

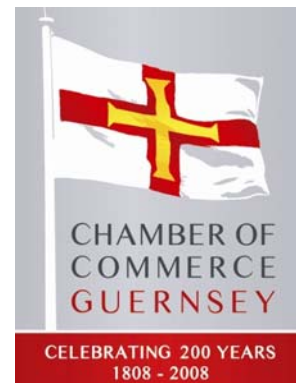
**Chamber of Commerce  
and  
YBG**

**Business Trend Survey**

February 2010



**Young Business Group of Guernsey**



## Key Findings - Summary

### Turnover

48% of businesses experienced a decreased business turnover in the 12 months to 31<sup>st</sup> December 2009 in comparison to 2008. 9% of businesses indicated that turnover was on par to the previous year, whilst 43% of businesses experienced an increase in turnover. A quarter of businesses experienced turnover up by over 5%, whilst almost a third were down by over 5%. This is a noticeable reduction in turnover over all the previous years' recorded.

Projected turnover results for 2010 show a very even spread of results. Almost a third of respondents indicated turnover would remain the same, 46% considered that their turnover would increase whilst 23% were projecting turnover would decrease. Projected business turnover for 2010 is more positive, showing possible signs of recovery in comparison to the previous year.

45% of businesses are more confident about business turnover projections in comparison to this time last year while just over a quarter have a similar confidence level. Over a quarter are less confident about 2010 turnover projections in comparison to 2009.

### Profitability

Over half of all businesses questioned were less profitable in 2009 than in the previous year, with almost 40% more than 5% less profitable. Profitability overall was down in comparison to all previous years. This was the least overall profit per year over the period 2005 to 2009. 2009 results illustrate the highest proportion of businesses with profitability down by over 5%.

More than half of all businesses (55%) forecast that profitability would be up for 2009, a quarter indicated that it would remain the same, whilst 21% stated that it would decrease as compared to 2009. The proportion of businesses that indicated profitability would be up on the previous year is at higher levels not seen for the past two years.

43% of businesses indicated that they had more confidence in business profitability projections for 2010 in comparison to the same time last year for 2009. As with projected turnover, confidence in business profitability projections for the year ahead has increased in comparison to the previous two successive years.

### Employment

Just over a third of businesses maintained the same staff levels in 2009 as in the previous year. Only one fifth of businesses increased staff numbers, while 44% saw reductions in staff numbers. The 2009 profile of growth/decline in staff numbers shows a much greater decline to previously recorded years.

Almost three fifths of businesses are forecasting that staff numbers would remain the same in 2010 as compared to 2009. A quarter indicated that numbers would increase, whilst 17% stated that staffing numbers would reduce.

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## Factors Adversely Influencing Business Prospects

The most important factors under control of the States of Guernsey which affect confidence in business prospects are (in descending order) - regulation, taxation and housing.

The results from previous years indicate that taxation had decreased as a main concern for business confidence for the future. This has now halted with it again becoming a key concern. Factors such as regulation, housing control, capital projects and EU/international negotiations are becoming increasingly important.

The most important factor impacting upon business confidence not under control of the States of Guernsey was the global economy, listed by 44% of the business respondents. Other key concerns were competition (which had increased by 7% to 18%) and the EU (13%).

## Capital Expenditure

Over a third of businesses would be spending more on capital expenditure on technology in 2010 as in 2009. 41% of businesses indicated the same level, and over a tenth of businesses would be spending less. 13% were not investing at all.

A half of businesses are envisaging spending the same upon staff training facilities in 2010 in comparison with 2009. 22% indicated that they will see an increase in training facilities expenditure this year, 11% are going to reduce expenditure whilst 17% of businesses are not going to invest in training facilities at all in 2010.

## Business Costs

In 2010, 45% of businesses project that business costs will go up between 0-5%, with a further 15% of businesses indicating that such costs will go up by more than 5%. A fifth of businesses will maintain the same costs as last year, and a fifth will see a reduction in business costs in comparison to 2009.

A large proportion of businesses think business costs will increase up to 5% on the previous year. Otherwise businesses are maintaining the same business costs as the last year or reducing costs in comparison to the previous recorded years.

63% of businesses have indicated that prices/fees for 2010 will be increased. 37% of businesses keeping prices the same as the previous year, there are no business respondents that are reducing prices/fees.

## Salaries and Wages

The total wages/salary costs increased by up to 5% for almost a quarter of businesses in 2009 (compared with 2008). However, 41% of businesses experienced total wages/salary costs decreasing by up to 5%, with 18% of businesses seeing a decrease of more than 5%.

The total wages decrease in 2009 was the highest in comparison to the preceding years, this may also have been affected by the local RPI (as many wages and salary are linked to the RPI) – which was negative for most of 2009.

46% of businesses indicated that the average percentage pay/salary increase for the calendar year 2009 compared to 2008 had increased up to 5%. 38% of businesses stated that pay/salaries had remained the same, and 8% reduced their salaries.

The anticipated increase for total wages/salary costs for 2010 was up to 5% for half of businesses. 35% anticipated they would remain the same, 8% of businesses thought that costs would decrease by up to 10%.

## Environmental Issues

Paper and cardboard recycling are in place in over three quarters of all business respondents. Metal recycling is carried out by a third of businesses. Energy conservation measures are in place in 47% of respondent businesses. 13% of businesses had no environmental policies in place. Other recycled items within businesses or areas of environmental activity included: recycling of toner cartridges, granite, glass and plastic bottles, and the use of fuel efficient, low emission vehicles.

Approximately 65% of businesses were aware of the “Green Awards for Business” initiative by the States of Guernsey Environment Department. 29% of businesses were not very aware whilst 6% of businesses had no awareness at all.

## Sustainable economy

In order to sustain the economy at least at current levels or increase:

- Almost three quarters of businesses agree that there should be a managed increase in the working age population
- 85% of businesses agree that there should be more emphasis placed by the States of Guernsey to try and diversify the Island’s economic base.
- 44% of businesses agreed that the future economic success of the Island relies on a change from consensus to executive style government. A third of respondents neither agreed nor disagreed with this statement.

## Tax funds for Public Services

Given the need to ensure that there are sufficient tax funds available for essential public services;

- 72% of businesses agreed that there should be a fair balance of direct and indirect taxes.
- 86% of businesses agreed that public sector expenditure could be reduced without adversely impacting on the level of public services. 53% strongly agreed with this statement.
- Almost quarters three of businesses thought that the States final salary pension scheme should be closed to all new entrants with only 8% disagreeing with this statement.

## Confidence Levels

Confidence levels in the Island’s economy over the next 12 months were at the same level as last year for half of the respondent businesses. Just over a quarter were less confident in prospects in comparison to 12 months ago and over a fifth of businesses are more confident.

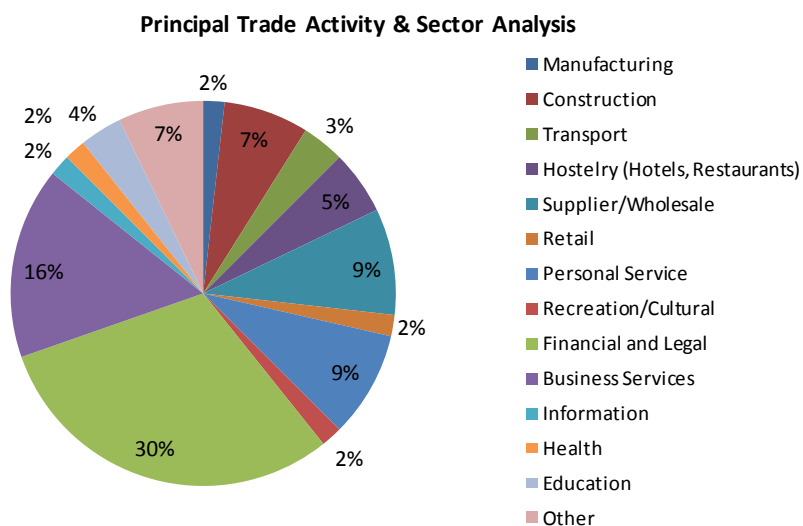
Confidence levels for 2010 show a recovery in comparison to 2009. It is the only year recorded in the past five, where there is more than 20% recorded for an increase in confidence on the preceding year.

53% were confident about the medium term (two to three years) economic prospects for the Island.

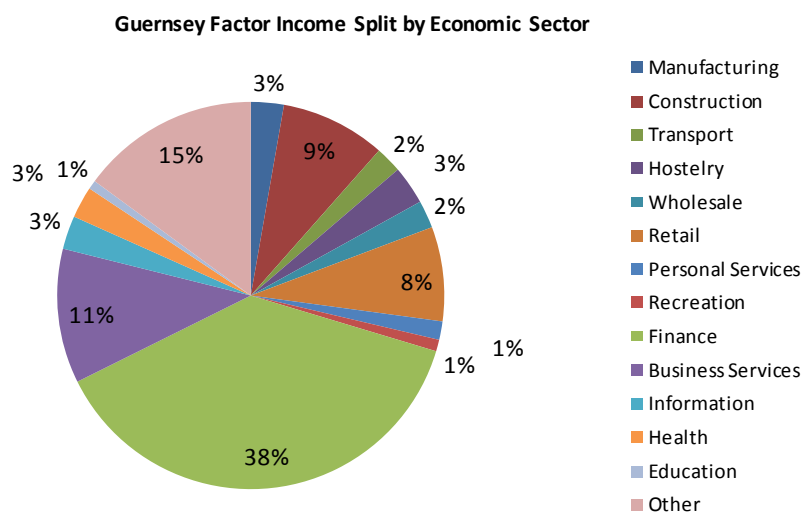
Almost 67% of businesses that responded listed the economy, state of business and the recession as reasons for their answer, many of these were more confident in the medium term prospects. 51% indicated the influence of the States and Government expenditure as a reason for their answer, the majority of these indicated they were not very confident. Employment was listed by 16% of businesses and the issue of tax and Zero 10 by 18%.

## Business Profile of Respondents

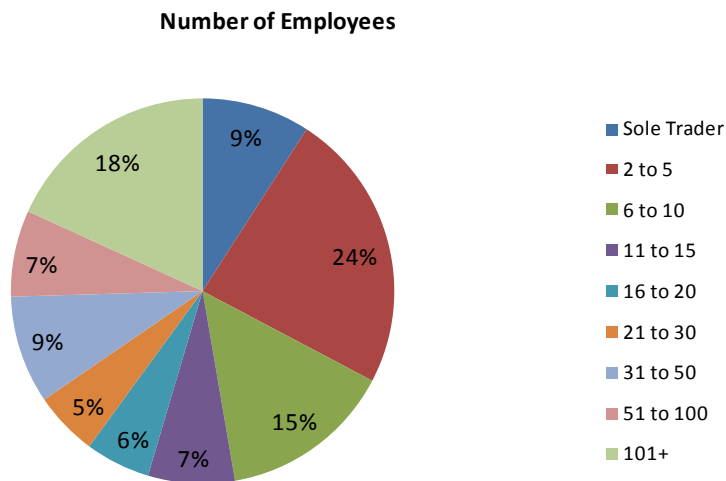
### Economic Sector in which business falls



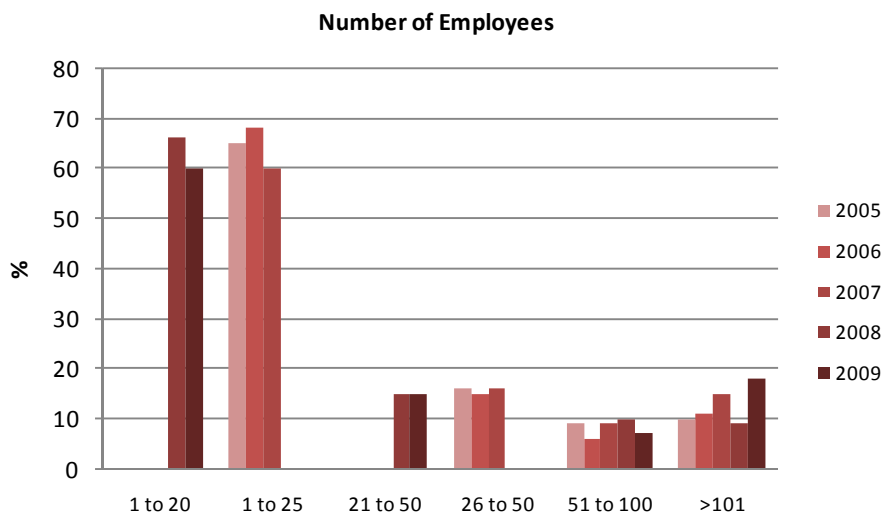
There was a good cross section of businesses responding to the 2010 Business Trend Survey, thereby ensuring that a range of opinions and information from across all economic sectors were recorded. (This can be compared with the representative graph below).



**Total number of (full time equivalent) employees, including management in business**



A third of businesses that responded had between 1 and 5 employees, 15% had 6 to 10 employees. This was a similar profile to data collected in the 2009 Business Trend Survey.

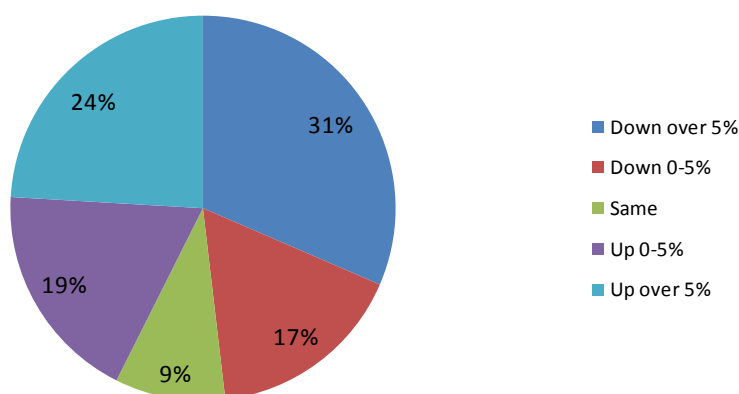


The change in the 'number of employee' categories was made in 2008 to reflect the way in which distribution data is collected by the States of Guernsey, therefore enabling greater scope for comparison.

## Turnover

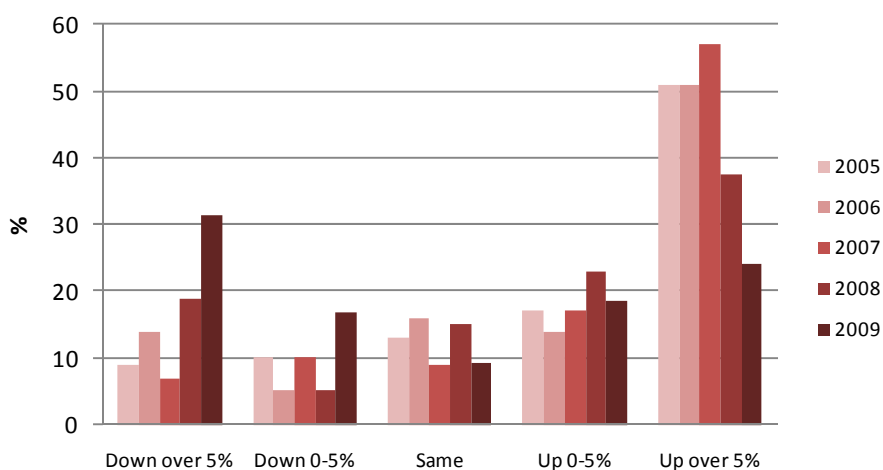
Turnover of business in the 12 months to 31 December 2009, as compared to the equivalent period in 2008

Business turnover compared to previous year



48% of businesses experienced a decreased business turnover in the 12 months to 31<sup>st</sup> December 2009 in comparison to 2008. 9% of businesses indicated that turnover was on par to the previous year, whilst 43% of businesses experienced an increase in turnover. A quarter of businesses experienced turnover up by over 5%, whilst almost a third were down by over 5%. This is a noticeable reduction in turnover over all the previous years' recorded.

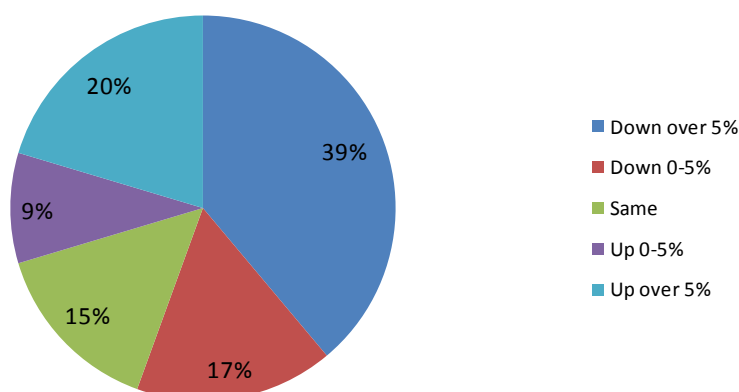
Business turnover compared to previous year



## Profitability

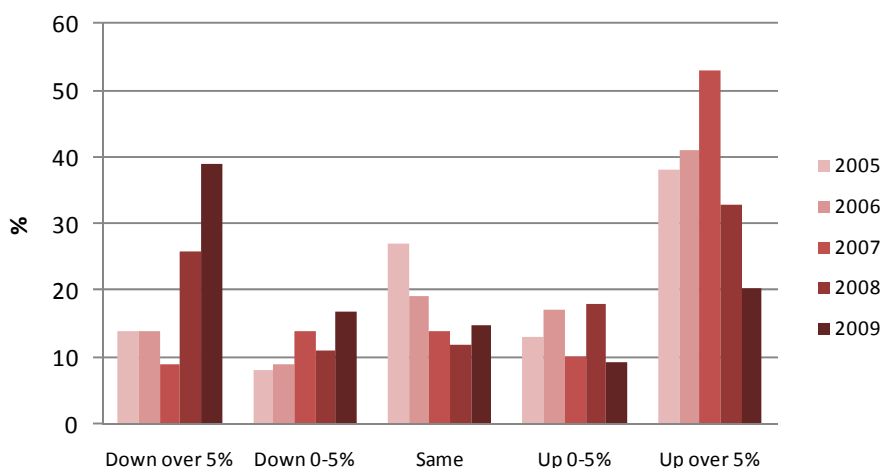
Profitability of business in the 12 months to 31 December 2009, as compared to the equivalent period in 2008

Business profitability compared to previous year



Over half of all businesses questioned were less profitable in 2009 than in the previous year, with almost 40% more than 5% less profitable. Just under 30% of businesses were more profitable in 2009 than 2008.

Business profitability compared to previous year

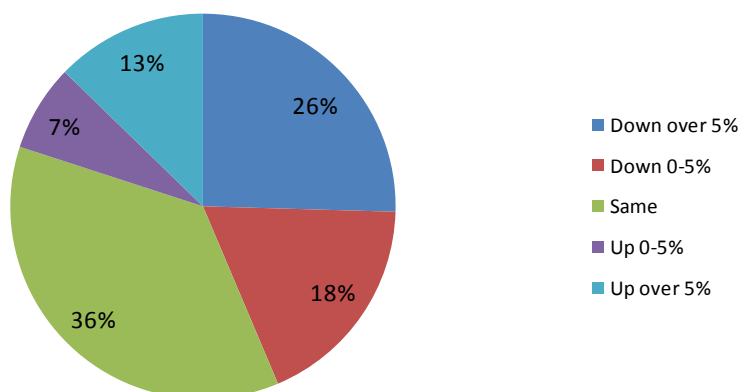


Profitability overall was down in comparison to all previous years. This was the least overall profit per year recorded since the Chamber of Commerce/YBG survey started in 2005. 2009 results illustrate the highest proportion of businesses with profitability down by over 5%.

## Numbers Employed

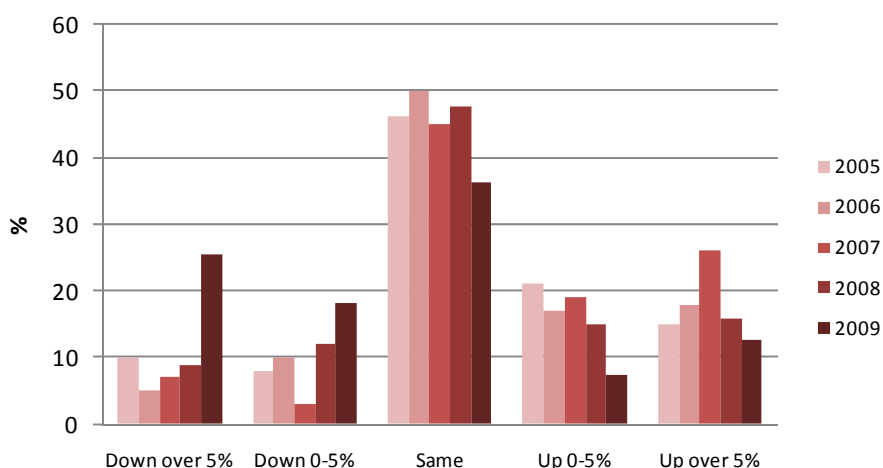
Numbers of people employed in business in the 12 months to 31 December 2009, as compared to the equivalent period in 2008

Staff numbers compared to previous year



Just over a third of businesses maintained the same staff levels in 2009 as in the previous year. Only one fifth of businesses increased staff numbers, while 44% saw reductions in staff numbers. Of those businesses that saw growth in staff numbers, 13% experienced increases of more than 5% whilst over a quarter of businesses (26%) decreased by the same percentage.

Staff numbers compared to previous year

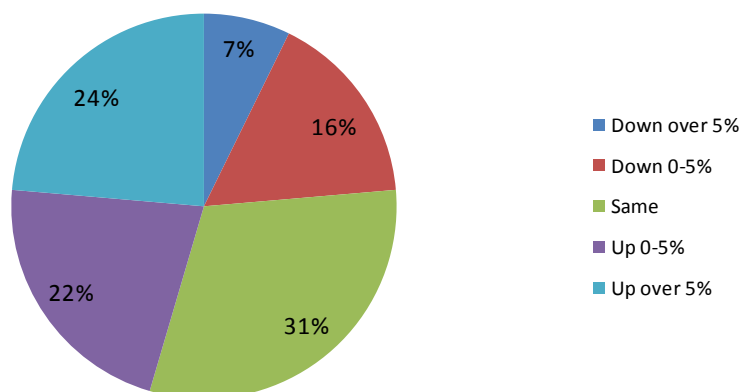


The 2009 profile of growth/decline in staff numbers shows a much greater decline to previously recorded years.

## Turnover Projections

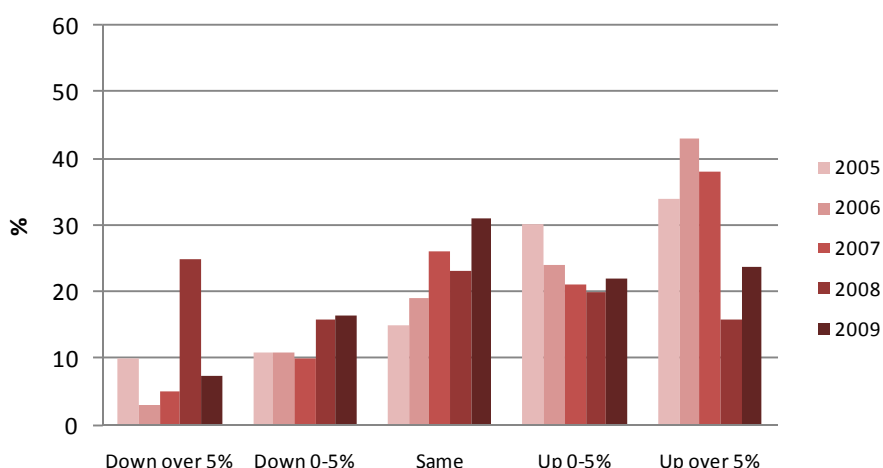
Expectations of turnover in the 12 months to 31 December 2010 as compared to the equivalent period in 2009

Business turnover projected for 2010



Projected turnover results for 2010 show a very even spread of results. Almost a third of respondents indicated turnover would remain the same, 46% considered that their turnover would increase whilst 23% were projecting turnover to decrease. Significantly, almost a quarter of businesses thought that turnover would increase by over 5%, whilst only 7% stated that it would decrease by over 5%. This is very different in comparison to the results of last year.

Business turnover projected for year ahead

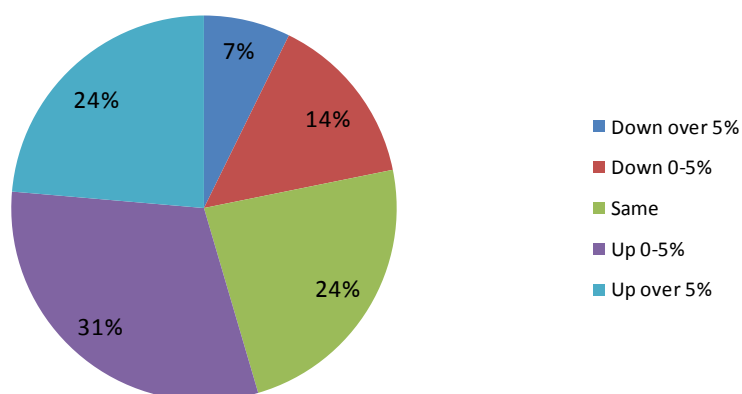


Projected business turnover for 2010 is showing possible signs of recovery in comparison to the previous year.

## Profitability Projections

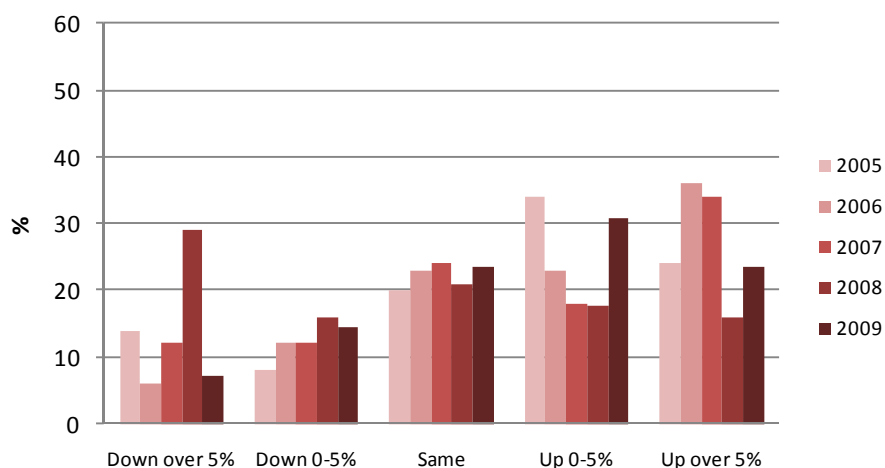
Expectations of profitability in the 12 months to 31 December 2010 as compared to the equivalent period in 2009

Business profitability projected for 2010



Over half of all businesses (55%) forecast that profitability would be up for 2010, a quarter indicated that it would remain the same, whilst 21% stated that it would decrease as compared to 2009.

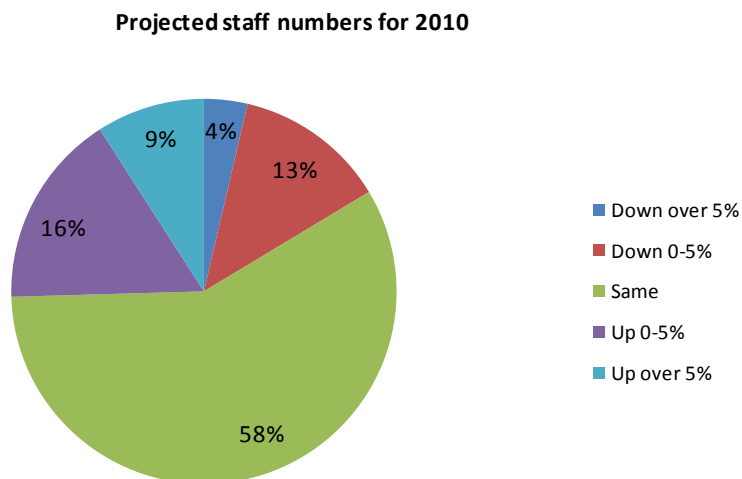
Business profitability projected for year ahead



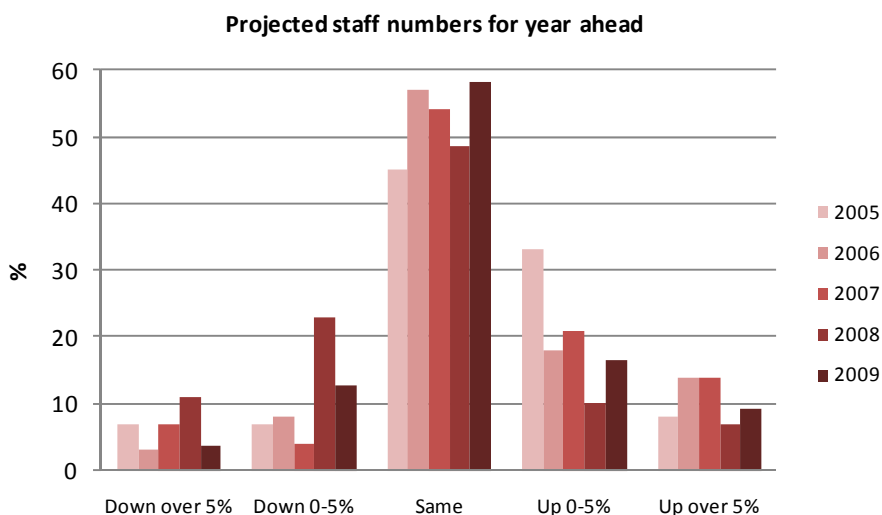
The proportion of businesses that indicated profitability would be up on the previous year is overall at levels not seen for the past two years.

## Employment Projections

Numbers of people employed in business in the 12 months to 31 December 2010 as compared to the equivalent period in 2009

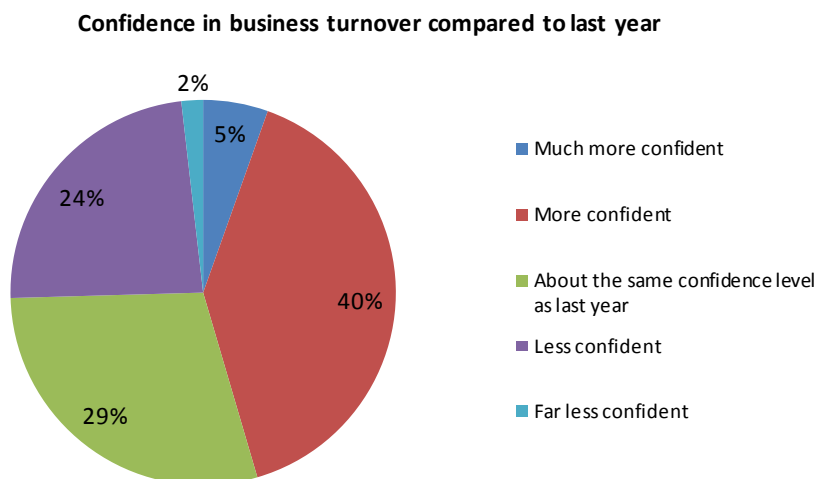


Almost three fifths of businesses are forecasting that staff numbers would remain the same in 2010 as compared to 2009. A quarter indicated that numbers would increase, whilst 17% stated that staffing numbers would reduce.

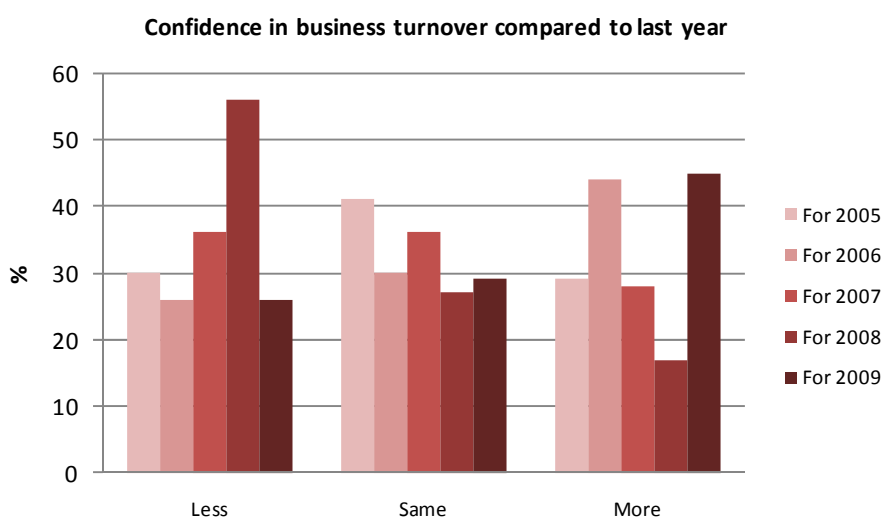


## Confidence Levels - Turnover

Confidence in turnover projections in 2010 as compared to this time last year for 2009



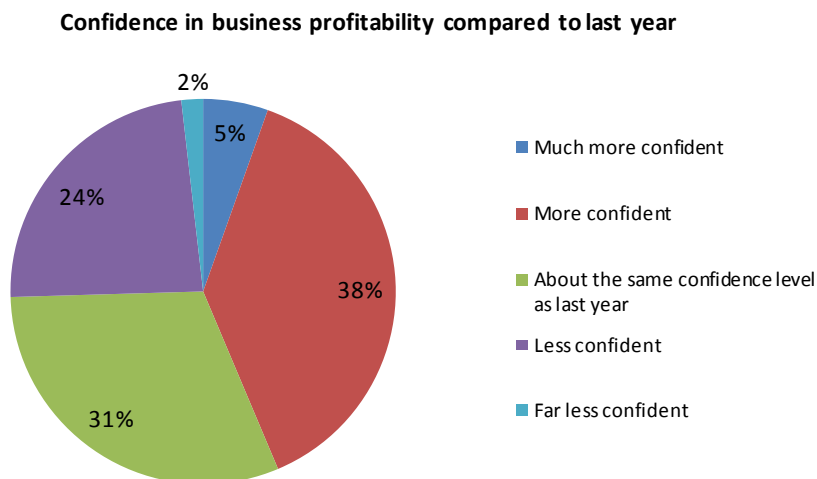
45% of businesses are more confident about business turnover projections in comparison to this time last year while just over a quarter have a similar confidence level. Over a quarter are less confident about 2010 turnover projections in comparison to 2009.



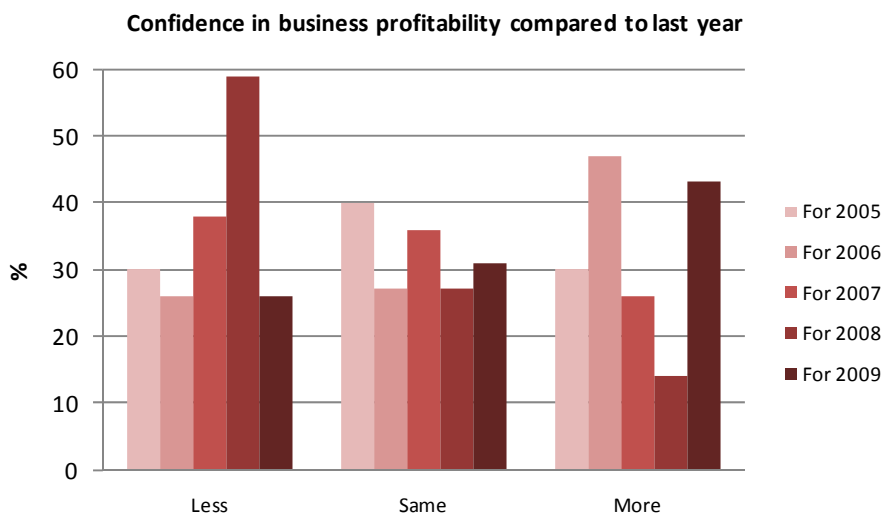
Confidence in business turnover projections had steadily reduced during the previous two years, for 2010 however, there is an increase in confidence following the relatively poor performance of 2009.

## Confidence Levels - Profitability

Confidence in profitability projections in 2010 as compared to this time last year for 2009



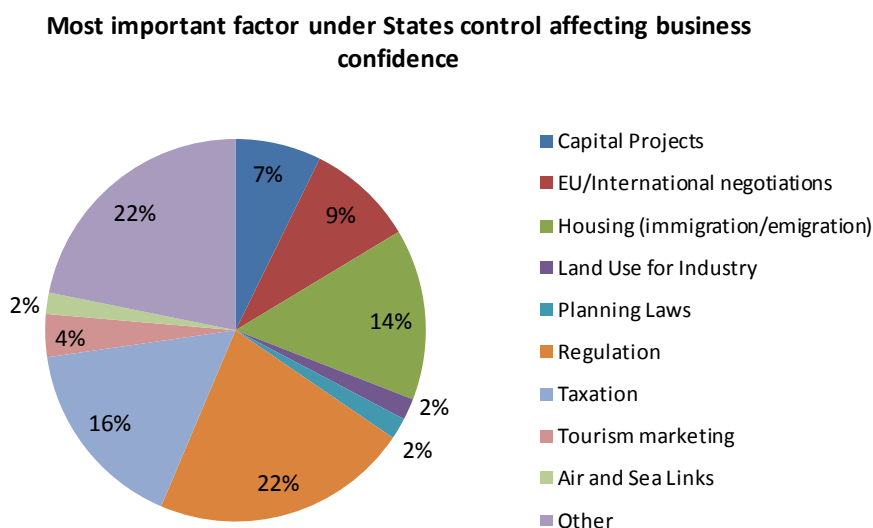
43% of businesses indicated that they had more confidence in business profitability projections for 2010 in comparison to the same time last year for 2009.



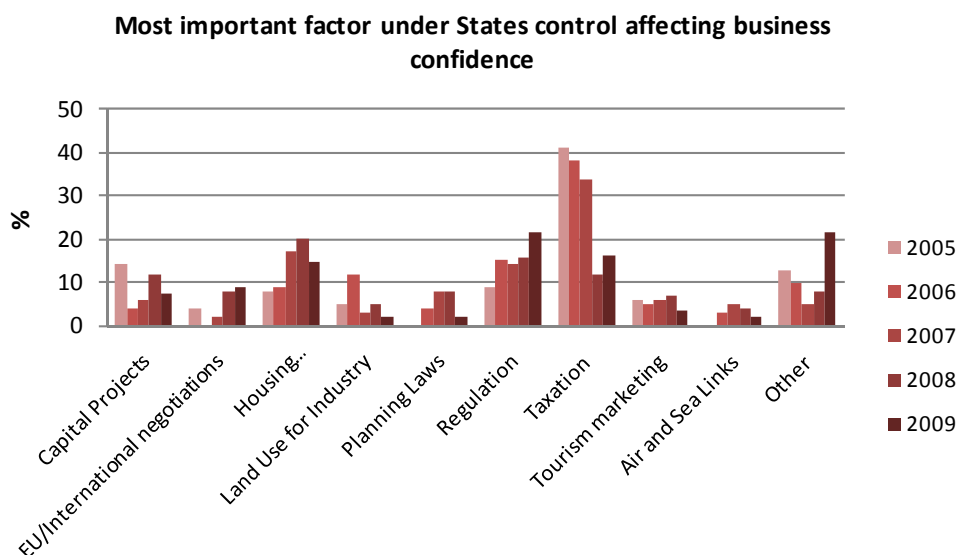
As with projected turnover, confidence in business profitability projections for the year ahead has increased in comparison to the previous two successive years.

## Factors adversely influencing Business Prospects

The most important factor under the control of the States of Guernsey which adversely affects confidence in Business prospects



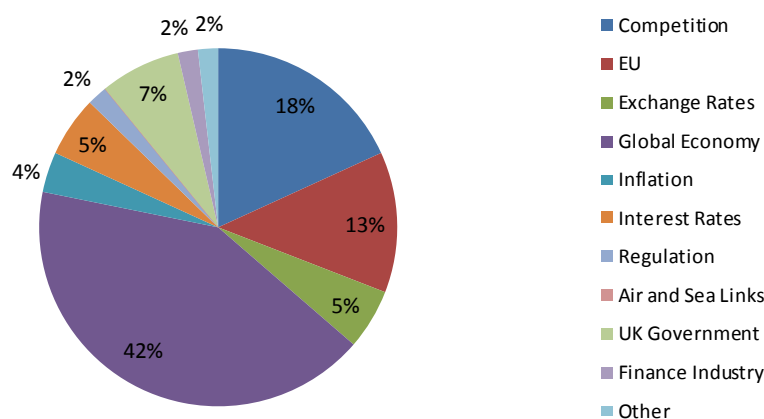
The results indicated the most important factors under control of the States of Guernsey which affect the confidence in business prospects are (in descending order) - regulation, other (which included States spending and system of government), taxation and housing.



The results from previous years indicate that taxation had decreased as a main concern for business confidence for the future. This has now halted with it again becoming a key concern. Factors such as regulation, housing control, capital projects and EU/international negotiations are becoming increasingly important.

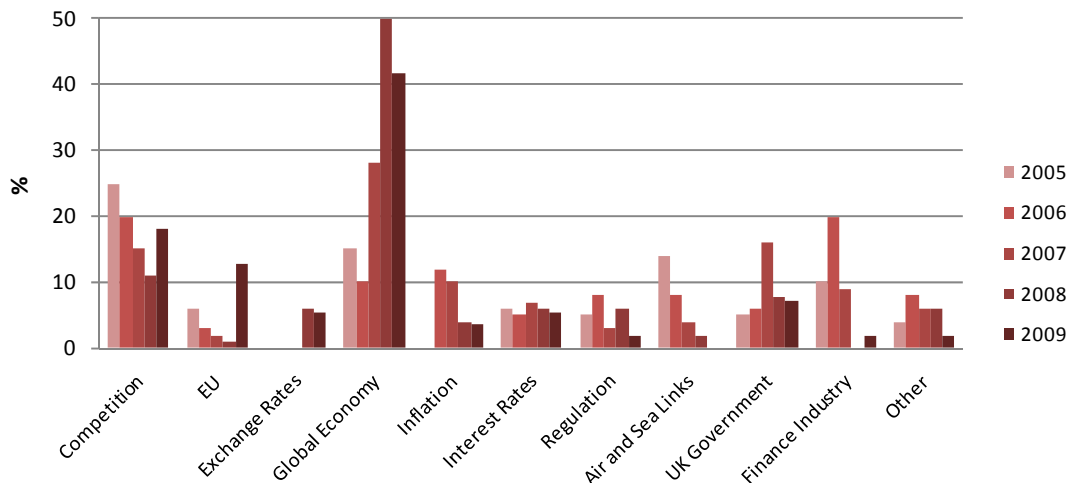
The most important factor not under the control of the States of Guernsey which adversely affects confidence in Business prospects.

Most important factor not under States control affecting business confidence



The most important factor impacting upon business confidence not under control of the States of Guernsey was the global economy, listed by 42% of the business respondents. Other key concerns were competition which had increased to 18% (from 11% in the 2009 BTS survey) and the EU (13%).

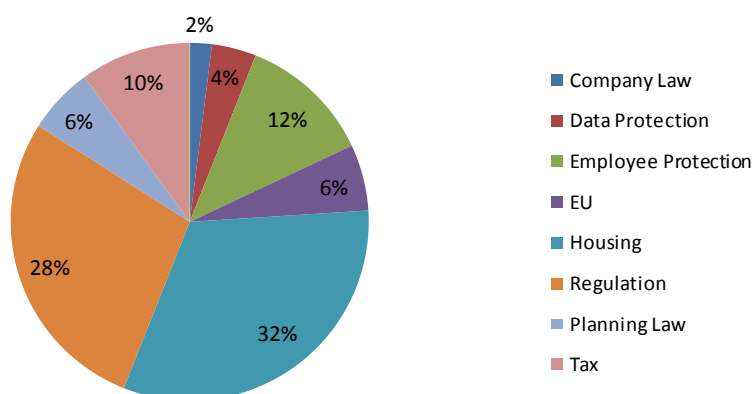
Most important factor not under States control affecting business confidence



As one could expect, the global economy is by far the most important factor impacting on business confidence. Concerns over competition and the EU have increased, while inflation and air/sea links have all fallen.

The most important item of existing legislation, which significantly impinges upon the commercial activity of business?

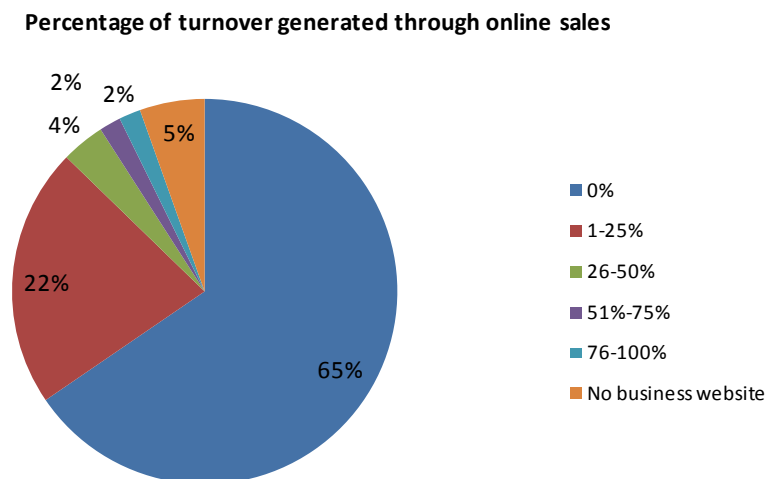
Most important items of existing legislation, which impinges on commercial activity of business



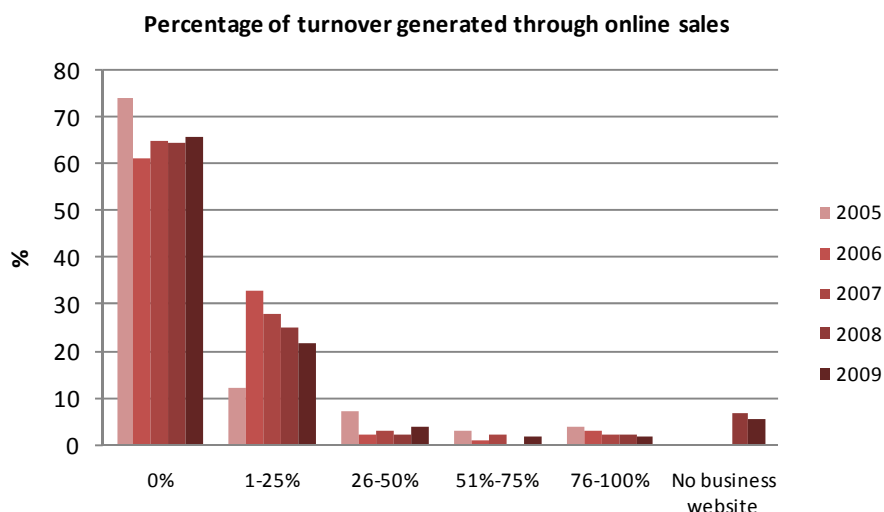
The most important factors recorded as impinging upon the commercial activities of businesses are as follows (in decreasing order of importance): housing, regulation, employee protection and tax.

## Online Activity

### Percentage of turnover generated through online sales

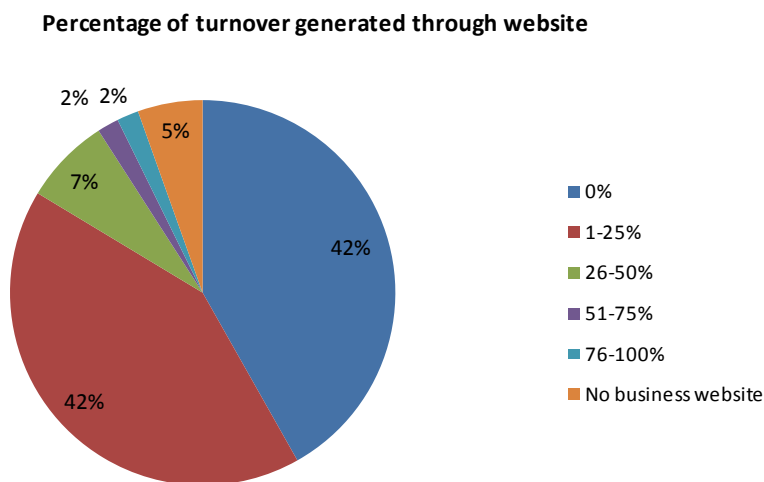


Online sales do not account for any turnover of 65% of the businesses that responded, a similar figure to the previous year (64%). A further 5% of businesses indicated that they did not have a website. 22% of businesses have 1 to 25% of business turnover generated through online sales, while 8% generate more than 26% of turnover through online sales.

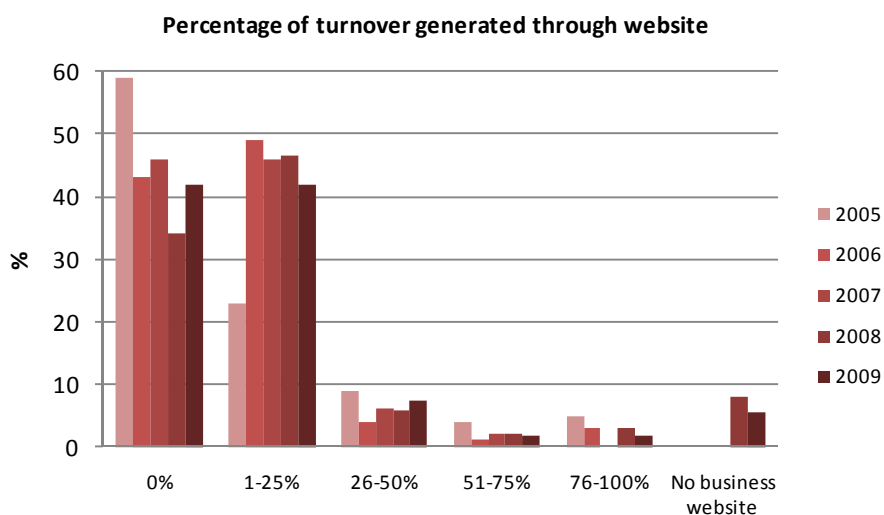


Results recorded in 2010 are similar to those of previous years.

Percentage of turnover generated through website



42% of businesses did not have any turnover generated as a result of their website. Over half of businesses indicated that they had turnover generated as a result of their website.

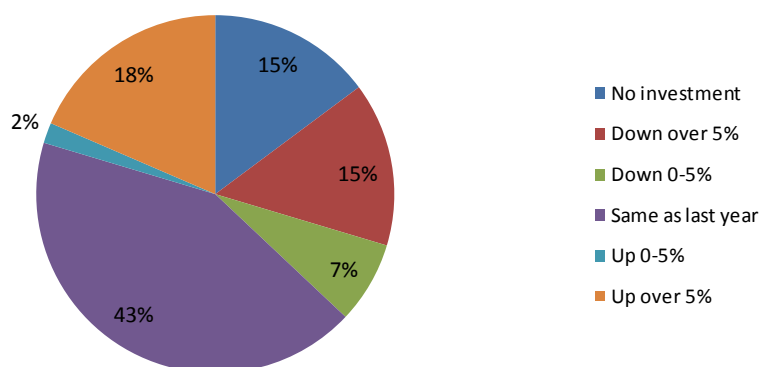


The profile of turnover generation as a result of the business website has not changed significantly during the last three years.

## Capital Expenditure

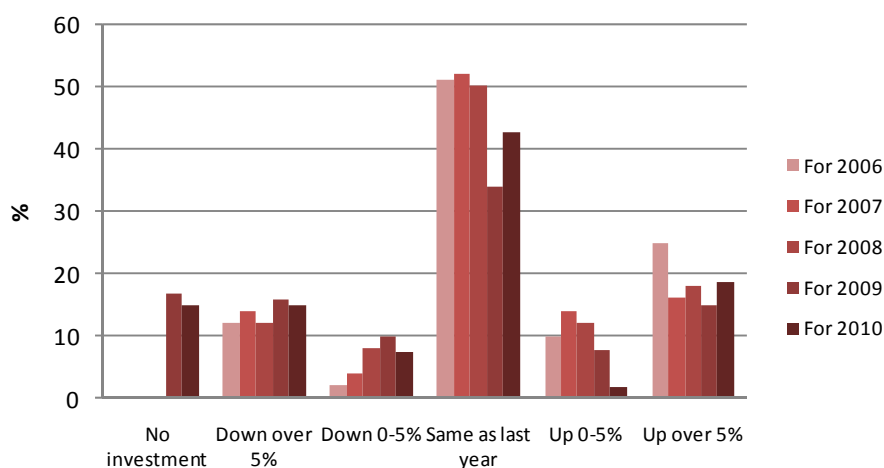
Building and Construction, Fixtures and Fittings - level of investment envisaged for capital expenditure this year (2010) as compared to 2009

Expected change in capital expenditure on buildings and fittings for 2010



Results show that businesses are still more likely to cut down in 2010 on capital expenditure on building and construction, fixtures and fittings as compared to 2009. 43% of businesses indicated that they would be spending the same as last year – when most had cut back. A fifth of businesses indicated that they would be spending more than last year.

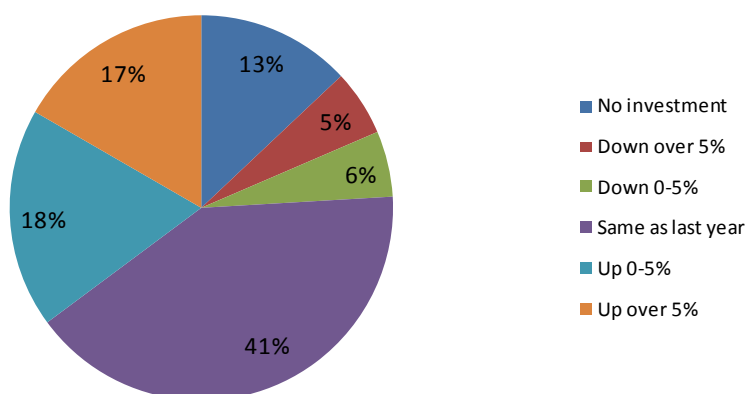
Expected change in capital expenditure on buildings and fittings



2010 capital expenditure on buildings and fittings is predicted to be similar to the previous year. In 2009 'No investment' was a new element to the question which may have changed the distribution of results as compared to previous years.

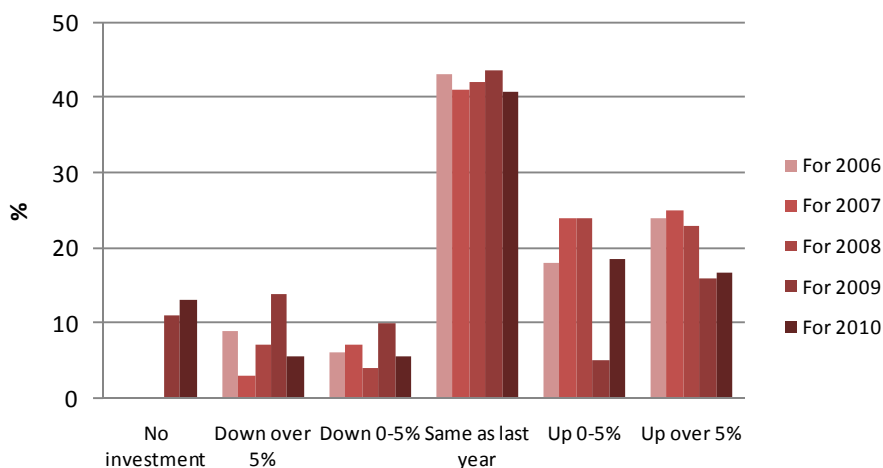
Technology - capital expenditure investment on technology this year (2010) as compared to 2009

Expected change in investment in technology for 2010



Over a third of businesses would be spending more on capital expenditure on technology in 2010 as in 2009. 41% of businesses indicated the same level, and over a tenth of businesses would be spending less. 13% were not investing at all.

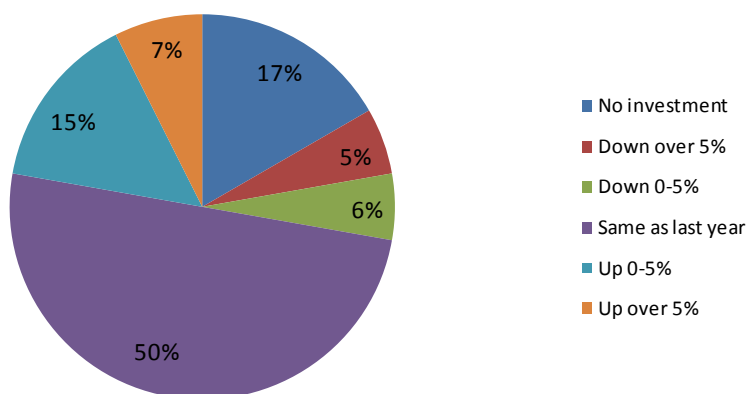
Expected change in investment in technology



Technology expenditure for businesses in 2010 shows an increase in comparison to 2009, although is still slightly reduced overall in comparison to previous years. In 2009 'No investment' was a new element to the question which may have changed the distribution of results as compared to previous years.

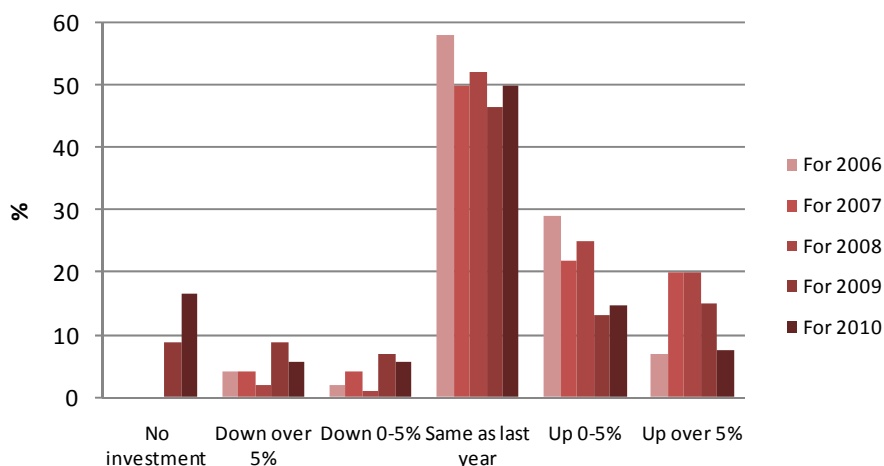
**Training - capital expenditure investment on training facilities this year (2010) as compared to 2009**

**Expected change in training expenditure for 2010**



A half of businesses are envisaging spending the same upon staff training facilities in 2010 in comparison with 2009. 22% indicated that they will see an increase in training facilities expenditure this year, 11% are going to reduce expenditure whilst 17% of businesses are not going to invest in training facilities at all in 2010.

**Expected change in training expenditure**

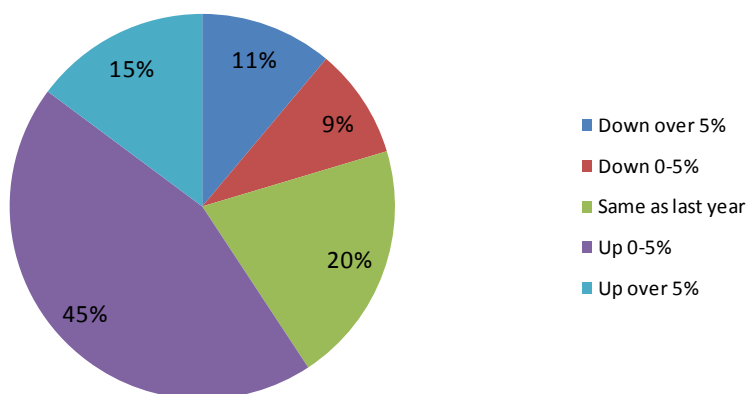


Staff training facilities expenditure for businesses in 2010 is projected to be reduced overall in comparison to previous years. There is a noticeable increase in those making no expenditure in 2010. In 2009 'No investment' was a new element to the question which may have changed the distribution of results as compared to previous years.

## Business Costs

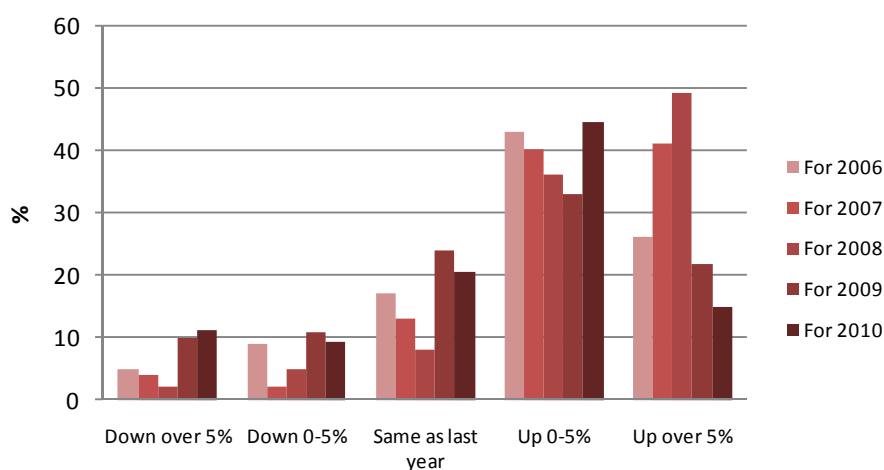
Business Costs - changes in business costs anticipated for this year (2010) as compared to 2009

Change in business costs this year as compared to 2009



In 2010, 45% of businesses project that business costs will go up to 5%, with a further 15% of businesses indicating that such costs will go up by more than 5%. A fifth of businesses will maintain the same costs as last year, and a fifth will see a reduction in business costs in comparison to 2009.

Expected change in business costs

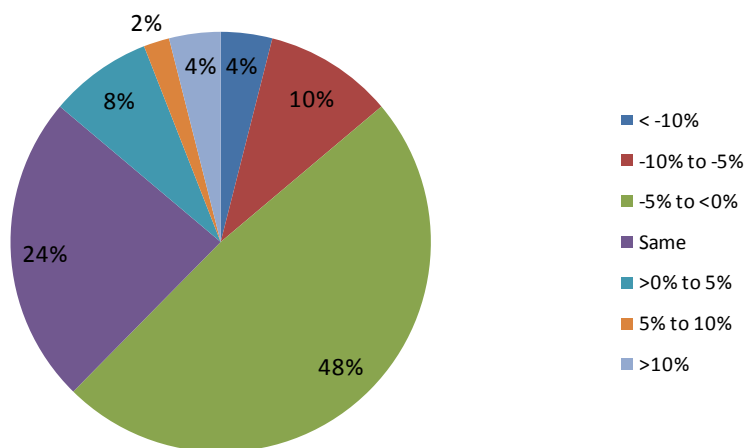


There is a larger proportion of businesses which believe that business costs will increase between up to 5% on the previous year. Otherwise businesses are maintaining the same business costs as the last year or reducing costs in comparison to the previous recorded years.

## Prices and Fees

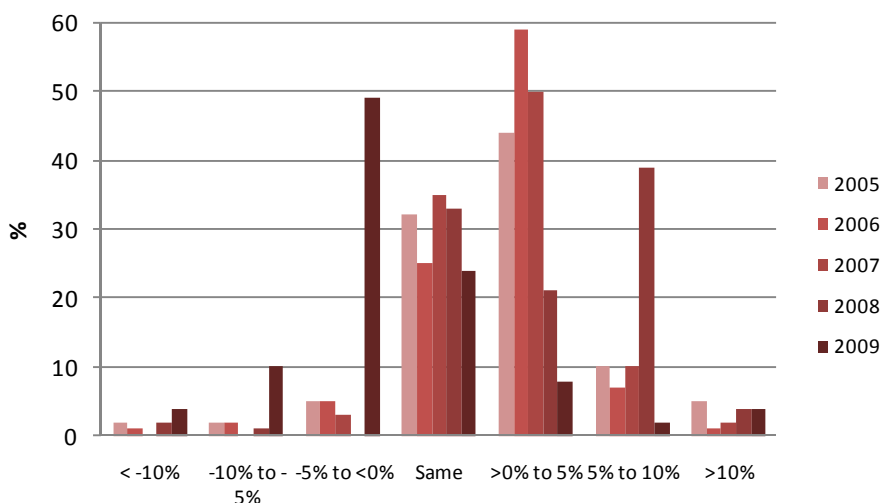
Average percentage increase/decrease in prices/fees in 2009 as compared to 2008

Percentage increase/decrease in fees/prices for previous year



Only 6% of businesses increased prices/fees in 2009 by more than 5% in comparison to 2008. Almost a quarter kept prices/fees the same as the previous year, and 62% reduced prices/fees.

Percentage increase/decrease in fees/prices for previous year

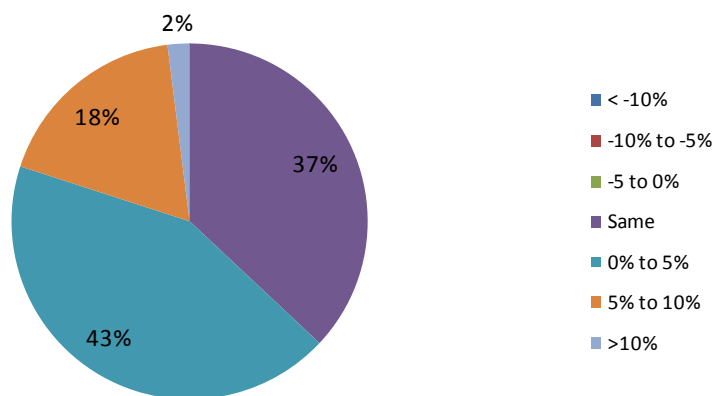


More businesses decreased fees/prices in 2009 than in the previous years.

**Average percentage increase/decrease in prices/fees this year (2010) as compared to 2009**

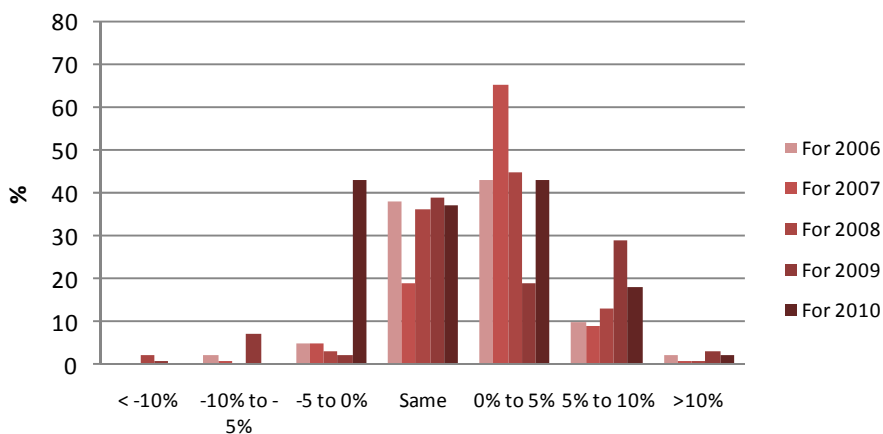
	2009	2008	2007	2006	2005
< -10%	0	1	2	0	0
-10% to -5%	0	7	0	1	2
-5 to 0%	0	2	3	5	5
Same	37	39	36	19	38
0% to 5%	43	19	45	65	43
5% to 10%	18	29	13	9	10
>10%	2	3	1	1	2

**Anticipated price/fee increase/decrease projected for following year (2010)**



63% of businesses have indicated that prices/fees for 2010 will be increased. 37% of businesses keeping prices the same as the previous year, there are no business respondents that are reducing prices/fees.

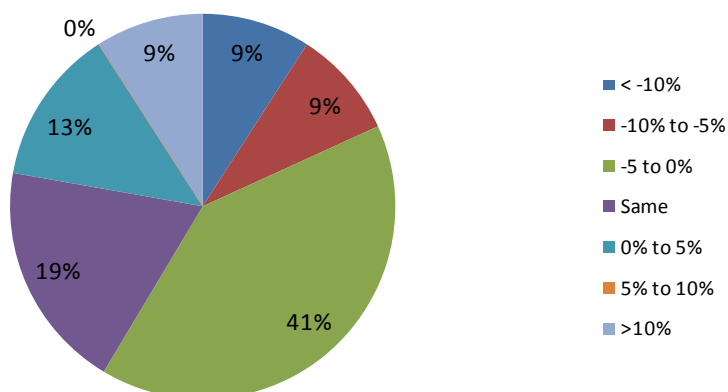
**Percentage price/fee increase/decrease projected for following year**



## Salaries and Wages

Percentage increase/decrease in the total wages/salary costs for businesses for the calendar year 2009 as compared to 2008

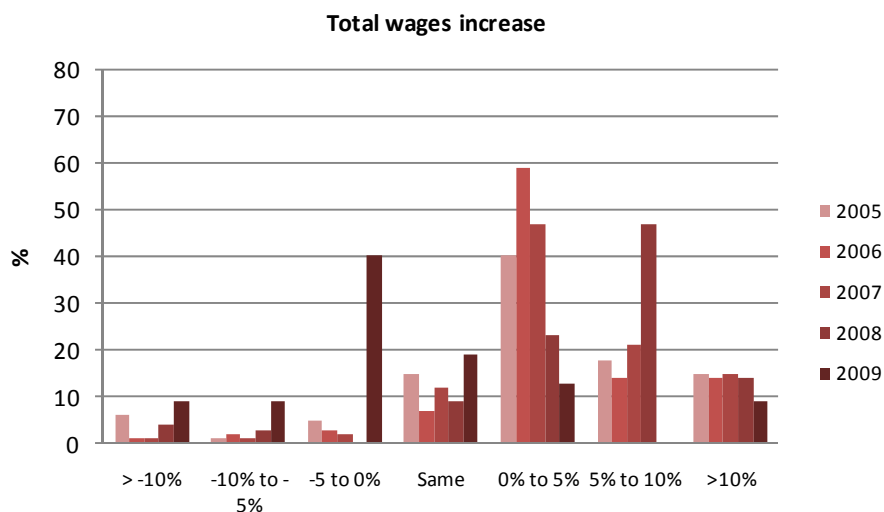
Total wages increase/decrease for 2009



The total wages/salary costs increased by up to 5% for almost a quarter of businesses in 2009 (compared with 2008). However, 41% of businesses experienced total wages/salary costs decreasing by up to 5%, with 18% of businesses seeing a decrease of more than 5%.

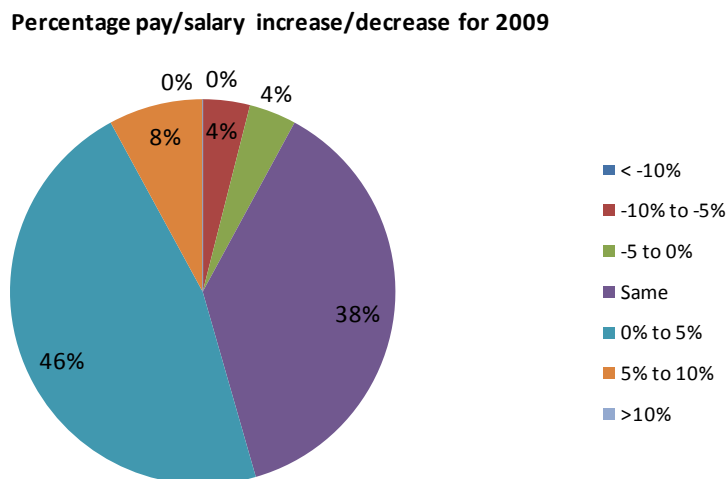
Year	March	June	Sept	Dec
2005	4.6	4.6	3.8	3.3
2006	3.1	3.4	3.5	4.4
2007	4.8	4.7	4.9	4.9
2008	4.8	5.5	5.8	1.2
2009	-1.2	-1.3	-1.2	2.2

Headline RPI Figures, States of Guernsey, Facts and Figures



The total wages decrease in 2009 was the highest in comparison to the preceding years. This may also have been affected by the RPI (as many wages and salary are linked to this) - which was negative for most of 2009. This linkage to the RPI can be seen in the preceding years featured.

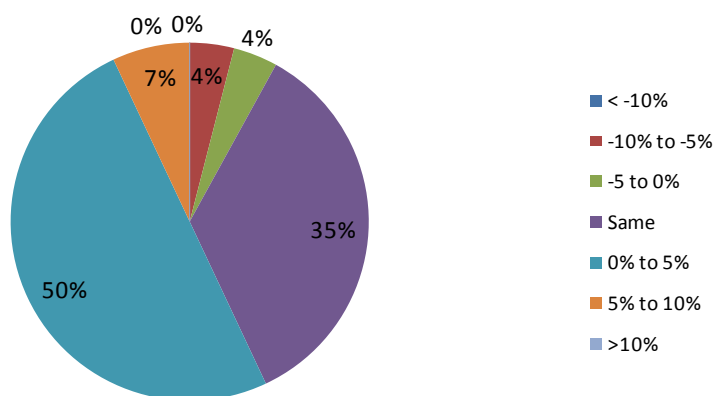
**Average percentage pay/salary increase/decrease for calendar year 2009 as compared to 2008**



46% of businesses indicated that the average percentage pay/salary increase for the calendar year 2009 compared to 2008 was up between 0.1 and 5%, 8% increased by between 5 and 10%. 38% of businesses stated that pay/salaries had remained the same, and 8% reduced their salaries.

Allowing for increases/decreases in staff numbers, the likely percentage increase/decrease in the total wages/salary costs for businesses for this year (2010) as compared to 2009

Likely percentage increase/decrease in total wages/salary costs for 2010

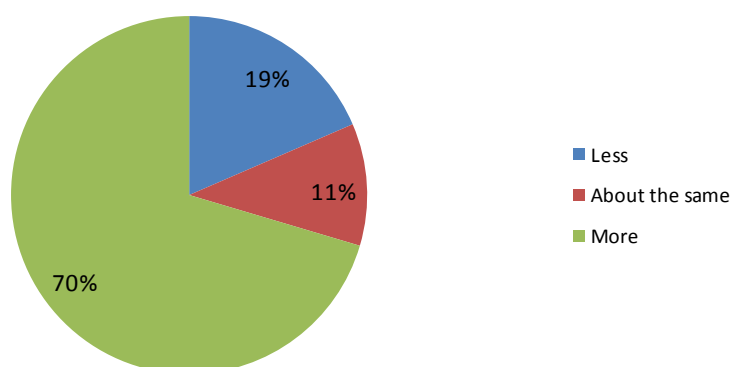


The likely increase for total wages/salary costs for 2010 was up to 5% for half of businesses. 35% anticipated they would remain the same as 2009, 8% of businesses thought that costs would decrease by up to 10%.

## Staff Training

Planning to spend more/less/about the same on staff training and development this year (2010) as compared to last year (2009)

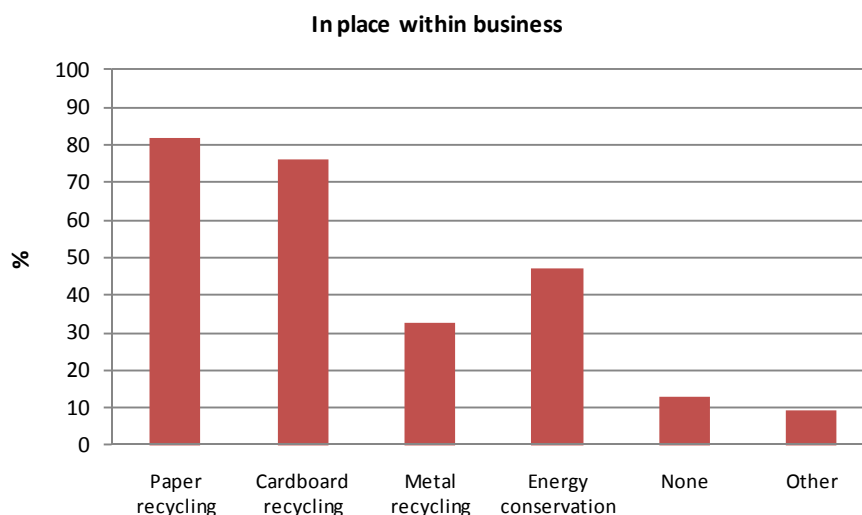
What businesses are planning to spend on staff training as compared to 2009



70% of businesses said that they would be spending more on staff training and development in 2010 as in 2009, this is a large increase on the 26% that expressed this the previous year. 11% are planning to spend more on staff training whilst 19% are aiming to spend less on training expenditure.

## Environmental Issues

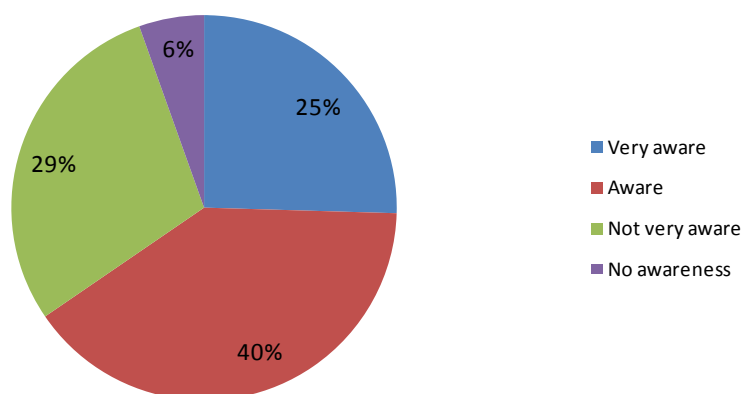
### Environmental Issues within business



Paper and cardboard recycling are in place in over three quarters of all business respondents. Metal recycling is carried out by a third of businesses. Energy conservation measures are in place in 47% of respondent businesses. 13% of businesses had no environmental policies in place. Other recycled items within businesses or areas of environmental activity included: recycling of toner cartridges, granite, glass and plastic bottles, and the use of fuel efficient, low emission vehicles

### Awareness of the States Environment Department’s ‘Green awards for Business’ initiative?

**Awareness of 'Green awards for Business' initiative**

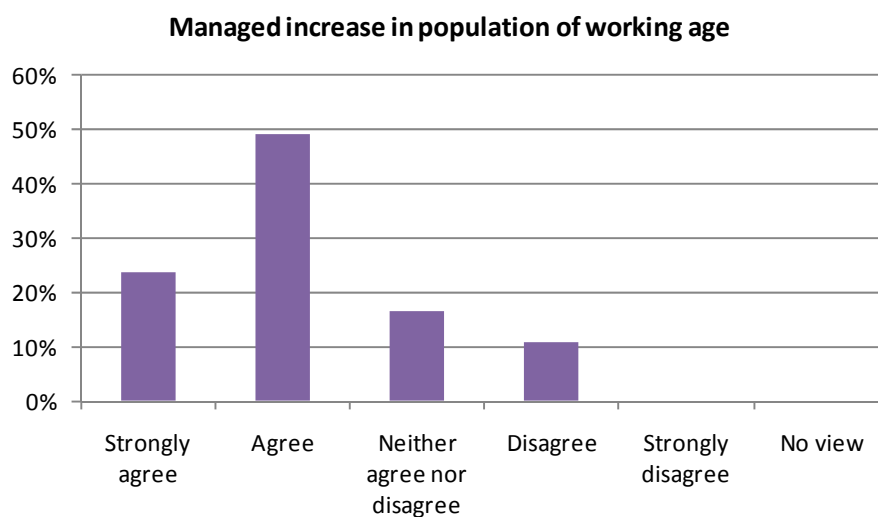


Approximately 65% of businesses were aware of the “Green Awards for Business” initiative by the States of Guernsey Environment Department. 29% of businesses were not very aware whilst 6% of businesses had no awareness at all.

## Sustainable economy

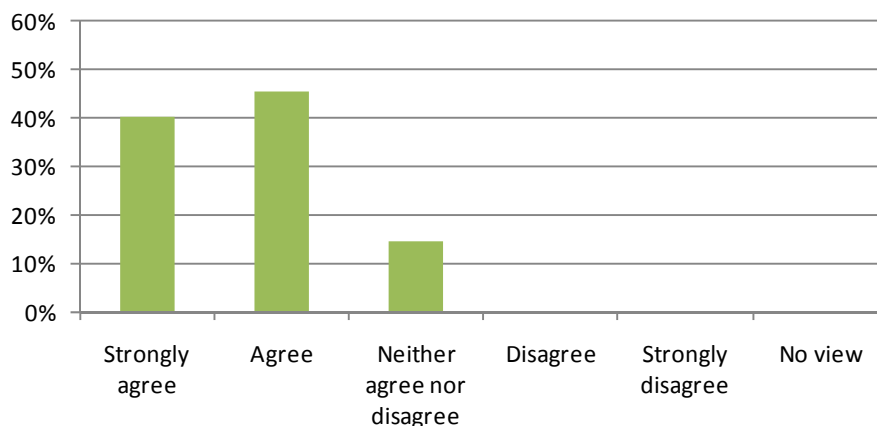
Businesses were asked whether they agreed or disagreed with the following statements with regards to their implications on the sustenance of the Guernsey economy at least at current levels in the future (ten year perspective).

- Faced with an aging population, there should be a managed increase in population of working age over the period
- More emphasis should be placed by the States on trying to diversify the Island's economic base to reduce the reliance on the Financial Services Sector
- The future economic success of the Island relies on a change from consensus to executive style government



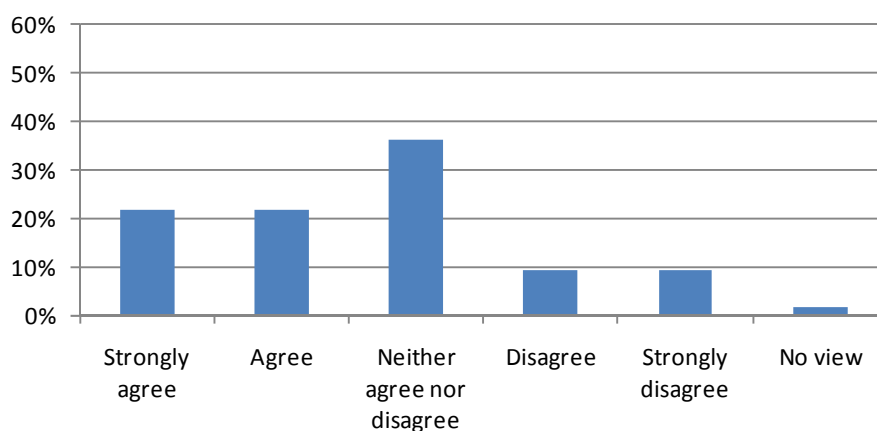
Almost three quarters of businesses agree that there should be a managed increase in the working age population over the 10 year period.

**More emphasis by the States to diversify the Island's economic base**



85% of businesses agree that there should be more emphasis placed by the States of Guernsey to try and diversify the Island's economic base and reduce the reliance on the Financial Services Sector.

**The future economic success relies on a change from consensus to executive style government**



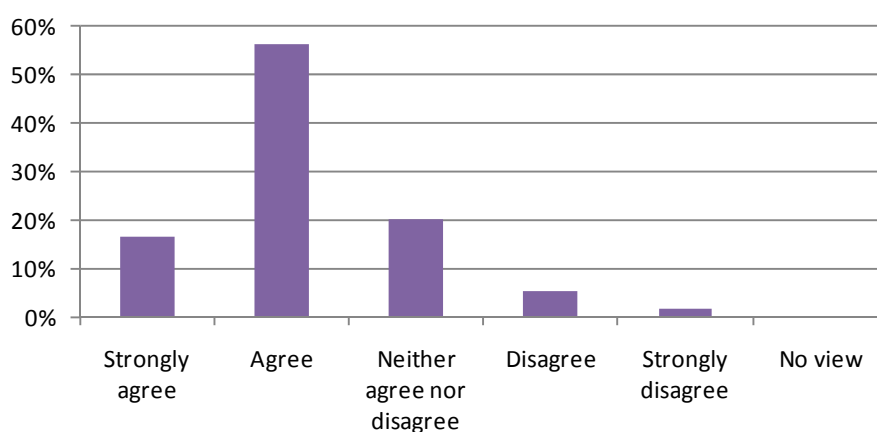
There is a more even distribution of responses regarding a change in the style of government, 44% of businesses agreed that the future economic success of the Island relies on a change from consensus to executive style government. Just over a third neither agree nor disagree and a fifth disagree with this statement.

## Tax funds for Public Services

Given the need to ensure that there are sufficient tax funds available for essential public services, businesses were asked if they agreed or disagreed with the following statements:

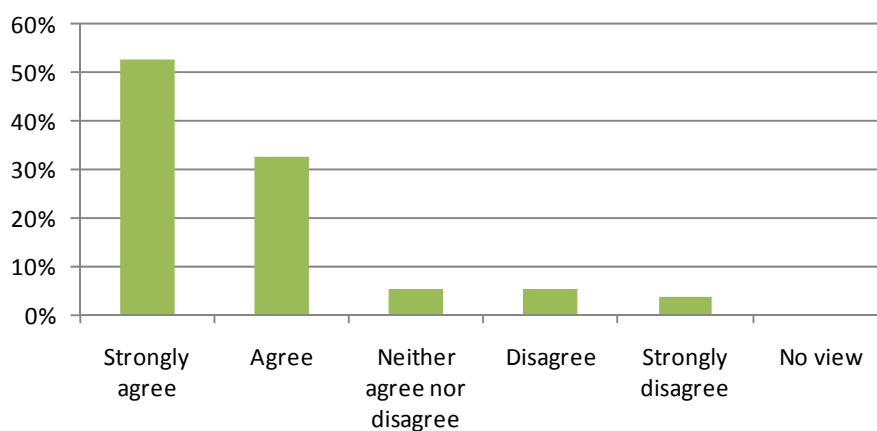
- There should be a fair balance of direct (including corporation tax) and indirect taxes
- Public sector expenditure can still be reduced without adversely impacting on the level of public services
- There is a need to close the States final salary pension scheme to all new entrants

**There should be a fair balance of direct (including corporation tax) and indirect taxes**



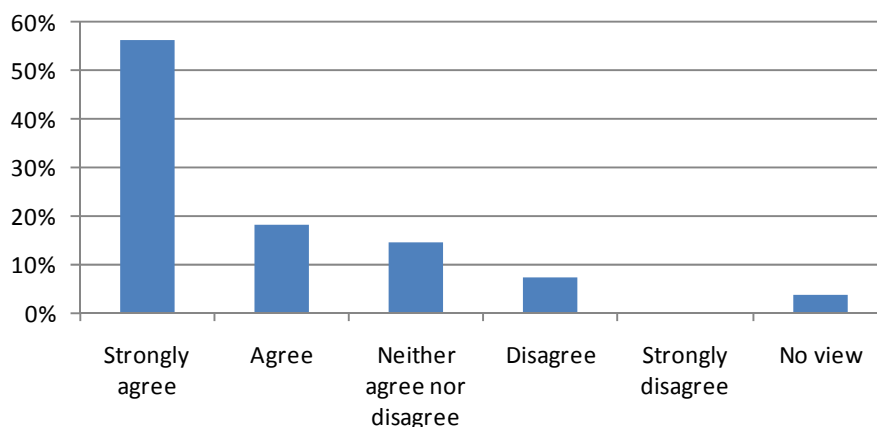
72% of businesses agreed that there should be a fair balance of direct and indirect taxes.

**Public sector expenditure can still be reduced without adversely impacting on the level of public services**



86% of businesses agreed that public sector expenditure could be reduced without adversely impacting on the level of public services. 53% strongly agreed with this statement.

### Need to close the States final salary pension scheme to all new entrants



Almost three quarters of businesses thought that the States final salary pension scheme should be closed to all new entrants.

## Most Pressing Issues Facing Island

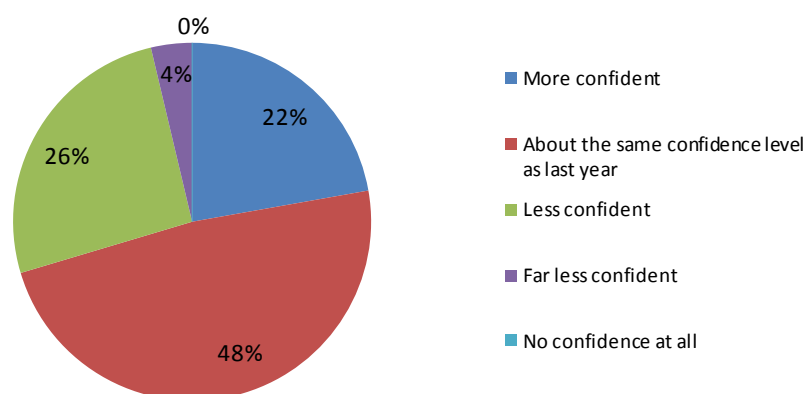
The most pressing issues facing the island over the next three years were identified as follows (in decreasing order of importance):

- Public spending /capital expenditure
- Taxation/ Zero10
- Quality of Government
- Waste/energy
- Population/Immigration
- Business/Finance Growth and Attraction
- EU/UK Regulation and independence
- Economy and diversification
- Environment/Planning
- Staffing/ Employment/salary
- Global Competition and awareness
- Housing
- Fiscal and strategic plans
- Infrastructure concerns
- Education/Health
- Airport/Air & Sea Links
- Social Security/Pension
- Cost of living/ interest rates
- Tourism

## Island Confidence Levels

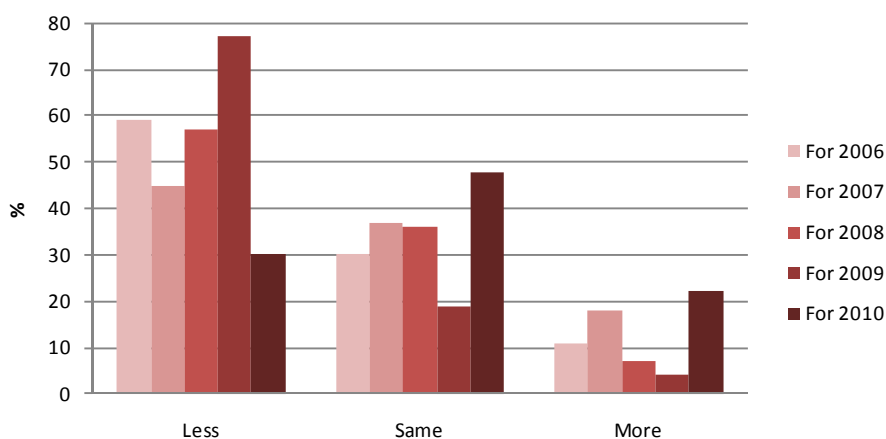
Confidence levels about the prospects for the Island's economy for the next twelve months compared to twelve months ago

Confidence in prospects for the Island's economy over the next twelve months compared to last year



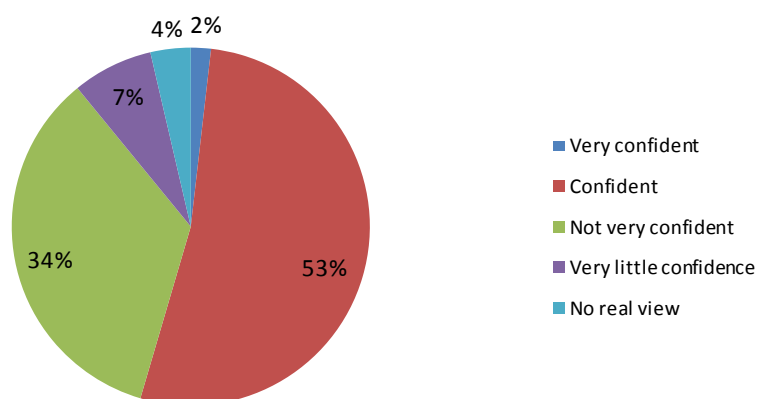
Almost half of businesses have the same confidence level as last year. Just over a quarter of were less confident in prospects for the Island's economy over the next year in comparison to 12 months ago with 4% far less confident. Just over a fifth of businesses are more confident about prospects.

Confidence in prospects for the Island's economy over the next twelve months compared to last year



Confidence levels for 2010 show a slight recovery in comparison to last year. It is the only year recorded where there is more than 20% recorded for an increase in confidence.

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**Confidence levels in the medium term (two to three years) about economic prospects for the Island****Confidence about economic prospects for the Island in the medium term**

A third of businesses were not very confident about the medium term (two to three years) economic prospects for the island. However, 53% were confident about the medium term future.

Almost 67% of businesses that responded listed the economy, state of business and the recession as reasons for their answer, many of these were more confident in the medium term prospects. 51% indicated the influence of the States and Government expenditure as a reason for their answer, the majority of these were not very confident. Employment was listed by 16% and the issue of tax and Zero 10 by 18%.

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## Appendix 1

### Further Open Comments on the Current Business Environment

Housing Laws to be amended/scrapped and replaced with work permit styled legislation allowing business and the public bodies the flexibility to attract and retain skilled staff.

I am expecting that we will continue to work harder for smaller returns over the next 12 months. There is a need for strong political leadership locally (and globally) who will take the tough decisions.

Too much emphasis on particular states departments needs rather than the needs of the island as a whole.

Access to and from the island should be a priority. The conduct of the States during the fire-fighter dispute and the disruption caused by the snow is a joke and does nothing but harm to the islands reputation. The States should ensure wherever possible that government money is spent with local companies wherever possible. We should get rid of the office for utility regulation, it is only function is to kick our own behinds.

Guernsey is a great place to live but we are pricing ourselves out of the financial services international market. More business will leave Guernsey which means the states will tax financial services more, causing more businesses to leave.

More support should be given to new businesses starting in Guernsey; no support is given by the States, who seem unwilling to encourage new companies or local start ups.

For as long as we expect Deputies to have the knowledge and experience to negotiate in areas outside of their experience and expertise and do it well we will make big costly mistakes. Examples are negotiating with public employees and unions (pension schemes, fire-fighters etc) and also Health providers (WPA told us very clearly we are being given a poor deal). Deputies need to learn to harness expertise and evaluate - not negotiate. The greater the number of bad decisions the more expense and the more pressure on business to be over taxed.

Businesses don't care what the system of government is called, we care about it being effective, decisive and strategic - enable leadership to drive changes.

Internal confidence will breed external confidence and growth.

Use local firms for all projects unless extremely specialised, reduce airport charges for flights it is ridiculously high, ease the security arrangements they are completely ridiculous, reduce the handouts to the scroungers, stop all civil servants pensions, make them go private, provide more parking in town area, make town busy again, no to the waste scheme, reduce taxation on fuels and middle income groups increase taxation on alcohol 50%, smoking 500%, chewing gum 1000%. Remove dole money for U21's there is no excuse for being unemployed at their age. Close St Andrew's school. Sell off government property.

Too much control by GFSC/ Housing etc. that makes it just "too difficult" to do business in Guernsey. Could damage all sectors far beyond just finance.

A decision needs to be taken as to how co-operative and compliant Guernsey should be on the Global Stage

Make Guernsey Post more efficient, and prevent OUR from forcing the end to their first class monopoly - unless OUR wishes Guernsey Post to go down the road to disaster like The Royal Mail

I am becoming so disillusioned by the way the island is run and the individual people running it along with the relevant and mismanaged way each department is run and the money they waste on pointless items. If I were to run my business like the states is run I wouldn't be around for long.

We may all have to tighten our belts, and we (the public) will do so in a much better frame of mind if our leaders can be seen to be doing the same.

## Appendix 2

Up to three factors implicated in the reason for response to; 'In the medium term (two to three years), how confident are you about economic prospects for the Island?'

### **Economy/business/recession**

The global economy, and in particular the UK, emerging from recession.  
 I don't believe we have as many issues over the recent economic problems as the UK.  
 Rise in interest rates due to UK debt will squeeze businesses and consumers.  
 This will bring about a double dip recession.  
 In the medium to long term Guernsey will prove to be resilient  
 There is significant expertise in the finance sector  
 Guernsey is becoming bureaucratic and expensive to do business.  
 I believe that the Global Finance industry is in more difficulty than currently envisaged.  
 Guernsey has been in this situation before and recovered.  
 A year on from the doom and gloom, the finance industry is still here.  
 Good businesses.  
 Business is well established and regulated in Guernsey.  
 We have weathered the storm post banking crisis.  
 Close to UK so good travel distances and well regulated.  
 Guernsey has yet to go into 'real' recession.  
 There is a commitment from a majority of businesses to stay and trade here.  
 Small businesses like us have been SEVERELY affected by the recession.  
 Most of the figures put about are "overall figures" and don't paint a true picture.  
 Recession affects luxury markets like marine pleasure, first and much harder than domestic markets.  
 Uncertainty over global economy.  
 Improving Global Outlook.  
 It will take at least three years to reverse this most damaging recession caused by the tax changes. Plus it will have to change again – what a mess.  
 Global recovery.  
 Strong Finance sector.  
 The diversity within the Finance Sector.  
 We are reasonably well placed versus our neighbours.  
 I feel that the market has now started its recovery but may dip again this year before improving in 2011.  
 Increasing confidence in the UK economy.  
 Increasing availability of credit for business.  
 Credible regulatory regime.  
 I think that Guernsey will be lucky to maintain the status quo over the next 12 months.  
 The "buffers" that have kept us reasonably from the crunch may not last much longer.  
 Business laws/policies.

### **States/Government/Expenditure**

Increased capital spend by the States of Guernsey.  
 No real control being exercised over expenditure.  
 Lack of decision making by the States.  
 The States do not seem to be able to cut costs.  
 Ineffective States Governance structure.  
 Politics.  
 The states are looking internally and trying to change.  
 Focused Government.  
 The States of Guernsey will reduce public sector expense / pension liabilities.  
 Government has begun some modernising through the FSR.  
 There are signs that some politicians and civil servants are recognising that the overspending must stop.

Improved Government Organisation.

The increase of the 'nanny State'.

The need for strong and correct leadership in government.

Too much capital spending. Stop all capital spending for 3 years. What is more shocking is the constant outside companies doing States' work, what a great way of not producing tax revenue.

There is scope to tighten our belts.

Incinerator debacle.

States Departments not forced to cut waste & be more efficient.

Leaner fitter public service.

Poor decisions made by the States.

Lack of accountability.

Not enough ideas of conserving money within the island.

Poor government.

Poor quality states members in general.

A silo driven civil service.

Lack of control over-expenditure.

There has been a culture of spending within some departments which is going to difficult to overcome.

Some people do not realise how lucky they have been.

Infrastructure.

Too many capital projects required.

### **Employment/population**

Business still being attracted to the island and we have skilled workforce.

Young people leaving this island.

Good workforce.

Employment remains strong, only circa 100 additional unemployed so far.

Unemployment is still low.

Aging population and demographics and a realization we need population growth.

Full employment.

Immigration laws.

### **Tax/Zero 10**

Continued short-fall in tax take (structural deficit).

Uncertainty of effect of corporate tax changes 3.

With uncertainty with future tax rate financial services businesses will move to other jurisdictions.

Believe inter island cooperation can mean we have a workable tax scheme which brings in more revenue.

Clearing up this will make businesses plan ahead.

Tax.

Tax structure.

Get the taxation competitive.

Level playing field with the other Crown Dependencies (on tax issues).

Zero 10 debacle.

Threats regarding low tax areas continue to be voiced by the American/EU administration. Our success/failure to continue is entirely dependent upon our politicians of the day!

### **Housing**

Safe to live as crime not an issue but we need to keep attracting wealthy entrepreneurs to the island and we should invest more money into doing this. Our housing rules are better than Jerseys as fortunately we do not have bedsits with undesirable immigrants residing here which is pleasing.

Housing laws.

**Other issues - security**

The security of the developed World will be further threatened by extremism. This will result in increased reliance by global wealth on well managed off shore jurisdictions as a safe haven in troubled times.  
The island adapts well to challenges.

**Relationship with UK/EU**

The UK government is going to have to seriously cut expenditure and raise revenues and I am concerned they will look at the Offshore Islands as part of their plans.  
Business will thrive given a level playing field with UK / EU.  
International pressure on Guernsey as an offshore centre  
Not savvy enough in the global market. Too dictated to by the UK government.  
Pressures from outside.

**General**

Things seem to be on the turn.  
I am an optimist.  
Too complex to enumerate.  
Home improvements.  
The rights issues are being focused on.  
A general feeling that the worst is now behind us.  
The Guernsey "feel" of community and social fabric is disappearing and the island is fast becoming just another place.

**Tourism**

Cannot see any increase in tourism...what is to encourage them?

**Interest rates**

If sterling loses its triple A rating then this will have a serious impact on the island's economy with increased interest rates.

## Appendix 3

The most pressing issues facing the Island over the next three years:

Capital expenditure to bring Guernsey's transport links up to date.  
 Retention and growth of the finance industry.  
 Retaining independence from the EU.  
 Waste & landfill.  
 Energy Production for self sufficiency.  
 Education & health.  
 Sort out the public sector pensions situation.  
 Constrain public spending.  
 A significant rise in interest rates.  
 Confronting the islands waste and general infrastructure needs.  
 Modernising government and the civil service.  
 Global Economy and impact on Finance sector in particular.  
 The next step on from 0/10%.  
 Waste to energy.  
 New tax strategy (0-10 alternatives).  
 Keeping our position as a key financial centre.  
 Waste management.  
 Less bureaucracy for business, simplify laws and regulations.  
 States to reduce costs e.g. do not spend on waste to energy plant.  
 States to reduce expenditure on capital projects.  
 Government expenditure must be cut - not services provided.  
 Maintaining independence from UK & EU.  
 As Jersey have Disaster Recovery plan for independence.  
 Shareholder objectives for regulated utilities.  
 States funding for capital projects.  
 Energy Policy.  
 Tax income.  
 Global competition.  
 Bad government.  
 Indecision over taxation causing businesses to hold back.  
 Wasting massive sums including an incinerator.  
 Lack of credibility in our elected officials.  
 Housing needs to give more licences.  
 Guernsey needs to be more open for business and endeavour to attract business to the island as I perceive Isle of Man are more hungry and more active in obtaining business.  
 We need to attract better calibre people to the States and possibly pay higher salaries but significantly reduce number of politicians.  
 Having an economic and business strategy.  
 Addressing the governance weaknesses highlighted by the WAO.  
 States income and expenditure.  
 Tax haven.  
 Ecologies.  
 Tourism.  
 Getting the zero ten tax issue rectified so that we don't lose financial business.  
 Putting measures in place to be able to deal with an aging population and to stop young people leaving the island.  
 Unrealistic green issue targets which Guernsey want to achieve, but 'people' seem to have forgotten that we are only a small island will limited options, and 'these nice to have' policies can be too expensive, when

we are constantly told about 'the black hole' and there are more urgent issues like the elderly, the health system and education.

Government accountability.

Government expenditure.

Human rights.

EU directives.

Diversification of industry.

States of Guernsey working for the people and not for their own self interests.

Balancing (reducing) public sector costs / services to income.

Maintaining full employment.

Trading relationship to UK / EU.

Urgent need to refine the current machinery of government as per the WAO report, Guernsey needs leadership to drive change.

Ageing demographics mean that Guernsey will not have a workforce pool or ability to fund pensions without a radical 25 year strategy to deal with this ticking time bomb, urgent decisive action is needed NOW!

Corporate tax resolution to ensure Guernsey's international finance sector remains strong and vibrant.

Number limitations on non-local residents.

The future of the finance industry.

Regulation of utilities.

Economically and environmentally sustainable waste solution.

Recognition that States sector cannot continue to spend over its means.

Support for politicians making right rather than popular decisions, and encouraging intelligent skilled people into politics.

Waste disposal.

Reduction of States Department costs.

Taxation for finance.

External legislation.

Taxation structures.

Government expenditures.

Tax structure (specifically corporate tax).

Getting Guernsey to be listened to on International stage.

Quality of corporate governance within the States.

Taxation.

Public spending.

Environment.

Population.

Business Diversity.

Environment.

Lack of strong and correct leadership in government.

The anti population growth short-sightedness of many.

Increased Employee legislation and lack of not hindering business.

Reducing public expenditure everywhere.

Reducing taxes to the middle income group.

Impose a no-strike law for States workers and enforce it.

Tax.

Ageing population.

Affordable housing.

Planning beurocracy.

Law & order.

Education.

Housing.

Tax.

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Agree the replacement Corporation Tax structure to replace Zero-10.  
The result of the planning application for "Leale's Yard".  
Any changes to the Housing Licences to facilitate staff retention.  
Maintaining public services.  
Maintaining a low tax regime.  
Decision making in States of Guernsey.  
Remaining competitive in the Global Economy.  
Expenditure constraint in States of Guernsey.  
Waste management.  
The proposed EU AIFM directive.  
Continuing Lack of professionally trained personnel.  
Abandon the incinerator.  
Fix Zero 10.  
Force state departments to return surpluses & increase efficiency.  
Spending by the states on pointless, un-informed, expensive, outdated solutions on infrastructure.  
Maintaining our distance from the EU with increasing pressure on the UK to join the Euro.  
Airport.  
Waste.  
Fiscal Policy.  
Improved, more economic transport/communication links with the EU and UK.  
Keeping the island attractive to the finance industry.  
A serious marketing effort to attract other types of business.  
Increase population.  
States internal cost reduction and staff reduction assessment.  
Deputies to become accountable for their decisions.  
Power generation/disposal of waste.  
Lack of global knowledge.  
Not enough international business acumen in the Government.  
Not scrutinising other jurisdiction and taking positives from them.  
Fewer States members but of a far higher quality. If they cannot pass an entrants exam they should not go forward for election.  
Executive Government.  
Freedom of movement between local workforces.  
Waste to energy.  
General economics facing island.  
Reduction in income recycling / waste management.  
Cutting expenditure.  
Openness of Government.  
Financial market instability.  
Change in EU regulation / offshore locations.  
Island's inability to cope with UK main markets i.e. opening gates for business ventures and franchises.  
Vulnerability of finance sector.  
Fragility of British economy.  
External interference in local affairs.