebody who has successfully applied and done something, but E.D. (Economic Development) may turn around and say: "No, we can name 10 names who can do something." I certainly have not had any reported back to me which is positive on that front.

**Senator S.C. Ferguson:**

Yes, because I suppose the other side of that is are you still finding large businesses slow in paying their bills?

**Mr. D. Warr:**

Are they still slow? I am not sure big business has ever been fast in paying their bills. Again, I go back to the Chamber survey and on the whole the survey is saying the time taken for people to pay their bills has not increased that dramatically. The majority of people have found that. My personal experience, I think there definitely has been a slow down, even if it is a matter of going from ... traditionally in the food service industry it is traditionally a maximum of an 8 week period and we are seeing that creeping up to 10 weeks, 11, 12 weeks. We are seeing people stretching their payment terms. No doubt about that at all. Quite why that is, I guess early part of the season, we are influenced by tourism, if they are having a bad time in the hotels they are probably going to hesitate paying until their money is coming in significantly. Right now I think we have caught up or we are catching up nicely at the moment. Whereas if you had asked this question maybe June, July I would have said: "Yes, we are seeing a very definitely slowdown" but right now I think things have improved on that front.

**Deputy T.A. Vallois:**

With the Chamber of Commerce covering different sectors, where would you say at this point in time now is ... what area is being affected at the moment where we are?

**Mr. D. Warr:**

Where we are? That is very difficult to say. You know, tourism season, we have just finished the season pretty much and we have come to the end now. Hotels are now starting to close down so halfway through October. That will fall off a cliff now by the end of October. So, I guess, they have got their money in the bank, they have hopefully made enough money to see them through the winter and so forth and so on, so that area is fine. The construction sector I do not personally have an awful lot to do with but again there are mixed reports about what is coming through in the pipeline, are people still investing, doing that? I do not know. Maybe Andrew Morris from the Chamber of Commerce is probably a better person to talk to on that front. Finance industry, well that is a huge ballpark and way out of my remit really. But in terms of actual small businesses, you know, diversity of small businesses, I think everybody is ... I do not see lots of people going to the wall, I do not see lots of en désastre, all of those kind of things, all those tell-tale signals that tell you things are going pear-shaped. So right now I cannot answer your question and say: "Yes" and point a finger at something in particular.

**Senator S.C. Ferguson:**

Are people finding that their landlords are still sitting on them for large rent increases?

**Mr. D. Warr:**

Again, another interesting discussion held today. I, again, do not know is the answer. As far as I am aware those people who are on the periphery of town have not seen any increases in their rental levels. I am talking about around the areas of Beresford Street and Halkett Place where we are trading, and areas like that. There has been a very definite flattening out of those rates. You only then have to look around and go down Beresford Street to see how many shops are empty, Principals, various places like that. You go down past Halkett Place on to Burrard Street there are 2 or 3 sites for let there, have been for some time now. So you can see it does not make sense for landlords to try and promote things like that. On the High Street, again, I am not entirely sure. There always seems to be an upward pressure on the High Street. It will be very interesting to see what happens if Liberty Wharf comes on stream, as and when. God only knows when that is going to happen, but whether that will have a downward pressure impact on rental levels on the High Street. I think there is a sense of landlords being a degree unrealistic in the current economic climate, that would be my feedback I have had so far.

**The Connétable of Grouville:**

That is my feedback as well, I have heard a lot about that. In the old days, you see, landlords got so locked into the idea that you set a rent and then you had cost of living increase every 3 years, rounded up and rounded up, and recession did not come into the equation at all. I think they were still trying to insist on getting these sort of leases ... on new leases now ...

**The Deputy of St. Peter:**

There is a reality check ...

**Mr. D. Warr:**

I think the one change, and again mentioned in this conversation we had this morning, was at one stage everyone was being forced to sign up to 21-year leases, that is now realistically come down to 9 years, virtually nobody is signing 21-year lease nowadays unless absolutely having their arm completely twisted around their back. So that probably is a sign of landlords adapting to the situation. Obviously after that the question mark is are they including break clauses and things like that after a 3-year trading period and things like that. I am not entirely sure about that but I do know for a fact the 21 is coming down to 9 significantly.

**The Connétable of Grouville:**

That obviously, I think, is going to be a consequence of Liberty Wharf and places like opening up. That is going to push down High Street rentals, there is no doubt about it, I do not think.

**Mr. D. Warr:**

I think if you have an empty shop and no income it is a bit of a no-brainer, is it not?

**The Connétable of Grouville:**

Absolutely, yes.

**The Deputy of St. Peter:**

The bottom line for me of what is coming through is that there was a perception going back several months that the downturn would be greater than it is in reality?

**Mr. D. Warr:**

Absolutely.

**The Deputy of St. Peter:**

But there is still concern about the way ahead but people are hanging in there and they are drawing the bridges and are ...

**Mr. D. Warr:**

Yes, I would agree with that. I think what you have to be careful with in Jersey is that there always seems to be a 12 month time lag between what is happening in the U.K. and when they bottom out and are coming back out and then what happens in Jersey. I think that is something ... that is why people are cautious at the moment. I think that is the concern a lot of people have. What is interesting, and one thing I do not think we have quite touched on here, is with the stimulus package one of the biggest criticisms which came through on that was accessing it. A number of our members turned around and said: "Well, we would like to get involved. We would like to know how we get involved in this stimulus package but we do not know how to do that." So they came up with the gov.je/procurement website which has allowed members now to register online and hopefully have access to any building works that government is instigating or any refurbishments or things like that so that members can then quote for that business, which is good news but it is taking a long time for that to happen.

**The Deputy of St. Peter:**

They are relying on I.T. (information technology) to produce that.

**Mr. D. Warr:**

Absolutely.

**Senator S.C. Ferguson:**

But it has not been going long enough to ...

**Mr. D. Warr:**

No, it has not and I think, as I say, we have had ... there has been a real ... I do not quite understand what the problem has been with the stimulus package as far as the private sector is concerned, in terms of getting access, to knowing how they can get access to the funding. Very late in the day some procurement principles which were sent out - I am trying to see a date on here but I cannot see a date on this particular document - but very late in the day sending that out which is a bit frustrating for people. Then in the end they managed to get a place to register as well. So all of that has taken time, given this was all supposed to be targeted, timely and temporary, it has been a little frustrating on that front.

**The Connétable of Grouville:**

One of the first lot of applications that we looked at, if you remember, that came in here, I was shocked to see there were absolutely no ... well there was one, sorry, one application from private enterprise.

**Mr. D. Warr:**

As far as I am aware that has gone up to 2.

**The Connétable of Grouville:**

It is not enough.

**Mr. D. Warr:**

It is not, sadly. I absolutely agree with you. I do not think it is enough at all and I think that really has irritated me hugely because I think there are some very good ideas, I am very much for diversifying the economy. I think it is really important we diversify the economy at the moment and when you have clearly got government wanting to stimulate the economy and then you seem to have this barrier of accessibility to funding, I think that is very, very frustrating.

**The Connétable of Grouville:**

Well, we brought it up in our first report, did we not? We did say that we were shocked by the fact that private enterprise ... and we thought it was your fault. [Laughter] We all blame each other.

**Senator S.C. Ferguson:**

That you did not want the money.

**The Connétable of Grouville:**

Obviously it was a problem with the communication.

**Mr. D. Warr:**

Yes, absolutely. Totally and utterly. I do not think anybody realised that what they needed was a sponsoring department, a sponsoring States department. That was

something else which came out of it and people needed to burrow away to find that out. Maybe that is a lesson ... maybe that is just a lesson learnt, hopefully, going forward. So we will see how it goes.

**The Connétable of Grouville:**

It is certainly something that has been noted.

**Mr. D. Warr:**

Yes, for sure. I mean, you know, when the stimulus thing has gone on, the Skills Board, the Advance to Work Scheme and those kind of things for the youngsters, because obviously there is a huge number of youngsters out there who are desperately trying to get into work, and I think the Advance to Work Scheme ... I sit on a board on that one and I think that looks really, really interesting as a way of encouraging youngsters to get some work experience and things like that.

**The Connétable of Grouville:**

What about apprentices?

**Mr. D. Warr:**

Now, apprentices. The States are trying to reintroduce a bit of that, are they not? Apprenticeships are very challenging for small businesses, I think, you know, in terms of the cost of that. I think the Advance to Work has got an interesting slant on that, in that it gets youngsters into the workplace, still funded by Social Security and at least seeing what it means to do a day's work and getting paid for it. Well, not getting paid for it by the business but at least getting that environmental experience. Also from a small business point of view, positively, people get to see who is out there. There are 5,000 small businesses out there and the vast majority of them ... the biggest criticism small business have is: "Nobody knows we are there." So I think that is really good.

**The Deputy of St. Peter:**

But, again, the point you made earlier on, there has not been this sudden increase in redundancy that, again, were foreseen?

**Mr. D. Warr:**

But I think Jersey, given it has so many small business, the actual individual headcount ... although small businesses employ around 25 per cent of the work force, probably each business holds maybe between 5-10 people. So the actual impact can be very small and obviously small business are going to be watching the labour cost because that is the major part of your expenditure.

**Senator S.C. Ferguson:**

Are you finding that the kids you are dealing with, either with the Advance to Work and so on, have they got the skills that you need?

**Mr. D. Warr:**

I would love to know. I would love to know because I am waiting for one to turn up at my door, to be honest with you. So I do not know at the moment. I think that it is a major problem, it is a big criticism for a lot of businesses, youngsters coming out of Highlands College. I have to say we have just employed a young man to do some roasting for us and he is terrific. A local individual and he is doing a great job for me

so far. But he has been out of the schooling system for 3 years now and has not gone to university but is moving there. So I have been one of the biggest critics of what I call the soft skills of some of the youngsters today but I think, you know, that is maybe too broad a brush stroke to have. You are always going to have problem areas. But I think this Advance to Work, where they can get a touch of reality is really, really important because you can talk about it all day but you have to do it.

**Senator S.C. Ferguson:**

Anything, Dan? Collin? Tracey?

**The Connétable of Grouville:**

Can I just ask one thing? What would you like us to do for you?

**Mr. D. Warr:**

What, as a scrutiny panel? In this particular subject or matter? I think just keep an eye on where the stimulus package is going. I think keep an eye on where the money is going. I think that is my biggest concern because there has been an awful lot of talk about it and it has been hyped hugely but there has been very little in terms of evidence of exactly how the money is being spent and how that has been budgeted and all those kind of areas. I think it is really important that people keep a tab on that to see if it really is temporary because the fear, and one of the biggest fears I have, is that this has been used to supplement budgets in the States of Jersey in the long term and I think that is what I ... you know, I do not want to see something ... you have got the stimulus money, whatever, £500,000 going into Economic Development and then you do not find that budget falls by £500,000 the following year, and I think it is very important to keep a track on that.

**Senator S.C. Ferguson:**

You would obviously all like to know where to get some of this timely, targeted and temporary money?

**Mr. D. Warr:**

Yes, absolutely right.

**The Deputy of St. Peter:**

The feeling I get is there has been a lack, or there would appear to be a lack of communication, certainly within the private sector, as to what is available, when and how.

**Mr. D. Warr:**

Absolutely, yes. That has been a huge issue and I am not sure if that is a big of fright on the Treasury's part of finding maybe lots of private sector people knocking on their door saying: "I want a bit of this" and maybe there has been a bit of a ...

**The Deputy of St. Peter:**

The point you made, and was well made, was about the diversification of the economy. It is the potential of small business developing into something bigger than will help our economy.

**Senator S.C. Ferguson:**

Is government really the right ... but that is another argument.

**Mr. D. Warr:**

That was your one the other day, was it not? Small government.

**Senator S.C. Ferguson:**

Yes, but should government be running businesses. That is another ...

**Mr. D. Warr:**

We will not go into the Jersey Post situation. [Laughter]

**Senator S.C. Ferguson:**

Super. Is that a confidential report or can we ...?

**Mr. D. Warr:**

No, these are ... the business survey was published by Chamber Online so Catherine Hargreaves at the Chamber of Commerce will be able to get that for you. Get you a copy of that. Just what we are looking at because it highlighted the lack of accessibility as seen by a number of businesses on the stimulus package so it was hard evidence.

**Senator S.C. Ferguson:**

Was there anything else that they felt particularly strongly on?

**Mr. D. Warr:**

Let us have a quick look here, just briefly. We are saying that ... things like the future does look a little better, 19 per cent of respondents believe the stimulus measures will be of benefit. It is interesting only 19 per cent of respondents to the survey thought that the stimulus would be of benefit to the economy going forward, which is, I feel, a bit low. Happening to wage bills, various things like that, February 2009 wages being reduced 12 per cent, in June 2009 16 per cent, by September 2009 17 per cent wages being reduced, so interesting that people feel pressure in those areas. Will you need to change the wage structure in the business in order to keep staff employed; 74 per cent of people said: "No." So they obviously have already got their hand on the tiller on that one. Is credit harder to access than 6 months ago? In February 2009 41 per cent of people did not know, now it is 44 per cent did not know. So there has been no real movements in areas like that. As I say, the stimulus package, that is the big thing, do you perceive the States Economic Stimulus Package has helped your business? Yes, 7 per cent; no, 68 per cent.

**The Connétable of Grouville:**

I think if I can put an opinion in, I think that is all part of this communication or lack of communication.

**Mr. D. Warr:**

Yes, absolutely.

**The Connétable of Grouville:**

Probably it is not it is not doing the job, it is just not perceived to be doing the job. I am not defending the ...

**Mr. D. Warr:**

People can only say it as it is. Again, as you say, other examples that States could help to stimulate your business in the next 6 months, buy local campaign, tender locally, 26 per cent of people said that. Invest in tourism, there was 22 per cent. Improve the planning process of release projects for development at tender, 22 per cent. So it is interesting again the areas where people feel the money should be spent. It comes back to diversification, does it not?

**Senator S.C. Ferguson:**

Definitely. Super. Nothing else you would like to say.

**Mr. D. Warr:**

No, there is nothing else. I think people are sick of the sight of my face by now.

**Senator S.C. Ferguson:**

It is nice to have a handsome across the table.

**Mr. D. Warr:**

Thank you very much indeed. **[Laughter]**

**Senator S.C. Ferguson:**

Present company accepted, yes. Thank you very much indeed for giving us your time.

**Mr. D. Warr:**

Thank you very much.