

newsletter

INDEPENDENT RESEARCH, ANALYSIS & ADVOCACY

Registered Number - 68254



You can read the first two papers on our website:

- Beware of the Hole!
- Capital Expenditure in Guernsey

www.gpeg.org.gg/newsletters

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community so that the subjects we cover and the papers we publish are well-informed and researched, creative and balanced.

We need independent, informed chairs who are happy to form groups to draft papers for all the remaining 5 Focus Groups. In particular, we are seeking people to join the Focus Group assessing the potential impact of the proposed Anti-Discrimination legislation.

Groups will usually meet for two hours per month. The expectation is that they will produce 2 to 4 papers per annum. Support for each Group is provided by our Executive Director, Gill Morris. If you would like to get involved, please contact her at info@gpeg.org.gg.

A BRIEF OVERVIEW

One dinner, one launch, 6 Board members, almost 600 registered as interested in GPEG's activities on our database, 2 published papers and numerous cups of Earl Grey and occasionally chamomile tea and now we have 7 workstreams.

- 1 Guernsey Economy
- 2 Regulation of the Finance Industry
- 3 Infrastructure
- 4 Tourism & Hospitality
- 5 Impact of Discrimination legislation on business
- 6 Skills & Education
- 7 Sustainability

We are grateful to Advocate Peter Harwood for chairing the Guernsey Economy Focus Group and to Mort Mirghavameddin for the chairing of the Finance Industry group. We also thank those who have and continue to contribute to these groups. We are trying to ensure that we are including a diverse range of people from across the

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Let's get connected.



A Bad Day

The virus is a horrid reminder of the way unlikely and uncontrollable events do happen and really hurt society. We live in an Island with many measures of wealth and happiness which score well in global indices such as the Better Life Index. In simple economic terms, in 2019, the Island had Gross Domestic Product of £52,000 per head – 56% higher than the UK.

This prosperity is driven by the Finance sector which is directly about 40% of the Guernsey economy and has grown over the 5 years to 2019 from 35% of the economy. Quite a lot of the rest of the economy depends on demand from the Finance sector. Take Finance out and there has been little or no growth in the economy. Precision is not needed. The Islands' standard of living is largely thanks to the Finance industry on any sensible analysis.

The Finance industry has done really very well driven by some excellent management, a good operating environment for the industry, generally sensible levels of regulation, friendly local taxation (at least compared to many competitors) and an ability to agilely exploit opportunities driven by the actions of other states. However, it really isn't large by international standards; it's about 1% of the size of the UK Financial Services industry by comparison.

What could go wrong? Heavy handed enforcement could deter good people. We could throttle the industry in quite a few ways:

Regulation

We thrive by not regulating business so hard that it stops growing or moves to other less onerous jurisdictions. At the same time, we cannot raise the Jolly Roger and reduce regulation, as other jurisdictions would rapidly stop dealing in Guernsey. That balance must be carefully struck to maintain a good position.

People

The financial services industry needs to attract and retain talented people. This is about an affordable good lifestyle and interesting jobs. Housing, population policy, airlinks, schools, the environment, even our lack of crime matters. Even one of these areas doing badly could really hit the economy.

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Law

It must be a good place to do business and employ people. We already have a more employee-friendly employment law than many of our competitors but extensive discrimination laws are in prospect. Make it too hard or costly to run a business well here, and businesses will be more likely to increase the trend of employers moving their activities to easier, and perhaps cheaper, places.

Infrastructure here is good enough. The current telecoms structure suffices for most business and recent events have shown that business is less reliant on airlinks than had been thought.

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The reality is that you cannot rule out the loss of, say, *25% of financial services* in the next couple of years. That is 10% of GDP.

Taxation

Our low and sensible taxes are important to retaining and attracting both people and business.

Scandal

Despite our pretty strong controls, a major instance of dishonesty would severely damage the Financial Services industry.

Unchanging reliability and dependability

We are known for certain key characteristics; it is important to be reliable and not to change them. Even a reduction of tax rates would suggest that they are malleable and could move up as well as down. One off taxes should not be risked. Sovereignty, tax structure, open market, legal system, etc are all key elements of Guernsey's reputation and the world's perception of our dependability. Our relatively new aggressive Regulatory Enforcement practices are a risk.

There is nothing new or remarkable about the factors above. Clearly, there is plenty of risk here. The industry is vulnerable and, given time, some of these adverse factors will become important. What has changed is the level of external threat from competitive other locations for financial services. The nearest to us, and most significant, such location is the UK where deregulation and reregulation are likely following Brexit. It is easy to see changes that could result in business that is currently being done here moving to the UK and possibly on a very damaging scale. The actions of the EU in controlling their financial services post Brexit could also be damaging to Guernsey. All this is against the background of economies being badly hurt by COVID-19 which will likely increase competition.

Global financial services are going to change more as the Asian economies continue to grow their financial service activities. This is perhaps a more medium-term issue. It is clear that we need

to do everything we can to keep our financial services prospering and it is also clear that we do have a rather good base to compete from. It is possible, if not likely, that changes will actually generate opportunities for the Guernsey financial services industry.

Nonetheless, we should not take continued success as a base case, Guernsey already has considerable debts and pension deficits, and we should plan prudently on spending. Another lockdown is clearly going to hurt.

The reality is that you cannot rule out the loss of, say, 25% of financial services in the next couple of years. That is 10% of GDP. If it happened, then it would be hard to retain critical mass in the industry's infrastructure and getting momentum back to positive would be difficult.



The States should plan and spend cautiously.

Golden geese have predators!

We need your help!

Thank you!

For all your
support so far.



We are grateful to all those who have already offered their services or made donations to fund this venture but as generous as those donors have been, we only have sufficient to function for another 4 months and nothing spare to commission analysis, research, book rooms, run the website or publish papers.

We believe that GPEG can make a real difference to life in Guernsey going forward building on the #GuernseyTogether spirit. So, we are asking for your help. We would be extremely grateful for any donations in cash or kind to help us with this important work.

Please send your donation to the following bank account:

NatWest
Guernsey Policy & Economic Group LBG
Account Number: 74758055
Sort Code: 60-09-20
Payment Reference: "Your name"

