States of Jersey
States Assembly

États de Jersey
Assemblée des États

Corporate Services Scrutiny Panel

Economic Stimulus Plan
(P55/2009)

Presented to the States on 10th June 2009

S.R.4/2009

Contents

1. Chairman's Foreword

This project is unlike any other experienced by the States of Jersey, with much of the evidence received by the Panel suggesting that there is a degree of urgency in getting the stimulus into place. This is a bold plan, involving a huge amount of money. The opportunity to use the Stabilisation Fund has been correctly identified by the Minister but will only come once. We must get it right first time. The need for timeliness is paramount but this has raised questions about whether the 'timeliness' has become a 'headlong rush'.

The Panel, unusually, agreed to meet the timeline laid down by the Minister. This has created pressures on the Panel, which proved imprudent in view of the enormity of the task undertaken. Reports, which previously suggested the paucity of high-level resources in the Treasury (Comptroller and Auditor General Emerging Issues May 2008), seem to have been confirmed because despite the employment additional staff within the Treasury Department, there were organisational hiccoughs. The Panel accepts this may have resulted from the critical pressures placed on their resources.

The Panel became anxious about the lack of information contained within some of the bids. There were no details in many cases as to the quantities of people employed and how much of the money requested would remain locally. Both these points, along with others contained in the report, are key to the overall success of the project. The Panel recognised that the bids reflected the normal process, in line with the Financial Directives. This however was not a normal project and much more information was necessary within the bids from the start for accurate assessment against the criteria of the plan. "Despite the scarcity of evidence, the Panel considered that it might be wise to consider not spending the complete sum of £44 Million in an excessive rush at the commencement of the exercise."

The Panel reflected this concern to the Minister for Treasury and Resources, who returned with information of a change of process. The Panel had understood the final Ministerial Decision on the bids was due on the 10th June. This now changed to an agreement in principle where appropriate, or ‘amber light’, on that date, with a green light only being given by the Minister on receipt of a satisfactory project plan.

It would be easy to be uncharitable about the lack of a consistent process. However, it has to be borne in mind that, as stated, that Jersey has seen nothing like this before. The evaluation process has been robust and suitable, if let down by the lack of resources allocated, and the Minister has been both helpful and flexible. Therefore, the Panel has been able to endorse the plan with the provisos laid out in the conclusions of this report.

Senator S. C. Ferguson,
Chairman of the Corporate Services Scrutiny Panel.

2. Executive Summary with Key Findings and Recommendations

The Corporate Services Scrutiny Panel embarked on the review with a time scale set by the Minister for Treasury and Resources on the understanding that there were significant time pressures to make the process work at all.

On examining the reasons for the policy, the likelihood of it succeeding and the consequences of nothing being done, the Panel supported the general principle behind the proposition.

The next stage was the evaluation of the bids. Most of the required documentation was sent to the Panel but clearly, the Treasury Department was struggling with the pressures of the timescales and there was much that was late and some not received at all. The Panel set aside three consecutive days to do the work. It held numerous hearings with Ministers and spoke to every Minister who had submitted a bid. At the conclusion of that process, the Panel recognised that there were large gaps in the information supplied. The Panel was affected by late and missing documentation from the Treasury Department and felt this added considerable pressure on it to meet the timescales set within the Minister’s plan. The Panel considered the timescale for all concerned to be critically short. At that stage, the Panel could not support the process and approval of the bids on 10th June.

Having heard the Panel’s concerns, the Minister for Treasury and Resources returned to the Panel and offered further details on the way forward. This changed the process whereby the evaluation on 10th June became an ‘Amber light’ for the bids. The bids were to be taken back to the departments for a full project plan to be drawn up. These would contain the answers to all the questions raised by the Panel. When the bids were returned to the Minister, further evaluation would then provide the ‘Green light’ only if they were considered suitable.

The Panel was initially concerned that the policy guiding the evaluation process was not sufficiently robust. However, it also considered that nothing like this had been done in Jersey before. The bids submitted by the Departments followed the guidelines within the various Financial Directives and contained only that information normally expected in order to have projects agreed in principle. Once agreed in principle, the full project plan would be prepared.

In that case, the information that was normally contained within full project plans was needed to establish if the bid would create sufficient economic stimulus to be accepted. Information such as, how many people would be employed for what period, was fundamental to the success of the plan. Departments had responded in a normal manner to a situation which was abnormal and instructions relating to the completion of the bids should have been looked at from "outside the box" at the start.

During the review, the Panel identified twenty-one key findings which influenced its decision making process. The Panel was satisfied that the Scrutiny process had enhanced both the premise brought forward by the Minister within the proposition, to stimulate the economy by injecting money from the Stabilisation Fund and the evaluation process that had followed.

Recommendation:

The apparent addition of the next phase of the appraisal of the bids, from amber to green lights, in the Ministerial decision making process, made the process acceptable to the Panel. This was only on the proviso that

- **the questions raised by the Panel are answered in the project plans and**
- **there is a co-ordination body with sufficient power and perhaps more importantly, the time available within their general workload,**

to evaluate and control not just the finances but the aggregate application of the bids and

- **the Minister regularly keeps the Panel updated on the progress of the bids.**

The full discussions of these points are contained within the body of the report, however, the key findings are listed below:

Key Finding 1

The Panel fully accepted that the establishment of a Stabilisation Fund was for the purpose of making fiscal policy more counter-cyclical and to create a more stable economic environment with low inflation in the Island.

Key Finding 2

The Panel accepted, without reservation, paragraph (a) of the proposition

Key Finding 3

There was a clear endorsement for intervention by the States of Jersey and the Panel concurred with that premise.

Key Finding 4

It agreed that the Stabilisation Fund was created to assist in circumstances such as those faced by Jersey at this time and is the correct tool for the job.

Key Finding 5

The Panel concurred that discretionary use of the Stabilisation Fund is appropriate at this time.

Key Finding 6

The Panel concurred with the premise to transfer money to cover the pressures on the automatic stabilisers and acknowledged that the

creation of the Stabilisation Fund was due to the good work by the previous Corporate Services Scrutiny Panel, which was chaired by the then Deputy P. Ryan.

Key Finding 7

The Panel questioned the robustness of forecasts of the structural deficit, in the light of the limited data and lack of experience of such a downturn. In addition, it was concerned that, should this be correct, serious measures need to be undertaken soon to deal with the deficit.

Key Finding 8

The Panel concurred with the process proposed for the allocation of funds to departments from the Consolidation Fund.

Key Finding 9

The questions structured by the Panel remained unanswered within the documentation and Hearings with the Ministers.

Key Finding 10

Large sections of the workforce were not included.

Key Finding 11

There are no robust employment or unemployment figures in the Island.

Key Finding 12

The bids and evaluation documents failed to address concerns relating to the workforce and contained large holes in the information required to be successful.

Key Finding 13

There was a lack of private bids

Key Finding 14

At the conclusion of the Public Hearings on the 28th May 2009, the Panel were minded not support the bids based on the incomplete process. Evidence received subsequently changed this view.

Key Finding 15

The Panel approved of a central fund for access to drawing down funds for the successful bids on final approval.

Key Finding 16

Dangerously tight timescales for the whole project had created unrealistic pressures within the resources available at the Treasury Department.

Key Finding 17

Scrutiny Panels should maintain their own timeline.

Key Finding 18

The Minister's 'Amber / Green light process moved the goalposts.

Key Finding 19

Reports containing fundamental information were being produced very late in the process.

Key Finding 20

The Panel agreed that the plan should continue forward subject to the amber and green decision stages and the formation of an answerable co-ordinating body.

Key Finding 21

The Panel observed that this was perhaps Scrutiny at its best , where Scrutiny detected shortcomings in a process used by the Minister and the Minister responded immediately to rectify the process.

3. Panel Membership

The Corporate Services Scrutiny Panel is constituted as follows;-

Senator S. C. Ferguson, Chairman.
Deputy C. H. Egré, Vice Chairman.
Connétable D.J. Murphy,
Deputy T. A. Vallois.
Deputy M. Higgins (Co-Opted)

Officer support Mr M. Robbins

The Panel acknowledges the work done by the previous Corporate Services Scrutiny Panel in the setting up of the Stabilisation Fund:-

Deputy P. J. D. Ryan, Chairman
Senator J. L. Perchard, Vice Chairman
Connétable J. Le Sueur Gallichan
Connétable D. J. Murphy
Deputy C. H. Egré

Officer support: Mr M. Haden and Miss S. Power

4. Independent Expert Advice

The Panel engaged the following advisor to assist with the review:-

Professor Michael J. Oliver, BA, PhD, Professor of Economics, ESC Rennes School of Business, Lecturer, Highlands College Jersey, Senior Lecturer for the University of Plymouth, Director of Lombard Street Associates.

Professor Oliver submitted a report with background information to assist the Panel. See appendix D

5. Terms of Reference

The Corporate Services Scrutiny Panel approved the following Terms of Reference:-

To establish whether the proposition 'P55/2009 Economic Stimulus Plan' is appropriate and fit for purpose.

To examine any further issues relating to the topic that may arise in the course of the Scrutiny review that the Panel considers relevant.

6. Hearings

Public Hearings were held on three dates. 8th April, 1st May and 28th May. Nineteen different people have been heard in sixteen hearings. Many of the witnesses appearing two or more times over the period. A full list of hearings and witnesses is contained within Appendix A and on the Scrutiny web page.

7. Methodology

The Panel agreed that it needed to meet the following objectives:-

Establishing if the situation requires intervention.
Establishing the consequences of no intervention.
Confirming whether the recession is cyclical or more structural.
Confirming whether the proposed intervention is the only or best intervention
Establishing that spending the entire contents of the stabilisation fund is the correct process to follow.
Establishing the definition of automatic stabilisers
Establishing why the automatic stabilisers deficit is expected to be £110 million.
Consider the discretionary use of the stabilisation fund.
Consider the residual effects of the recession on recovery.
Produce a report to the States before 10th June 2009.

The review has been conducted in three sections:

Examining P.55/2009 – 'Economic Stimulus Plan' and responding in time for the Debate on 19th May 2009. (Chapter 9)
Examination of the Bids. (Chapter 10)
Reviewing the process undertaken by Treasury to evaluate the bids for the discretionary part of the plan. (Chapter 11)

Section 1.

The Panel gathered evidence during hearings on 8th April, 1st May and 11th May. This resulted in Comments to P55/2009, Economic Stimulus Plan, which were presented to the States on 18th May 2009 and which agreed with the premise contained within the proposition. The comments are expanded slightly within chapter 9.

Sections 2 and 3.

The Panel set three days aside to examine the bids and the process in detail. It held hearings on 28th May 2009 and a final meeting with the Minister for Treasury and Resources at the end of that day.

8. The Proposal

The Corporate Services Panel has undertaken a review of P.55/2009 – 'Economic Stimulus Plan', lodged au Greffe by the Minister for Treasury and Resources on 9th April 2009. This has been a three part review with the first section dealing with P55/2009, Economic Stimulus Plan by the Minister for Treasury and Resources.

PROPOSITION

THE STATES are asked to decide whether they are of opinion −

to refer to their Act dated 5th December 2006 in which they approved the establishment of a Stabilisation Fund, the purpose of which was to make fiscal policy more counter-cyclical and create in the Island a more stable economic environment with low inflation; and

(a) to agree to transfer the £18 million surplus funds currently available from the special fund known as the Dwelling House Loans Fund established under the Building Loans (Jersey) 1950 to the Stabilisation Fund;

(b) to agree, in accordance with Article 4A(2) of the Public Finances (Jersey) Law 2005, to transfer £44 million from the Stabilisation Fund to the Consolidated Fund to provide funding for the proposed discretionary economic stimulus package (following advice from the independent Fiscal Policy Panel) and also to earmark the balance of £112 million in the Stabilisation Fund to cover the impact of the economic downturn on States finances (where tax income is lower and expenditure on items such as income support will be higher – the so-called automatic stabilisers) forecast for 2010 and 2011;

(c) to agree, in accordance with Article 11(8) of the Public Finances (Jersey) Law 2005, to amend the expenditure approval for 2009 approved by the States on 23rd September 2008 in respect of the Treasury and Resources Department to permit the

withdrawal of up to £44 million from the Consolidated Fund to be re-allocated for the net revenue expenditure of a number of departments in order to fund the proposed discretionary economic stimulus package with the funding only being made available to departments from the allocation following referral to the Corporate Services Scrutiny Panel and by public Ministerial Decision of the Minister for Treasury and Resources.

Key Finding 1

The Panel fully accepted that the establishment of a Stabilisation Fund was for the purpose of making fiscal policy more counter-cyclical and to create a more stable economic environment with low inflation in the Island.

Key Finding 2

The Panel accepted, without reservation, paragraph (a) of the proposition

9. Examining the Proposition

Paragraph (a) aside, the Panel examined the rest of the proposition in 5 parts.

1. Intervention or no intervention.

2. Discretionary use of funds.

The transfer of £44 million from the Stabilisation Fund to the Consolidated Fund to provide funding for the proposed discretionary economic stimulus package.

3. Automatic Stabilisers.

The earmarking of the balance of £112 million on the Stabilisation Fund to cover the impact of the economic downturn on States' finances forecast for 2010 and 2011.

4. A cyclical or structural problem?

5. Process, as contained within paragraph c) of the proposition.

The Panel took each of these parts in turn:

1. <u>Intervention or no Intervention?</u>

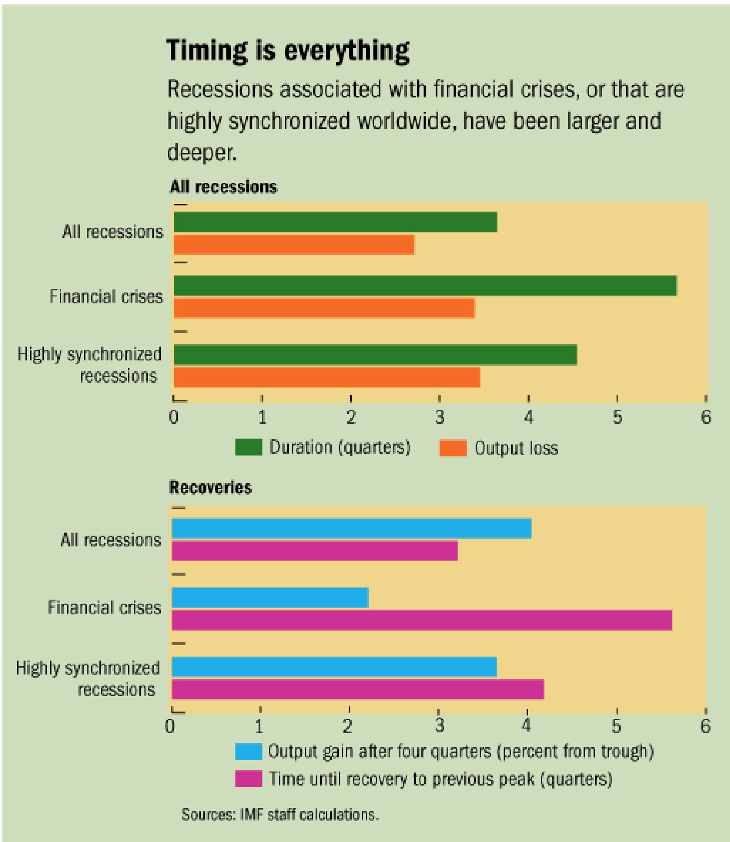
From evidence taken during several Hearings, the Panel established that there was significant concern about the short-term outlook of the economy. The outlook for the global economy was probably worse than at any time in the last 60 years. Financial markets across the world had suffered and, as a result, governments around the world acted in a co-ordinated manner to support their economies. This was being done to help businesses, individuals and to ensure that there was no more unemployment than was unavoidable.

The current world recession had two specific features:

- its association with deep financial crises and
- its highly synchronized nature.

That would suggest that it was likely to be unusually severe and followed by a slow recovery. However, macroeconomic policies could cushion the blows to incomes.

According to International Monetary Fund research[1], recessions that were either associated with financial crises or that were highly synchronized worldwide had historically been longer and deeper, and featured weak recoveries (Fig 1). The combination of these two features historically resulted in even costlier recessions, which lasted almost two years.



The research[2] also found that counter cyclical policies had played an important role in ending recessions and strengthening recoveries. In

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[1] published as Chapter 3 in the April 2009 *World Economic Outlook* (WEO),

[2] By Marco E. Terrones, Alasdair Scott, and Prakash Kannan IMF Research Department April 16, 2009

particular, fiscal policy appeared to be especially helpful during recessions associated with financial crises.

The Panel found no evidence to suggest that Jersey was in a different position in that respect. The Panel, therefore, agrees that there needed to be some positive action using the resources available to the Island. During the Hearing of 1st May 2009, the Minister for Treasury and Resources stated –

> *The best forecast that we have got for the Jersey economy is for a pretty prolonged downturn for 2009 and 2010. Our central G.V.A. (Gross Value Added) forecasts for those 2 years are minus 4 and minus 2 per cent respectively.*

The Panel noted that Jersey was in a unique position, having the benefit of a Stabilisation Fund that provided the option of injecting money into the economy and supporting the automatic stabilisers during the downturn period and that would mitigate the impact of the global downturn on Islanders. The Panel also noted that it was not an exact science. There had been nothing comparable in living memory to assist, and history tended to suggest that previous attempts at intervention were instigated only during the depths of a recession. The influence of such intervention had been too late, causing inflation during the recovery period rather than mitigating the worst of the recession.

Given that the Treasury forecasts were endorsed by the Jersey Fiscal Policy Panel (FPP) in their Annual Report for 2009, it was accepted by the Panel that they were the best available at that time. The Panel noted that whilst the Treasury had significantly improved statistics recently, there was still insufficient data to forecast accurately. It was worth bearing in mind that the FPP worked on data provided by the Treasury. Therefore, unlike the National Institute of Economic and Social Research, which conducted its own research and had no government connections, the FPP could not be said to be truly independent. It was accepted by the Panel that the FPP had significant experience of the world financial marketplace and in consequence, had an important contribution to offer a small Island such as Jersey. It was, however, noted that the Treasury forecasts were not the only forecast. Other significantly worse scenarios were offered to the Panel.

The FPP state in page 18 of their Annual Report 2009 –

The Stabilisation Fund should be used to cover the deficits that will result from the expected contraction of the economy in 2009 and 2010.

Key Finding 3
That was a clear endorsement for intervention by the States of Jersey and the Panel concurred with that premise.

Key Finding 4
It agreed that the Stabilisation Fund was created to assist in circumstances such as those faced by Jersey at this time and is the correct tool for the job.

2. <u>Discretionary Use of the Stabilisation Fund</u>

The Panel had many unanswered questions relating to the discretionary use of the Stabilisation Fund. Clearly, most of these questions revolved around the detail of the proposed intervention. The Panel noted that the intention was to obtain agreement in principle to make £44 million available to the Minister for Treasury and Resources, with the detail to be examined in June. The Panel further noted that the Minister intended the sum to be available for discretionary intervention in 3 main areas –

i. New programmes of maintenance/infrastructure spending;
ii. Supporting employment in the Island by assisting individuals affected by the economic downturn;
iii. Business support and new programmes to help individuals retrain/skills.

Once again, these areas were discussed within the FPP Annual Report 2009, and advice concerning this was offered to the Minister in a letter dated 26th March 2009. Whilst the FPP considered that a discretionary policy was necessary, it carried a caveat of various health warnings, including –

“Given the lack of economic data and the uncertainties related to the effects on the Jersey economy of any given stimulus, the Panel is not in a position to quantify the size of the stimulus that is appropriate for Jersey.

There is a risk that any stimulus put into the economy by the States will quickly leak out of the economy through spending on imports.

Any given policy may be less effective than would be the case in larger economies.

Any discretionary policy should not allow the States to be distracted from its longer term strategy.

To be truly counter-cyclical, the policy must meet the ‘3 Ts’, i.e. Timely, Targeted and Temporary.”

The Panel also noted that the FPP suggested that 4% of Gross Value Added (GVA) would be considered appropriate, and that was the approximate content of the Stabilisation Fund.

Key Finding 5

The Panel concurred that discretionary use of the Stabilisation Fund is appropriate at this time.

Following the States debate of 19th May 2009, where the proposition was approved, the Panel carried out further work on the discretionary section, which has been discussed in Chapters 10 and 11 of this report.

3. Automatic Stabilisers

The larger part of the Stabilisation Fund was to be used to offset the financial deficits expected during 2010 and 2011. The deficit was forecast to come about because the automatic stabilisers would be unable to cope with the extraordinary pressures brought about by the downturn, through the loss of tax revenue due to lower earnings and profits and an increase in expenditure in areas such as Income Support.

The FPP agreed with the use of the Stabilisation Fund to assist in that manner and again, the Panel accepted that was the purpose for which the Fund was created and noted that the proposition wished to earmark £112 million for the purpose.

However, the FPP report (p.24) showed that by transferring £50 million and £62 million during 2010 and 2011 there would be a balance of £32 million and £33 million left in the Consolidated Fund during the respective years. The Panel questioned whether there should be such an amount in that Fund, having regard for the recommendation within the FPP report for a balance of £20 million in the fund. The Panel recognised that there were unexpected spending pressures for 2009, such as the Haut de la Garenne Enquiry and the Health Reciprocal Funding that were unaccounted for within the chart. This will account for a proportion of the 2009 Consolidated Fund balance. Should this amount to £10 million (for example), that would permeate through the chart, leaving balances in the Consolidated Fund of around £20 million for 2009/10 and 11. The Panel further acknowledged that £20 million in the Consolidated Fund was anticipated to be available for just such unexpected and unavoidable expenditure as experienced by the States in 2009. In addition, this sum was intended to offer some protection against any variations from the forecast tax revenue.

Key Finding 6

The Panel concurred with the premise to transfer money to cover the pressures on the automatic stabilisers and acknowledged that the creation of the Stabilisation Fund was due to the good work by the previous Corporate Services Scrutiny Panel, which was chaired by the then Deputy P. Ryan.

4. A Cyclical or Structural Problem

During the examination of the proposition, the Panel noted a forecast of no recovery from the downturn, with a deficit of over £50 million continuing through 2013. That suggested the problem was structural and not cyclical.

The forecast contained within paragraph 6 and Annex A of the report and proposition appeared to carry weight and conviction. The Panel were not satisfied with the robustness of that prediction in view of the comments from the Minister for Treasury and Resources during Hearings on 1st May, these comments were re-confirmed on 11th May, when he stated that there was a “risk” and a “scenario” that a structural deficit could arise. He went on to say on 1st May –

The reason that deficits appear in the forecast beyond 2011 are a result of the economic assumptions that are underpinning it. That is global economic growth and financial market performance go through a very steep fall and then only recover at average rates thereafter as is the case for Jersey economy. This means that it will take a long period for the global economy and the local economy to return to the previous levels. This means that there is sustained loss in tax revenue over the forecast period. The extent and the size of any structural deficit is linked to what the post turmoil global and the local economy look like in the longer term. A more positive outlook could mean that there is no lasting impact on States finances and that the forecast future deficit does not materialise. Conversely, a longer, more protracted downturn and a weak recovery could mean that a sizeable structural deficit does materialise. It is important I think at this stage to say that we do not base our *plans on optimistic scenarios, especially given the uncertainty surrounding the outlook.*

The FPP have examined the medium to long-term outlook, i.e. from 2012, and suggested, in 2.4 of their 2009 annual report, that there could be a structural shortfall. The corrective action required once the economy was recovering involved tough decisions on cutting expenditure or increasing taxation. The FPP went on to recommend that a strategy should be developed to deal with this threat.

Key Finding 7

The Panel questioned the robustness of forecasts of the structural deficit, in the light of the limited data and lack of experience of such a downturn. In addition, it was concerned that, should this be correct, serious measures need to be undertaken soon to deal with the deficit.

5. Process

Paragraph (c) of the proposition –

> *(c) to agree, in accordance with Article 11(8) of the Public Finances (Jersey) Law 2005, to amend the expenditure approval for 2009 approved by the States on 23rd September 2008 in respect of the Treasury and Resources Department to permit the withdrawal of up to £44 million from the Consolidated Fund to be re-allocated for the net revenue expenditure of a number of departments in order to fund the proposed discretionary economic stimulus package with the funding only being made available to departments from the allocation following referral to the Corporate Services Scrutiny Panel and by public Ministerial Decision of the Minister for Treasury and Resources.*

The Panel examined the process by which the Minister for Treasury and Resources intended to assess the bids. An open flow of information existed between the Minister and the Panel, and whilst no bids had been received by the Panel prior to the debate on P55/2009 on 19th May 2009. To that point, it considered the intended selection process to be robust and suitable. It noted the referral to the Corporate Services Scrutiny Panel contained within the proposition, and put time aside to scrutinise it and engage in the selection process in the time available.

Key Finding 8

The Panel concurred with the process proposed for the allocation of funds to departments from the Consolidation Fund.

The Corporate Services Scrutiny Panel supported the proposition during the debate and submitted comment containing the above concerns and observations.

Following the debate, the States carried P55/2009, Economic Stimulus Plan, with 47 votes: Pour, 3 Contre with 0 Abstentions.

10. The Bids

Seven Questions

The Panel examined each of the bids and evaluation documents provided. It found some generic questions within the bids. Not all of the points applied to every bid, but all of the bids left one or more of the issues unmentioned or insufficiently answered. The following seven questions arose repeatedly and were essentially connected with the fundamental '3T's'. Interestingly, the bids in general, met the 'Temporary' test well. Although much of the work projected permanent benefits for the Island (in the sense of long-term investment in capital and human infrastructure), the work to do the job was temporary.

Question 1. Local Companies

The Panel found nothing in the documentation supplied which would establish how the process would ensure that all work went out to local companies. It had concerns over compliance with the States Financial Directives. During the Hearings with the Assistant Minister for Treasury and Resources, Deputy John Le Fondre and his officers, the Assistant Director of Property Holdings stated:

"We need to be very careful because our financial directions, Financial Direction 5.7, provides fairly stringent guidelines on accepting lowest tenders and the tendering process applied, so any process that deviates from that would need approval. So it is an area that needs to be trod very carefully."

The further examination of the individual bids raised questions about who owned which company and who employed local people. When asked at the hearings, most of the Ministers and Departments held no records. The Minister for Housing, notably, stated that his Department always used only local companies and had a due diligence process in place to ensure that people engaged by Housing lived and worked locally.

The following question generally remained unanswered for the Panel,

1. How can you ensure that the tenders are going to local companies? (Targeted)

Question 2. Amount of Work

The Panel asked all the Ministers who attended hearings on Thursday 28th May, the same question and could found no evidence within the process that endeavored to establish that the workforce would be able to cope with the sudden influx of work. There was no management co-ordination process for the overall amount of work within the bids. Some individual Departments and Ministers had considered that, for example, Transport and Technical Services had an exact knowledge of how many people were to be employed for each bid, in what role and for what period. They supplied that information to the Panel during the Hearing on 28th May. However, in general, that information was not available from the paperwork supplied by the Treasury Department or from the majority of the Ministers who appeared before the Panel. Clearly then, the Treasury was in no position to establish if or how the local workforce could deal with an aggregated influx of work.

One Minister informed the Panel that the meeting with the construction industry to consider and discuss these questions was still to take place.

Within the hearings of 28th May, the officers from the Housing Department made reference to a report by David Roberts, outlining the capacity of the local workforce. Property Holdings also made reference to it and were asked for a copy of the report. The Director of Property Holdings provided a report written by himself later that day, the origins of the data are reported to come from Regulations of Undertaking records and direct contact with various contractors. (Appendix B). It left the Panel asking:

2. Could the local workforce cope with the successful projects and was the aggregate employment increase absorbable within the local workforce? (Targeted)

Question 3. Workforce Start

At the start of the process of examining the bids, it was apparent that there were large amounts of work which was likely to become available for specific sections of the workforce. There was no information available as to how much of the workforce would be accessible and when or indeed what the actual size of the workforce was in almost any area. Social Security had never maintained a complete record of unemployed individuals in Jersey. Since the introduction of Income Support at the beginning of 2008 and with the implementation of a more structured job seeking process, more individuals were now being identified and registered as actively seeking work. However, if they did not wish to claim any benefit, there was still no legal requirement for individuals to register with the department as unemployed or actively seeking work.

During hearings on 28th May, the Panel heard from members of the construction industry and the Chamber of Commerce. It established anecdotal evidence that whilst the workforce throughout the building and construction industry, from architects to maintenance crews, road construction teams to civil engineers, were working at the moment, order books were empty from the autumn of 2009. Centralised co-ordination may be challenging but would be an absolute necessity to ensure the timeliness of the work. These considerations raised the question:

3. What is the availability of the workforce to start the work? (Timely)

Question 4. Co-Ordination

The natural follow on to that was who would co-ordinate the timing? The Panel was not reassured following the hearings with the Ministers at the prospect of sufficient communication taking place between departments during such an ambitious overall project. There was nothing in the plan which suggested how or who would co-ordinate the overall execution of the bids. The Panel was uneasy that there was no apparent solution at that time, to the question of planned co-ordination:

4. How is the work going to be coordinated? (Timely and Targeted)

Question 5. Profiteering

The Panel appreciated that the mandatory directions and guidance contained within the relevant Financial Directions were there to negotiate projects through the tendering process; there was a concern that the Panel found nothing to prevent local companies profiteering from this well publicised availability of £44 million. A sudden shortage of labour, due to the amount of work available, was the ideal catalyst for the creation of cartels to control or create artificially high pricing. Whilst that may be a particular concern to whomever co-ordinates the process, it must be a consideration for the individual Departments. There was no evidence of that consideration in most of the documentation for the bids or from the Ministers during the hearings. The Panel recognised that ‘value for money’ must not be forgotten in the rush to save the economy.

5. How have you mechanisms to recognise or prevent profiteering or the formation of cartels? (Targeted)

Question 6. Trade Apprenticeships

The Panel recognised that this was a perfect opportunity to encourage apprenticeships and training in all sectors of the workforce. One of the bids recognised that and proposed the re-introduction of apprenticeships in States departments. However, there appeared to be nothing to inspire the private sector to be taking on trade apprenticeships, or indeed trainees in the professional sector. In a submission to the Panel, Mr Ray Shead, President of Jersey Chamber of Commerce stated:

There is a desire to take on apprentices but the concern is that when they are trained will there be work for them in the next couple of years?

Clearly, the answer to that was speculative. The Panel considered that trade apprenticeships, internships and trainees in the professional sector were a good investment for the future and in the workforce of the Island, regardless of the recovery point of the recession. The alternative for many of the young people concerned was the risk of unemployment, reliance on Income Support and alienation from the work ethos. The bid relating to apprenticeships suggested that the integration of the staff concerned into the workforce would occur through natural wastage, as they became competent.

6. What consideration, if any, has there been to subsidize apprenticeships? (Targeted)

Question 7. Market Sectors

The Panel noted that the bids applied to very restricted sectors of the market. As 41% of the workforce was engaged by finance, legal services, wholesale and retail trade (*Jersey in Figures* 2008) it questioned why there were no direct actions for these sectors of the economy within the plan. The finance industry is considered later on in the report. The Panel was disappointed that there was only one public private partnership bid and considered that the current proposal was an ideal opportunity for such opportunities.

At the hearing with the Assistant Minister for Treasury and Resources, the Deputy Chief Executive was very clear that different sectors of the market had been considered and would be considered further as the bids went through the business and project plan stages. That assisted the Panel considerably as the majority of paperwork examined had no reference to the sectors of the market involved. Although the information would be forthcoming, the Panel asked:-

7. To which sectors of the markets do the bids apply? (Targeted)

Key Finding 9

The questions structured by the Panel remained unanswered within the documentation and Hearings with the Ministers.

<u>Finance.</u>

As raised above in question seven above, the Panel noted that there were no explicit bids for 41% of the island workforce within finance, legal services, wholesale or the retail trade.

Clearly, assessment of the future of the finance industry within the Island was difficult because so much of the management structure was outside the Island and responded to national or global influences.

On 28th April 2009, the Panel met Mr M. Foot CBE, Mr. M. Hughes and Mr. S. Johnson in relation to Mr Foot's review of British Offshore Finance Centres. The meeting in general revolved around the scope, timetable and rationale underlying Mr Foot's review, however, Mr Foot commented that 53% of the Island's Gross Value Added (GVA) came from the finance sector. He expected the recession, to have a significant impact on the shape of finance industry.

According to the ILO, the loss of lucrative financial jobs would have knock-on effects on employment in other sectors, leading to the loss of one or two other jobs for every financial sector redundancy.[3]

The Panel noted that although Jersey was on the Organisation for Economic Co-operation and Development (OECD) White List, there remained political uncertainty due to the attitude of the major governments towards what they perceive as tax avoidance.

At a hearing on 1st May 2009 with Mr Baerlocher, the Panel was made aware that not all views on the finance industry were optimistic. Notably, a more general forecast suggested the continuation of routine consolidation of staff to meet any situation was becoming established. There was further contrary anecdotal information that suggested that nothing had changed and all looked “as normal” to some banking staff. Very mixed messages for the Panel to consider.

The retail messages were also considered mixed. A recession would affect retailers because of a fall in spending power and as a result, many would find their profit margins squeezed with some leaving business. However, recessions could also lead to new businesses starting up. If the island injected money into the pockets of local people, that would filter through to the retail trade. The Panel considered such intervention appropriate. The Panel agreed that specific bids to inject money directly into the industry would have been more challenging, but it would have liked to have seen a more imaginative approach to directly encourage retail businesses.

Key Finding 10

Large sections of the workforce were not included.

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[3] International Labour Organisation. Impact of the Financial Crisis on Finance sector Workers Geneva - 25 February 2009.

11. Management, Policy and Process

Having recognised that one or more of the above seven questions applied to every bid the Panel had examined, it went on to consider the process surrounding their evaluation.

Being unable to establish how many people the bids would employ, the Panel asked about numbers of expected redundancies during the downturn. As stated in Chapter 9, forecasting is not an exact science and due to the minimal (but improving) standards of data available, it is as difficult to forecast that in Jersey as it is anywhere in the world in late spring of 2009.

The Panel received the information used above in question 3 from a direct enquiry with Social Security. Whilst understanding the Department's position and the lack of a legal requirement for individuals to register with the department as unemployed or actively seeking work, it was surprised that there were no robust employment or unemployment statistics in the Island.

Key Finding 11
There are no robust employment or unemployment figures in the Island.

Quantification of workforce

a) Internal Staff

The Panel found it difficult to accept that most departments would manage the projects within existing staffing regimes as suggested in many of the hearings. It accepted that the bids amounted to a significant increase in output of work and there was recognition that insufficient resources lead to mistakes. The suggestion that much of the work had been waiting for finance for some time, was not confirmation that manpower to manage it was going to be available from staff who were already fully employed. The finances of the projects alone would create a further burden on specific staff.

b) Sufficient Workforce

The Panel had concerns as discussed above, that the bids would overburden an insufficiently resourced workforce. There were no robust statistics upon which to make any assessment. Anecdotal evidence was available but was giving the Panel mixed messages.

c) Multipliers and Leakage

When examining the bids, the Panel repeatedly asked, how many people would this project employ? As mentioned, some of the information was made available in the documentation, some at the Hearings but some was not available at all. A good example was a bid that proposed a project worth several million pounds in total, over 90% of the investment would be spent by the second quarter of 2010 within the Island for labour, services, goods and materials. Just 9% would go off island for goods or services locally unavailable. That particular bid, quite rightly scored highly within the 'targeted' area of the 3T's. Some other projects simply did not have that level of breakdown, the money was allocated for spend off island or there appeared to be a small investment in labour and large investment in procuring goods from outside the Island.

The Panel was aware of the requirement for bids to show that they were truly high in local manpower to inject a large proportion of the money into the local economy. It was not satisfactory to simply be 'nice to have'. The expense must be proportionate to the workforce employed. Neither was it satisfactory to hide behind such jargon as 'average multipliers' and 'average leakage'.

Examination of the evaluation documents found the use of phrases such as 'Average Multiplier' and 'Average Leakage'. The Panel attempted to quantify these matters during the hearings but could not identify any firm data. The basic premise of 'multiplier' and 'leakage', which was understood from the outset by the Panel, was explained repeatedly and but there were no figures, percentages or breakdowns in many of the bids to substantiate the explanations. The Panel considered the overuse of the terms to be 'jargon' that distracted it from having any inclination to accept the bids because of the evidence it had received.

Key Finding 12
The bids and evaluation documents failed to address concerns relating to the workforce and contained large holes in the information required to be successful.

Private Bids

The Panel found only one Private Public Partnership bid but noticed a complete lack of private bids. Whilst understanding that a high degree of control was retained when such projects were States run, an ideal opportunity to inject money directly into the private sector had been missed. It was apparent from the evidence received during various hearings, that the private sector had not been sufficiently informed. The Panel considered that a process of direct injection of finance into local companies for their own projects, in a safe and controlled manner to meet the 3T's was achievable.

Key Finding 13
There was a lack of private bids

Overall considerations of the Bids.
The Panel was disappointed with the level of information contained within the bids. It could not see how any positive evaluation could be made based on the data provided. In many cases, the Panel was not reassured by talking to the Ministers during the hearings of 28th May. There was insufficient definition of the economic benefit within most of the bids. The Treasury Evaluation Team had noticed deficiencies in some of the bids and applied conditions as appropriate. The Panel concurred with the concerns that had resulted in the conditions and was reassured to some extent by their inclusion. However, the necessity for those conditions called into question the validity of the bid in the first place when it came with such sparse information.

Consequently, the Panel found itself in the unenviable position of not being comfortable supporting the methodology of the process the Treasury Department have employed because it was considered incomplete.

Key Finding 14

At the conclusion of the Public Hearings on the 28th May 2009, the Panel were minded not support the bids based on the incomplete process. Evidence received subsequently changed this view.

<u>Payment.</u>

The Panel recognised that the ‘drawing down’ of finance to cover the projects as they progressed, from a centrally held fund, was an extremely suitable method of controlling and co-ordinating the overall process and ensuring the money was being spent according to the bids. It was particularly impressed by the Housing bids, where the money requested was to be paid back once certain assets had be disposed of in accordance with current policy direction. However, concern remained about the availability of officer manpower to deal with this area.

Key Finding 15

The Panel approved of a central fund for access to drawing down funds for the successful bids on final approval.

<u>Dispersion of £44 million</u>

The Panel has recognised that nobody knows how deep the recession was to be or how long it would continue for. There was complete agreement that action should be taken to diminish the problems encountered in Jersey. In dealing with such unknowns, a question hung over the Panel, which remained unanswered:

Should all of the £44 million be spent?

The Panel found the evidence to be inconclusive and on that basis was minded to recommend that the money should not all be spent immediately.

Paperwork

The Panel expected the bids, with evaluation documentation from the Treasury Department on 26th May and as explained by the Chairman in the States during the debate of 19th May 2009, set aside three full days, the 27th to 29th May 2009 to work through the information. It became apparent that the Treasury staff had come under significant pressure to meet the timescale. Some evaluation documentations were on time, some received on the 27th, some on the 28th and one on the 29th May 2009. The Housing Department evaluation was not received at all during the Panel's deliberations.

More positively, the Panel applauded the standardisation of the Evaluation Team's documentation, which made accessing the information as easy as could be expected. The scoring system was simple but effective. The Panel initially struggled to separate the "Economic Benefit" from the "Targeted" section. It was understood that the "Economic Benefit" was supposed to factor in specifically whether there was likely to be large or small multiplier effects. As it turned out, the Economic Benefit section was one of the most useful of the sections in allowing constructive evaluation of whether the bid would meet the overall intention of the financial intervention. The comments made within the evaluations were frank, drew the Panel's attention to the less prepared sections of the work and were contained within a well-structured document. This allowed the Panel to consider that there was no intentional withholding of information from the Treasury Department, however, some documents were missing and were a surprise to the Panel when produced by the departments at the hearings. The Panel accepted that the lateness of the documentation was indicative of insufficient resources at the Treasury Department to meet what has been explained below as the 'critically tight timescale'.

Key Finding 16

Dangerously tight timescales for the whole project had created unrealistic pressures within the resources available at the Treasury Department.

Leadership

The Panel was satisfied that the Minister for Treasury and Resources was leading the whole project with personal involvement at all appropriate stages and a keen eye to progress. It further noted that the Minister had distanced himself from the evaluation process, and particularly the bids relevant to the Treasury Department's Property Holdings Department.

Having conducted numerous hearings and heard from many officers throughout the States organisation, the Panel retained some concerns over exactly who was carrying the responsibility of overall leadership. Subsequent to the hearings of the 28th May, it was established that the overall control of the economic stimulus rested with the Treasury Department although the Chief and Deputy Chief Executive Officers of the States would be taking an active part in managing its delivery.

Timeline

Clearly, a well prepared timeline had been drawn up which Treasury supplied to the Panel in April 2009. The document showed 60 tasks pinpointed in time, suggesting the final decision on the Bids would be made by the Counsel of Ministers on 10th June (Appendix C, item 51). From that point, the remaining tasks were administrative and related to setting up of accounts etc. The Panel concluded all its work with that timeline in mind.

The initial timeline set out by the Treasury to achieve the 'Timeliness' required within the plan was considered by the Panel to be dangerously over optimistic. Clearly, the Treasury had been unable to meet sections of it, particularly in supplying the evaluations to the Panel. It was apparent that the Evaluation

Team was under significant pressure. The Panel then found that the three days allocated to do its work created unrealistic pressures and allowed insufficient time for a full discussion process. To complete the work required, the Panel had only half an hour scheduled on 28th May with each Minister to discuss the bids. That was wholly inadequate but was the only way the time line could be met.

The expectation for the Panel to submit its report for Monday 1st June was not realistic considering the evaluations were supplied to the Panel (or should have been) on the 26th May.

Key finding 17
Scrutiny Panels should maintain their own timeline.

12. Conclusions

The Panel was however, able to express its concerns as laid out above to the Minister for Treasury and Resources at a hearing at 2.00 pm on Thursday 28th May. The Minster returned to the Panel later in the afternoon with information that the decision taken on 10th of June would in fact be an 'Amber Light' only. The bids would then go back to the departments concerned for detailed project plans to be produced. It would only be on receipt of the detailed project plan containing all the information that the Panel had identified to be missing, that a Ministerial Decision of a 'Green Light' would confirm the bids.

That was the first time the Panel had heard the Amber Light / Green Light scenario. It initially left the Panel concerned that there was a weak management policy line, probably induced by the tight timeline discussed above, that this Policy was adapted during the process and that insufficient time had been given to the management of the overall project.

Key Finding 18

The Minister's 'Amber / Green light process moved the goalposts.

That was further confirmed when the Director of Property Holdings who was present at the meeting, presented the Panel with a report he had written since leaving a hearing earlier in the afternoon. The report, which had been referred to above and included in full at Appendix B, was indicative of capacity of the building and construction industry, whereas the Panel were concerned with the numbers of people employed. That was, never the less, considered vital information, which seemed to only have become available as a result of the scrutiny process. That was so fundamental to the evaluation operation that it should have been available from the start of the process.

Key Finding 19

Reports containing fundamental information were being produced very late in the process.

The final meeting with the Minster and his officers on the 28th May 2009, where he responded to the problems experienced by the Panel as outlined, offered additional evidence relating to the process of evaluation, allowing the Panel more confidence in the process.

Key Finding 20

The Panel agreed that the plan should continue forward subject to the amber and green decision stages and the formation of an answerable co-ordinating body.

More positively still, the review has revealed that in a situation never before experienced in Jersey, both the Minister and the Panel were employing a two-way street of communication and information sharing, with complete openness, combined with the flexibility to respond to both problems and answers as they arose.

The Panel had no capacity to review the bids again when full project plans were available. It had intended to maintain a watching brief and would request updates from the Minister during the regular quarterly meetings or as considered necessary by the Panel.

Key Finding 21

The Panel observed that this was perhaps Scrutiny at its best, where Scrutiny detected shortcomings in a process used by the Minister and the Minister responded immediately to rectify the process.

13. Recommendation

Following work on the evaluation of the process undertaken by the Treasury, the Panel and advisor held three sessions of Public Hearings involving 30 witnesses. The Panel found itself presented by evidence that raised significant concerns at some points that the bids held insufficient information for a final decision to be made.

The apparent addition of the next phase of the appraisal of the bids, from amber to green lights, in the Ministerial decision making process, made the process acceptable to the Panel. This was only on the proviso that the questions raised by the Panel are answered in the project plans and there is a co-ordination body with sufficient power and perhaps more importantly, the time available within their general workload, to evaluate and control not just the finances but the aggregate application of the bids and the Minister regularly keeps the Panel updated on the progress of the bids.

14. Appendix A

Public Hearings held by the Corporate Services Panel during the Economic Stimulus Review.

Wednesday 8th April

Panel:

Senator S.C. Ferguson (Chairman),

Deputy C.H. Egré of St. Peter

Connétable D.J. Murphy of Grouville

Deputy M.R. Higgins of St. Helier (Finance Sub-Panel Member)

Witnesses:

Senator P.F.C. Ozouf (The Minister for Treasury and Resources)

Deputy E.J. Noel of St. Lawrence (The Assistant Minister for Treasury and Resources)

Mr. I. Black (Treasurer)

Friday 1st May 2009

Panel:

Senator S.C. Ferguson (Chairman)

Deputy T.A. Vallois of St. Saviour

Deputy M.R. Higgins of St. Helier

Dr. M. Oliver (Panel Adviser)

Witnesses:

Senator T.A. Le Sueur (The Chief Minister)

Mr. W.D. Ogley (Chief Executive)

Mr. D. Peedle (Economic Adviser)

Witnesses:

Senator P.F.C. Ozouf (The Minister for Treasury and Resources)

Deputy E.J. Noel of St. Lawrence (Assistant Minister for Treasury and Resources)

Mr. I. Black (Treasurer of the States)

Mr. D. Peedle (Economic Adviser)

Witnesses:

Senator A.J.H. Maclean (The Minister for Economic Development)

Mr. M. King (Chief Executive, Economic Development)

Mr. A. Sugden (Deputy Chief Executive, Economic Development)

Mr. D. Peedle (Economic Adviser)

Witnesses:

Mr. R. Plaster (Chairman, Skills Board)

Mr. D. Greenwood (Assistant Director of Education)

Witness:

Mr. H. Baerlocher (UBS)

Monday 11th May 2009

Panel:

Senator S.C. Ferguson (Chairman)

Deputy C.H. Egré of St. Peter (Vice Chairman)

Deputy T.A.Vallois of St. Saviour

Deputy M.R. Higgins of St. Helier

Professor M. Oliver (Panel Adviser)

Witnesses:

Mr. D. Greenwood (Assistant Director, Education, Sport and Culture)

Dr. G. Jones (Deputy Principal, Highlands College)

Witnesses:

Senator P.F.C. Ozouf (The Minister for Treasury and Resources)

Deputy E.J. Noel of St. Lawrence (Assistant Minister for Treasury and Resources)

Mr. D. Peedle (Economic Adviser)

Thursday 28th May 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

Deputy M.R. Higgins of St. Helier

Professor M. Oliver (Panel Adviser)

Witnesses:

Senator P. F. C. Ozouf (The Minister for Treasury and Resources)

Senator A. J. H. MacLean (The Minister for Economic Development)

Senator T. J. Le Main (The Minister for Housing)

Deputy K. Lewis (Assistant Minister for Transport and Technical Services)

Deputy J. G. Reed (Minister for Education, Sport and Culture)

Deputy I. J. Gorst (Minister for Social Security)

Mr R. Simmons (Managing Director of Le Quesne Builders Ltd)

Mr R. Shead (Chairman of the Chamber of Commerce)

Verbatim transcripts for all hearings are available on the Scrutiny website.

15. Appendix B

Property Holdings Briefing Note

States of Jersey

To:	The Fiscal Stimulus Scrutiny Panel	From:	The Director Jersey Property Holdings
Cc:		Date:	2 June 2009

On-Island Construction Capacity and Perceptions/Projections for 2009

1. On-Island Capacity

The on-island capacity (excluding all off-island contractors and sub-contractors) of the building construction industry in a 12 month period 1999/2000 was:-

Building construction	£130 million
Minor building works (less than £500,000)	£18 million
	£148 million

Of the £130 million approximately £39 million represented projects valued between £500,000 and £1,000,000

In addition the capacity of on-island civil engineering contractors was £12 million.

If normal inflation is added then the capacity in 2008 would have been:

Building construction	£174 million
Minor building works (less than £500,000)	£24 million
	£198 million

However, a result of supply outstripping demand over the last three years, the industry has shrunk by approximately 20%, therefore, the approximate reactive capacity in 2008 was:

Building construction	£139 million
Minor building works (less than £500,000)	£19 million
	£158 million

This potential reactive capacity was not met by a comparable demand.

To remain competitive some re-structuring has taken place and cost reduction has been achieved through reduced working margins, squeezing sub-contractors and reviewing profit margins (both obvious and undeclared).

Whilst profit margins etc. have been tightened and inflation absorbed the industry capacity has reduced relative to the inflation pressures (market deflation - i.e. absorbed inflation).

Despite this the number of contracting organisations has remained reasonably static; one major contractor has left the island and subsequently been liquidated, one medium size contractor has gone into liquidation, one existing small contractor has grown to medium size and one existing medium size contractor has grown to major size.

Although contractors/sub-contractors are not willing to divulge details they have confirmed that natural wastage (non-replacement) started in 2006, continued through to 2008 and in some cases directly employed labour/staff were laid-off in 2008.

2. Capacity available to the Public sector

In 1999/2000 approximately 50% of the available building industry capacity was absorbed by the public sector i.e. in the order of £70m

Excluding the proposed fiscal stimulus works the total States expenditure with the Jersey building industry for the period from July 2009 to June 2010 (excluding civil engineering works and any projects generated by WEB will be

Planned, routine and reactive Maintenance	£ 16 million
Minor and Major Capital Projects	£15 million
	£ 31 million

Based on licences issued under part III of RUD Law 1973 Property Holdings is aware of £20m of private sector works which will take place from July 2009 to June 2010 together with a further £37m of single developer projects. To this has been added an estimation of minor capital projects and a contingency which together amount to £7.2m giving a total estimation of the private sector works for this period of £64m

Total capacity	£158 million
Less Private sector	£ 64 million
Less Planned Public Sector	£ 31 million
Available capacity circa	£ 63 million (40%)

A more detailed assessment is included in appendix A. This shows that the spare capacity in the building sector is projected to rise from 36% in the third Quarter of 2009 to 43% and to 50% by the end of 2010.

These figures increase if the estimated expenditure of a major Single developer/contractor is excluded. Whilst this Single Developer/contractor does utilise local sub-contractors his inclusion distorts the figures in respect of the market availability for main contractors.

With the single developer figures excluded spare capacity in the market rises as follows

Quarter 3 2009	48%	£16.45m
Quarter 4 2009	58%	£19.86m
Quarter 1 2010	60%	£20.40m
Quarter 2 2010	64%	£21.84m
Quarter 3 2010	67%	£22.78m
Quarter 4 2010	69%	£23.42m

The prime period for the injection of fiscal stimulus project funds is Quarter 3 2009 to Quarter 2 2010, when the overall spare capacity in the building industry in Jersey is estimated to be £78.6m (57%)

3. Contractor/Sub-Contractor Perceptions/Projections for 2009

The following comments and interpretations are based upon information gleaned from various contractors (large and mid-range) and sub-contractors with whom we have regular contact.

The work availability at the beginning of 2008 was dire (10% - 15% of normal), however, after the slow start it picked up by the end of the year. Most of these projects will be completed March to June 2009. Presently there is little sign of any proposed work in the second half of 2009.

Translating the above into financial terms, contractors have filled 25% to 45% of their order books (largely continuing projects from 2008) but the future is unknown with most private sector proposed projects on hold. Sub-contractors appear to be in a worse position with currently running works having been "cut to the bone" and again little prospect of work beyond the middle of the year.

Contractors are experiencing many more direct contacts from sub-contractors lobbying for work. Both contractors and sub-contractors are experiencing far more cold calling from labour.

The immigrant casual labour which flooded the construction market seems to be diminishing; this is largely due to wage rates being more favourable in other localities (including the UK in mid 2008) and the non-availability of work.

Contractors and sub-contractors have already dropped their casual labour and are currently maintaining the "core" of their contract management base, tradesmen, etc., however, all are anticipating that they may be forced into a position of laying-off by the 3rd/4th quarter of 2009. The "core" of most companies represents their skill base of employees who have given loyal service over long periods of time.

Contractors are experiencing a serious slow down which they expect to bite in April 2009. Some are anticipating casualties by September 2009. One of the major contractors commented that even if work were released in the next few months it may already be too late.

The Director Jersey Property Holdings

2 June 2009

Appendix A

BUILDING CONSTRUCTION CAPACITY - 2009 / 2010 Cash Flow Projections

SUMMARY (as at May 2009)

Project Category	Jan to Mar 1st Q 2009	Apr to Jun 2nd Q 2009	Jul to Sep 3rd Q 2009	Oct to Dec 4th Q 2009	Jan to Mar 1st Q 2010	Apr to Jun 2nd Q 2010	Total 3Q 2009 to 2Q 2010	Jul to Sep 3rd Q 2010	Oct to Dec 4th Q 2010
	£	£	£	£	£	£	£	£	£
a Public Sector:-									
i) Jersey Property Holdings									
Projects commenced prior to January 2009	2,003,712	1,905,187	1,363,844	240,424			1,604,268		
Projects commenced after January 2009		201,415	392,011	739,318	866,727	800,268	2,797,524	1,471,434	2,367,905
General Maintenance	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000	1,000,000	1,000,000
Backlog Maintenance (Capital Programme)					1,000,000	1,000,000	2,000,000	1,000,000	1,000,000
ii) Health and Social Services									
Projects commenced prior to January 2009	170,326	316,286	411,054	454,602	446,839	388,067	1,700,862	277,982	176,177
iii) Economic Development (Airport)									
Projects commenced prior to January 2009	1,998,610	2,029,622	1,423,791	349,528			1,773,320		
iv) Housing									
Projects commenced prior to January 2009	3,021,024	2,120,538	296,965				296,965		
Projects commenced after January 2009	340,096	914,904	838,413	1,289,728	2,080,826	2,607,812	6,816,479	2,405,750	1,850,397
General Maintenance	1,669,125	1,669,125	1,669,125	1,669,125	1,669,125	1,669,125	6,676,500	1,669,125	1,669,125
v) Other Departments									
General Maintenance	749,250	749,250	749,250	749,250	749,250	749,250	2,997,000	749,250	749,250
Sub total Public sector	10,629,147	10,906,336	8,244,443	6,491,876	7,811,687	8,114,522	30,662,566	8,663,550	8,814,854
b Private Sector:-									
vi) Projects Licenced under RUD Law 1973 Part III									
Projects commenced prior to January 2009	6,668,077	5,505,623	4,409,134	3,210,932	2,326,298	1,398,747	11,346,411	616,662	315,440
Single Developer/Contractor Projects	3,987,710	6,141,471	7,691,262	8,607,081	8,888,923	8,536,795	33,724,061	7,550,600	6,246,617
Projects commenced after January 2009	427,066	1,807,231	3,108,056	2,688,293	1,844,472	1,234,184	8,872,005	569,289	113,179
Single Developer/Contractor Projects				487,670	1,156,208	1,728,174	3,372,060	2,203,578	2,582,415
c Private Sector Minor Works:-									
vii) (Projects less than £500,000)									
Projects commenced prior to January 2009	520,851	420,915	155,940	16,612			172,552		
Projects commenced after January 2009	327,564	394,710	292,564	393,749	270,478	72,918	1,029,726		
d Contingency for Unknown Projects:-	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000	1,500,000	1,500,000
Sub total Private sector	13,601,958	16,199,450	17,156,976	16,901,337	15,986,277	14,471,815	64,516,505	12,470,442	10,756,651
Total Anticipated Workflow (as at May 2009) A	24,231,109	27,106,286	25,401,419	23,393,313	23,797,944	22,586,337	95,179,013	21,133,992	19,571,505
Potential Total On-Island Capacity B	39,500,000	39,500,000	39,500,000	39,500,000	39,500,000	39,500,000	158,000,000	39,500,000	39,500,000
Spare Capacity (B-A) =	15,268,891	12,393,714	14,098,581	16,106,687	15,702,056	16,913,663	62,820,987	18,366,008	19,928,495
Spare Capacity Expressed as a Percentage =	39%	31%	36%	41%	40%	43%	40%	46%	50%
Total Excluding Single Developer/Contractor C	20,273,399	20,964,815	17,710,157	14,298,562	13,752,815	12,321,368	58,082,902	11,379,721	10,743,473
On-Island Capacity Excluding Single Developer D	34,160,000	34,160,000	34,160,000	34,160,000	34,160,000	34,160,000	136,640,000	34,160,000	34,160,000
Spare Capacity (D-C) =	13,886,601	13,195,185	16,449,843	19,861,438	20,407,185	21,838,632	78,557,098	22,780,279	23,416,527
Spare Capacity Expressed as a Percentage =	41%	39%	48%	58%	60%	64%	57%	67%	69%

NOTE:-

* The overall capacity includes the projects of the Single Developer/Contractor, however, the Single Developer/Contractor is creating his own market subject to his own supply and demand criteria.

* Whilst the Single Developer/Contractor utilises local sub-contractors, labour, etc. his inclusion distorts the figures in respect of the market availability for other Main Contractors.

* Therefore, the effect of excluding the Single Developer/Contractor from the cash flow projections and the potential total on-island capacity has been indicated separately.

16. Appendix C

ID	% Complete	Task Name	Duration	Start	Finish	Predecessors
1	100%	R & P agreed by CoM	0 days	Fri 03/04/09	Fri 03/04/09	
2	100%	CSP receives R & P and supporting papers	0 days	Fri 03/04/09	Fri 03/04/09	
3	100%	Paperwork for department bids prepared	2.5 days	Mon 06/04/09	Wed 08/04/09	
4	100%	Bid paperwork approved by Economic Adviser, Treasurer and TRM	0.25 days	Wed 08/04/09	Wed 08/04/09	3
5	100%	Bid papers issued to Departments	0.25 days	Wed 08/04/09	Wed 08/04/09	4
6	100%	Prepare Covering letter for bid paperwork to CSP	0.25 days	Wed 08/04/09	Wed 08/04/09	4
7	100%	Bid paperwork issued to CSP	0.25 days	Wed 08/04/09	Wed 08/04/09	6SS
8	100%	R & P lodged by TRM	0 days	Thu 09/04/09	Thu 09/04/09	
9	80%	Advice and guidance to Departments on completing the paperwork	15 days	Thu 09/04/09	Fri 01/05/09	5
10	100%	Meet with Paul Redfern re QA consultant contract	1 day?	Wed 15/04/09	Wed 15/04/09	
11	100%	Meet with Andrew Sugden re work done so far	0.1 days	Wed 15/04/09	Wed 15/04/09	
12	80%	Early bids being received window. Issue for evaluation. Issue to CSP	15 days	Thu 09/04/09	Fri 01/05/09	5
13	90%	Arrange QA contract	8 days	Wed 15/04/09	Fri 24/04/09	
14	100%	Review eval'n criteria and method	5 days?	Mon 20/04/09	Fri 24/04/09	
15	100%	Interview QA Consultant 1	1 day?	Thu 23/04/09	Thu 23/04/09	
16	100%	Interview QA Consultant 2	0.5 days	Fri 24/04/09	Fri 24/04/09	
17	100%	Issue papers for 28/4 meeting	0.5 days	Fri 24/04/09	Fri 24/04/09	16
18	100%	Early bids being QAd/scored window - clear, timed deliverables for monitoring	3 days	Mon 27/04/09	Wed 29/04/09	13
19	100%	Meeting of ET (no Chief Exec) to agree criteria, weightings, scoring methods etc	0.1 days	Tue 28/04/09	Tue 28/04/09	
20	50%	Make adjustments to scoring method etc	1.5 days	Tue 28/04/09	Wed 29/04/09	19
21	0%	Issue results of 28/4 meeting (criteria etc) to ET for 30/4 meeting	0.1 days	Wed 29/04/09	Wed 29/04/09	20
22	100%	Early QAd/scored bids prepared for ET	1 day	Wed 29/04/09	Wed 29/04/09	21
23	50%	Draw up and agree procedure on the receipt of bids	1 day?	Wed 29/04/09	Thu 30/04/09	21
24	0%	Meeting of ET 12-12:30 - confirm criteria, scoring system & plan	0.04 days	Thu 30/04/09	Thu 30/04/09	18
25	0%	Send agreed plan to CSP with explanatory covering letter	0.1 days	Thu 30/04/09	Thu 30/04/09	24
26	0%	TRM public hearing with CSP	1 day?	Fri 01/05/09	Fri 01/05/09	
27	0%	Deadline for receipt of Phase 1 bids	0 days	Fri 01/05/09	Fri 01/05/09	
28	0%	Balance of bids received	1 day	Fri 01/05/09	Fri 01/05/09	27
29	0%	Balance of bids being QAd/scored window - clear, timed deliverables for monitor	9 days	Tue 05/05/09	Fri 15/05/09	28
30	0%	Balance of bids to CSP	9 days	Wed 06/05/09	Mon 18/05/09	29SS+1 day

Project: Discretionary Fiscal Stimulus
Date: Wed 29/04/09

Task	Milestone	External Tasks
Split	Summary	External Milestone
Progress	Project Summary	Deadline

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ID	% Complete	Task Name	Duration	Start	Finish	Predecessors
31	0%	Balance of bids prepared for ET	8 days	Wed 06/05/09	Fri 15/05/09	29SS+1 day
32	0%	Meeting of ET (no Proj Mgr) 10:00-11:00	0.1 days	Wed 06/05/09	Wed 06/05/09	
33	0%	Meeting of ET (no Proj Mgr) 16:00-17:00	0.1 days	Fri 08/05/09	Fri 08/05/09	
34	0%	Meeting of ET (no Proj Mgr) 11:00-12:00	0.1 days	Tue 12/05/09	Tue 12/05/09	
35	0%	Meeting of ET 10:00-12:00	0.25 days	Fri 15/05/09	Fri 15/05/09	
36	0%	Final meeting of ET 13:00-14:00 (no further slots are available in diaries)	0.1 days	Mon 18/05/09	Mon 18/05/09	
37	0%	States debate R & P	0 days	Tue 19/05/09	Tue 19/05/09	
38	0%	Prepare recommendations paperwork for TRM, CoM and CSP	2.5 days	Tue 19/05/09	Thu 21/05/09	36,37
39	0%	Completion date for evaluation of bids	0 days	Fri 22/05/09	Fri 22/05/09	
40	0%	TRM receives recommendations from ET	1 day?	Tue 26/05/09	Tue 26/05/09	38
41	0%	CoM receives recommendations from ET	1 day?	Tue 26/05/09	Tue 26/05/09	38
42	0%	CSP receives recommendations from ET	1 day?	Tue 26/05/09	Tue 26/05/09	38
43	0%	CSP reviews recommendations from ET	3 days	Wed 27/05/09	Fri 29/05/09	42
44	0%	TRM receives advice from CSP	0 days	Fri 29/05/09	Fri 29/05/09	43
45	0%	TRM finalises initial proposals	0.25 days	Mon 01/06/09	Mon 01/06/09	44
46	0%	Prepare TRM initial proposals paperwork for CoM and CSP	0.5 days	Mon 01/06/09	Mon 01/06/09	45
47	0%	CoM receives TRM initial proposals	0.25 days	Mon 01/06/09	Mon 01/06/09	46
48	0%	CSP receives TRM initial proposals for comment	0.25 days	Mon 01/06/09	Mon 01/06/09	45
49	0%	CSP reviews initial proposals	7 days	Mon 01/06/09	Wed 10/06/09	48
50	0%	Final comments from CSP on TRM proposals	0 days	Wed 10/06/09	Wed 10/06/09	49
51	0%	CoM agrees proposals	1 day?	Thu 11/06/09	Thu 11/06/09	50
52	0%	Set up accounts	0.5 days	Fri 12/06/09	Fri 12/06/09	51
53	0%	Set out conditions for withdrawing funding	1 day?	Fri 12/06/09	Mon 15/06/09	51,52
54	0%	Allocation of funds	0.5 days	Mon 15/06/09	Mon 15/06/09	53
55	0%	Set up a reporting regime	1 day?	Tue 16/06/09	Tue 16/06/09	54
56	0%	Set up a monitoring regime	1 day?	Tue 16/06/09	Tue 16/06/09	54
57	0%	Implementation of stimulus package begins	0 days	Mon 15/06/09	Mon 15/06/09	54
58	0%	Monitoring of implementation by ET	124 days	Tue 14/07/09	Fri 01/01/10	57SS+20 days
59	0%	Set up fiscal stimulus post-implementation review	1 day?	Mon 04/01/10	Mon 04/01/10	58
60	0%	Implementation of stimulus package ends	0 days	Mon 04/01/10	Mon 04/01/10	59

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Split	Summary	External Milestone
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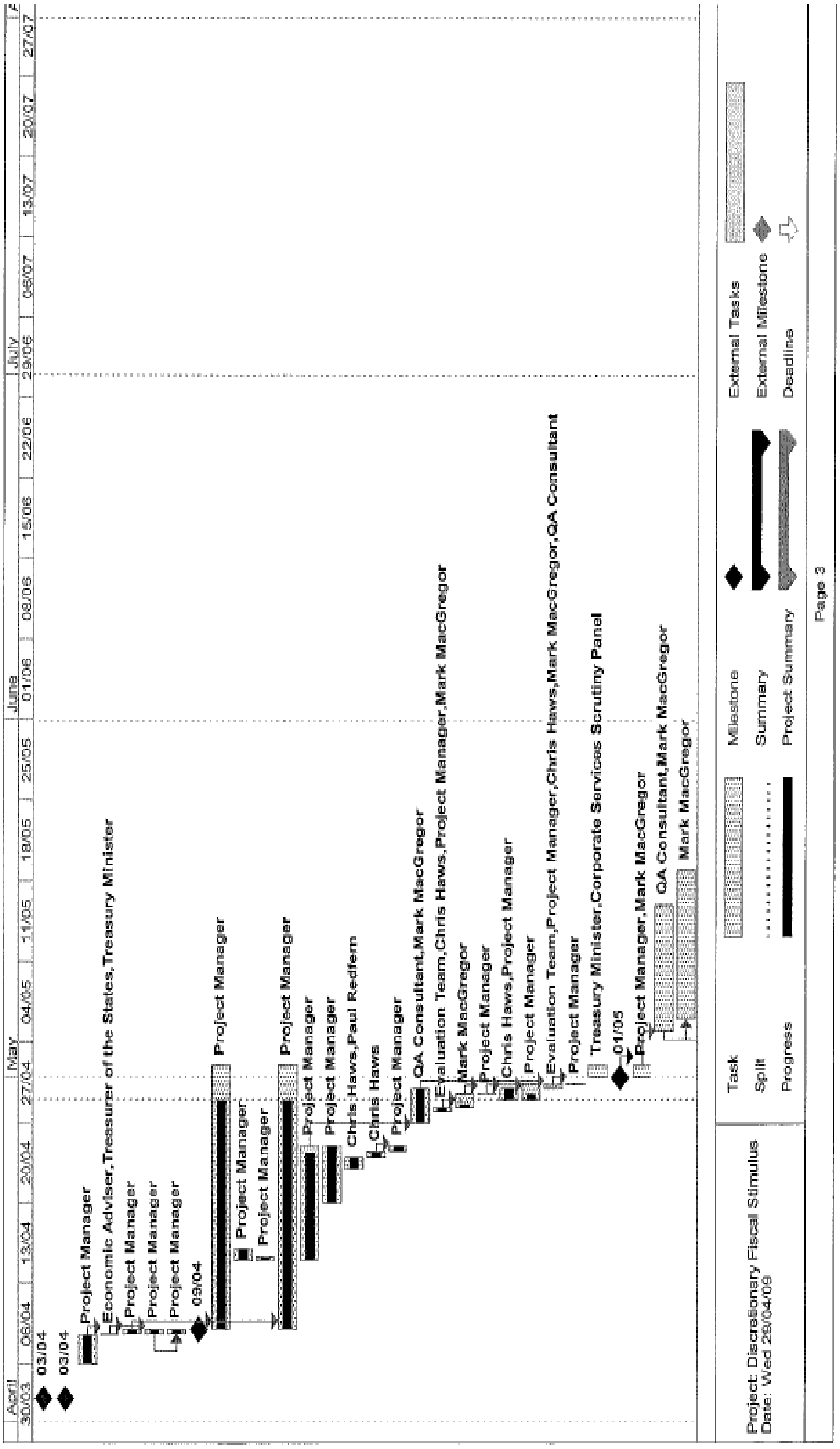

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Project Manager
Economic Adviser,Treasurer of the States,Treasury Minister
Project Manager
Project Manager
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Project Manager
Chris Haws,Paul Redfern
Chris Haws
Project Manager
QA Consultant,Mark MacGregor
Evaluation Team,Chris Haws,Project Manager,Mark MacGregor
Mark MacGregor
Project Manager
Chris Haws,Project Manager
Project Manager
Evaluation Team,Project Manager,Chris Haws,Mark MacGregor,QA Consultant
Project Manager
Treasury Minister,Corporate Services Scrutiny Panel
01/05
Project Manager,Mark MacGregor
QA Consultant,Mark MacGregor
Mark MacGregor
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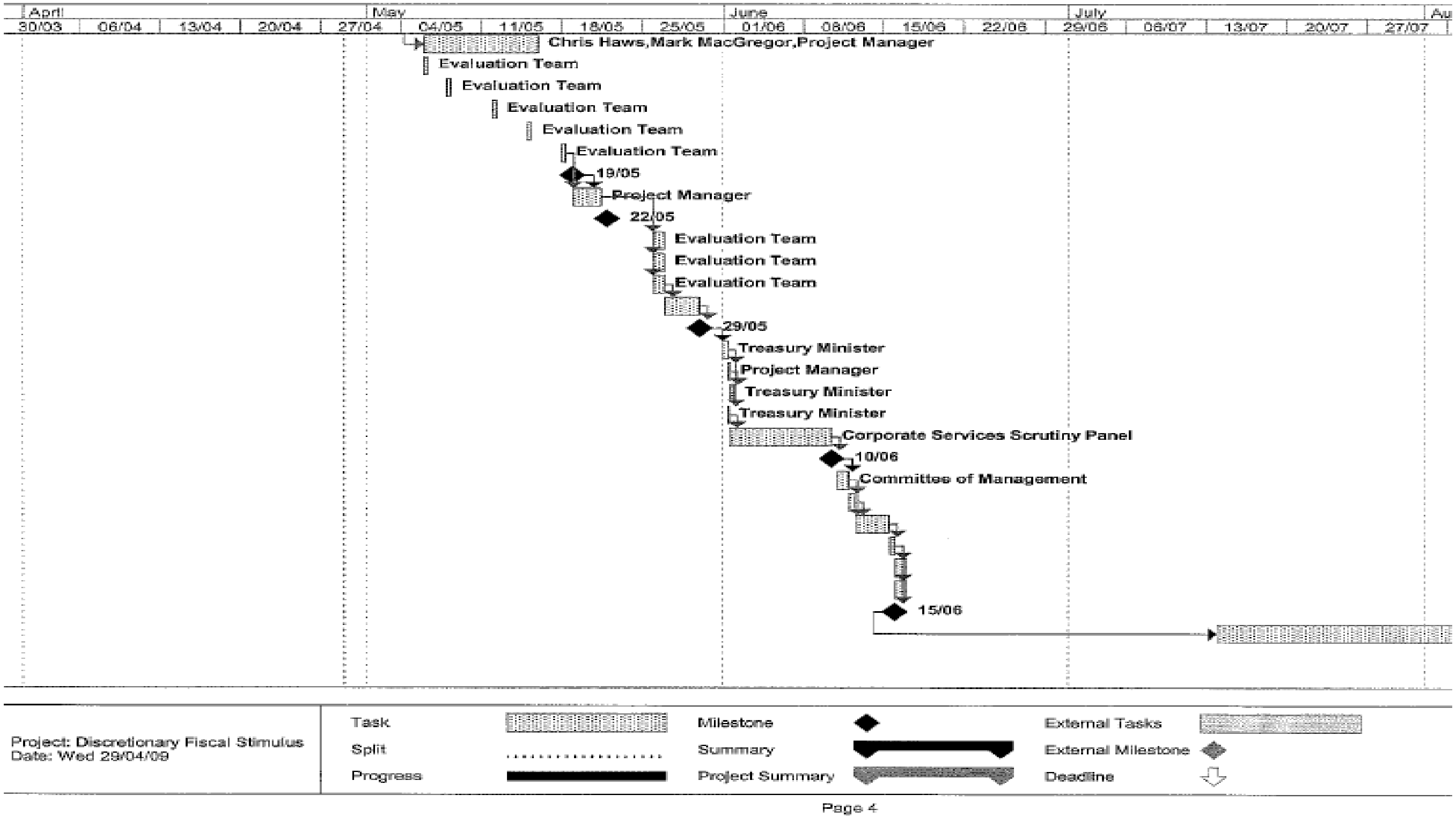
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Chris Haws,Mark MacGregor,Project Manager
Evaluation Team
Evaluation Team
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Project Manager
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Treasury Minister
Project Manager
Treasury Minister
Treasury Minister
Corporate Services Scrutiny Panel
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Committee of Management
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17. Appendix D

Report from Professor Oliver.

I took an active part in scrutinising the Economic Stimulus Plan (ESP) and read all the bids and participated in all but one of the public and private hearings. I have also participated in drafting the final report but would like to take this opportunity to offer a few observations under three heads.

<u>Fiscal Policy</u>

1. Fiscal policy involves the government manipulating the level of government expenditure and/or rates of tax so as to affect the level of aggregate demand. Fiscal policy is one part of a demand-side policy (the other part is monetary policy) and whilst it is important to place emphasis on the problems created by deficient or excessive aggregate demand, the causes of unemployment, slower growth and inflation lie on the supply-side and require an alternative policy approach.

2. Government expenditure and taxation usually has the effect of automatically stabilising the economy. In times of economic growth, as national income rises, the amount of tax households and firms pay automatically rises. The rise in taxation helps to damp down the rise in national income. Some government expenditure has a similar effect: total government expenditure on unemployment benefits will fall if rises in national income cause a fall in unemployment. This again has the effect of dampening the rise in national income. Conversely, in a recession, as national income falls the amount of tax households and firms pay automatically falls and this helps to bolster the fall in national income. Concomitantly, government expenditure on unemployment benefits will rise, as a fall in national income causes an increase in unemployment. This has the effect of counteracting some of the fall in national income.

3. Automatic stabilisers cannot prevent fluctuations in national income; they can only reduce their magnitude. If there is a fundamental disequilibrium in the economy or substantial fluctuations in national income, these automatic stabilisers will not be enough and a government may choose to alter the level of government expenditure or the rates of taxation. This is known as discretionary fiscal policy.

4. If government expenditure on goods and services (e.g. roads, health care, education) is raised, this will create a full multiplied rise in national income, as all the money gets spent and it goes to boosting total demand. Cutting taxes (or increasing benefits) has a smaller effect on national income than raising government expenditure on goods and services by the same amount. This is because cutting taxes increases peoples' disposable incomes, of which only part will be spent (the rest will be saved or spent on imports of goods and services).

5. The inappropriate use of discretionary fiscal policy has led to many problems in the past. Economists have also been reconsidering the effectiveness of fiscal policy over the past thirty years. The two broad problems associated with using fiscal policy to manage the economy are (i) problems of magnitude (e.g. predicting the effect of changes in government expenditure; predicting the effect of change in taxes and predicting the resulting multiplied effect on national income) and (ii) the problems of timing (implementing fiscal policy can involve considerable time lags). Recognising these difficulties, economists have devised numerous rules to discourage politicians from implementing active fiscal policy (e.g. the Labour government's 'golden rule' that over the economic cycle, the government will only borrow to invest and not to fund current spending). Until the recent recession, many economists believed that a more rigorous rules-based approach to demand-side policy (both monetary and fiscal) had led to better policy outcomes.

An Economic Stimulus Package

1. Writing in the *Financial Times* in January 2008, the former US Secretary of the Treasury, Lawrence Summers, argued that because of the depth of the recession facing the US, there was now a ‘compelling case for the President and Congress to create a programme of fiscal stimulus to the US economy’.[4] Acknowledging that a ‘poorly provided fiscal stimulus can have worse side effects than the disease that is to be cured’, Summers’ urged policymakers to work on a $50bn-$75bn package which would be temporary, timed and targeted (the “three T’s”). Following the lead of the US, other countries began to undertake fiscal stimuli. In November 2008, the Chancellor of the Exchequer, Alistair Darling, introduced a £20bn stimulus package. The European Commission argued that there should be a €200bn European-wide fiscal stimulus plan (the equivalent of 1.5% of GDP). Despite the criticism of the German finance minister, Peer Steinbrück, who rejected the UK’s governments plan as ‘crass Keynesianism’, there did appear to be more of a consensus that a looming global recession strengthened the case for a fiscal stimulus.

2. By March 2009, however, the Governor of the Bank of England, Mervyn King, warned in oral evidence to the Treasury select committee that given the size of the UK’s budget deficit, it ‘would be sensible to be cautious about going further in using discretionary measures to expand the size of those deficits’. It is also worth adding that after Lawrence Summers’ call for a US fiscal stimulus, several distinguished economists pointed out the shortcomings with the idea of a stimulus on the *Financial Times* ‘Economist Forum’ website. Three quotes are worth highlighting:

‘Supporting economies by fiscal expansion in the short term without thinking of the long term makes no more sense than doing so by generating private-sector credit and house price booms. In both cases the question of how to handle the debt burden needs to be addressed.’

[4] ‘Why America must have a fiscal stimulus’, *Financial Times*, 6 Jan. 2008.

Martin Weale, Director, National Institute of Economic and Social Research

'As always, Summers's argument is constructed very carefully and is based on solid economics. He is clear to enunciate what we might call the three "T's" of fiscal stabilization policy: Timely, Targeted, and Temporary. This is solid economics. For better or worse, however, economists do not run fiscal policy; politicians do. <u>Can we really expect politicians to follow the three T's? I doubt it</u>.'

Stephen G. Cecchetti, Barbara and Richard M. Rosenberg Professor of Global Finance, Brandeis University.

'Would the proposed tax cut actually boost private consumption materially? First, the amounts proposed are tiny. US GDP is around $14,000bn. The $50bn-$75bn proposed by Larry would be 0.36 per cent to 0.54 per cent of GDP. Rubin's proposal amounts to all of 0.67 per cent of GDP. By no means all of these tax cuts would end up with liquidity-constrained households. Of the part that does, the combined marginal tax and benefit-withdrawal leakage and the marginal import leakage (plus any marginal saving leakage the liquidity-constrained consumers may possess) make for a smallish Keynesian multiplier. So any stimulus would be small. A good thing from my perspective but a bad thing from Larry's and Robert Rubin's. And that assumes away both the "inside lags" or policy formulation, adoption and implementation lags, and the "outside lags" between the implementation of the tax cut and its effects on spending, production and employment. These lags are long, variable and uncertain. <u>They are the reason discretionary fiscal policy to fine-tune the business cycle has been abandoned in most of the thinking world</u>.

Willem Buiter, Professor of European Political Economy, European Institute, London School of Economics and Political Science

3. Finally, with respect to monetary policy, it should be noted that the US and the UK have pursued a policy of quantitative easing in the current downturn. Some economists believe that monetary easing has several advantages over fiscal easing.[5]

The Economic Stimulus Package in Jersey

1. Jersey cannot respond to demand shocks with monetary policy. The authorities have two levers at their disposal to affect the economy: physical controls and fiscal policy. Physical controls (e.g. Regulation of Undertakings and Development (Jersey) Law 1973 and Housing (Jersey) Law 1949) have been an important pillar in regulating and managing demand on the resources of the Island and protecting the integrity of the Island in commercial and financial matters. Following dissatisfaction with the existing structure for fiscal policy, the States of Jersey agreed a new fiscal framework (P133/2006) in October 2006. One of the three objectives was to make fiscal policy overall more counter-cyclical and manage revenue streams in a manner that enhances economic performance. The new framework also incorporates and defines the functions of the Stabilisation Fund and Strategic Reserve and defines the role of the Fiscal Policy Panel (FPP).

2. The scale of the proposed fiscal stimulus in Jersey, of just over 1 percent of GVA, is unprecedented and it could be argued that it reflects a good deal of social learning by policymakers since the recession of the early 2000s. The premise of the ESP is that the Jersey economy will most likely experience a contraction in GVA during the next two years.

3. Governments in the UK, like most governments around the world, typically run annual budget deficits (in other words, central government expenditure is greater than income receipts). Historically, Jersey has not run

[5] For example, see Gordon Pepper and Michael J. Oliver, 'Now is the time for quantitative easing', *Parliamentary Brie*f, April 2009, pp. 28-30.

budget deficits. Moreover, since the introduction of the Stabilisation Fund, policymakers have been in the fortunate position of being able to draw down this money in the event of a recession without having to resort to borrowing or raising taxes in the short-term.

4. Given some of the issues raised above about the problems surrounding fiscal policy, the following points are worth bearing in mind:

- The Fiscal Policy Panel (FPP) has endorsed the use of discretionary fiscal policy as part of the ESP. The FPP have argued that any fiscal stimulus has to meet the three T's but they have not publicly commented on the efficacy of individual bids which make up the ESP.

- The political economy of Jersey is no different to any other advanced economy. For example, although the FPP recommended in mid-2008 that the 2009 Business Plan and Budget should, if possible, avoid taking decisions that undermine the tax base or increase expenditure at a rate above that currently forecast, the States approved a number of amendments which permanently reduced income and increased expenditure by approximately £10m a year. In addition a couple of smaller amendments were made to the 2009 Budget that also permanently weakened the States financial position. What makes for good economics does not necessarily make for good politics, as Professor Cecchetti's comments above make clear.

- The assessment that the Jersey economy is facing a significant slowdown has been based on a mixture of qualitative and quantitative evidence. The Panel received some qualitative evidence that certain sectors of the economy were currently experiencing problems or were likely to face significant problems in the near term. Insofar as quantitative evidence is concerned, the robustness of the data which is being used to justify the ESP is not without a large number of caveats (see the Economic Adviser's oral evidence to the Panel on 1st May).

• The FPP noted in its 2009 Annual Report that there was a 'significant probability that the slowdown will last longer than two years'. If this does turn out to be the case and the Stabilisation Fund is exhausted, then further boosts to aggregate demand will require the authorities to drawn down from the Strategic Reserve or borrow from the money markets.

• If fiscal policy is to be sustainable it requires setting expenditure programmes and tax rates so as to ensure that over the medium term expenditures are covered by tax revenues. As the FPP note, sustainability requires the avoidance of structural deficits in the medium term. In the medium-term, the Island is facing a structural deficit. The scale of the structural deficit was initially downplayed in oral evidence given by Treasury officials on the 1st May, but following the FPP's annual report on 5th May, which urged policymakers to begin immediate planning for the deficit, the Panel was assured that contingencies to address the structural deficit were being considered.

5. Finally, in relation to the bids which form the ESP, it should be noted that:

• The Panel was asked to examine the bids in a very tight timescale. This did not allow the sort of in-depth discussions typical of the usual scrutiny process but the Panel did probe all the bids in a very rigorous manner.

• Many of the bids did not contain enough detail to justify a positive evaluation by the Evaluation Team. It is assumed that in some cases, the Evaluation Team received extra information that the Panel did not see. The justification of specific bids by several witnesses in oral evidence was also weak.

• The majority of the bids were related to building and construction. Little direct stimulus was planned for a large section of the Jersey workforce. If the recession persists and occurs within the Island's dominant industry, it is unclear what contingencies the authorities have in place to address the fall-out in employment.

- Given the Evaluation Team placed considerable emphasis on the positive multiplier effects of the stimulus in each of the bids, it was curious that when asked, no witness could give a value for the multiplier. Equally, given that import penetration will inevitably occur because of the fiscal stimulus, improved data on trade would be useful in future.