

## **PRIVATE SECTOR TASKFORCE**

Sunday, 15 March 2020

The Cook Islands faces economic and social disruption on a scale that is without precedent. International border restrictions and closures in response to the Covid-19 pandemic are already impacting tourism with cancellations today growing at an alarming pace.

We urge a robust Government intervention to ensure the maintenance of business confidence while at the same time paving the way to the resumption of visitor flows once the health emergency has passed.

In the absence of a comprehensive economic package, businesses and individuals will begin unilateral defensive actions that will result in large scale layoffs and business closures. The consequent loss of both financial and human capital - if not minimised - will severely handicap any future economic recovery.

The impact of a large-scale loss of population on the Country's morale and economy was amply demonstrated in 1997 and without intervention, a repeat on an even larger scale would threaten the future viability of the Country.

There is no obvious soft landing. A collective 'whole of country' approach will be fundamental to the success of the actions taken now and in the coming months.

A 'whole of country' approach requires the Government to lead not only the response to the immediate health emergency, but also the economic emergency that will inevitably follow.

The Chamber of Commerce in conjunction with the Cook Islands Tourism Council has formed the Private Sector Task Force to assist Government and the private sector businesses through coordination and representation of all Cook Islands businesses, including the self-employed.

### **WHAT WE KNOW**

- Visitor spending averages some \$5.5 million per week – from which flows the ability to meet both the Private Sector and Public Sector payrolls as well as the delivery of public goods and services.
- A three-month (90 day) hiatus will result with an economic loss to the Country approaching \$100m of which some \$40m will be in payroll alone.
- Visitors from all markets are already cancelling and deferring bookings creating significant cash-flow disruption to Cook Islands businesses

- On-line Travel Agency's such as Booking.com and Expedia are enforcing 'changed circumstances' to force cancellations and full refunds are required to be paid by tourism operators, placing further stress on cash-flows.
- New Zealand's Prime Minister has advised the New Zealand public that all unnecessary travel should be cancelled
- Employers' in NZ are advising staff they will not be supported if they choose to travel overseas now
- Most European countries are in lockdown and routes to Rarotonga are now not available.
- European bookings must be fully refunded under EU law

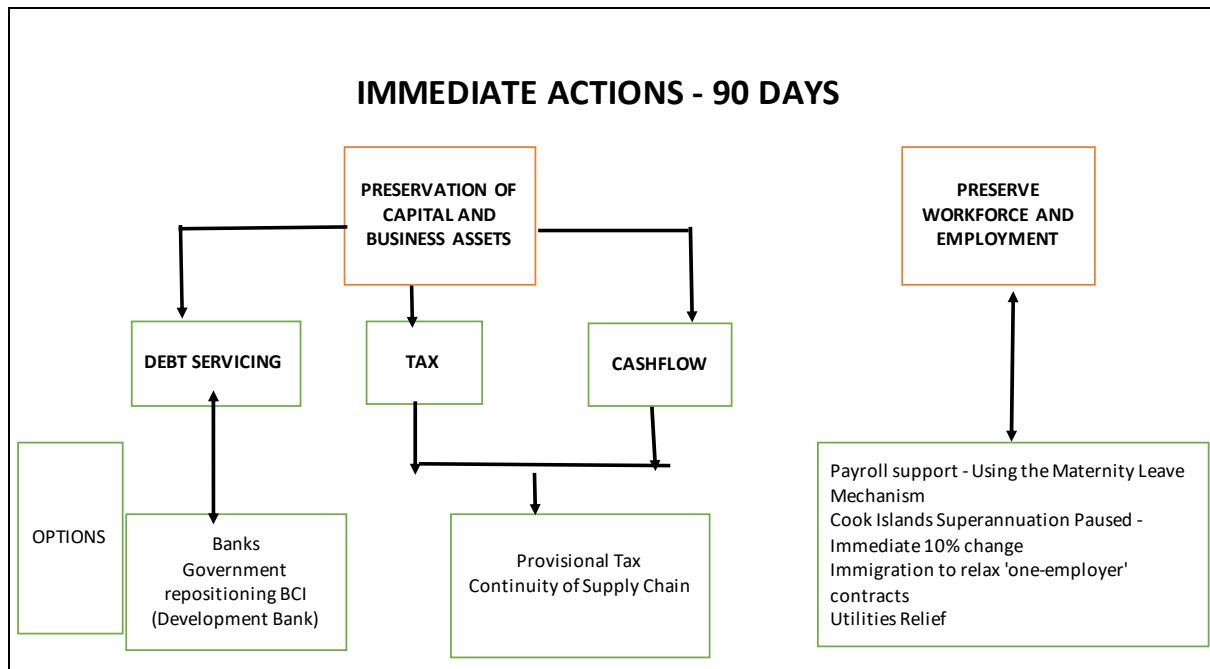
### **IMMEDIATE IMPACTS:**

- A four-day week has already been imposed from Monday next week by a large employer. Others are contemplating their actions - including redundancies - over this weekend.
- While NZ are 'protecting' the Pacific Islands by enforcing a 14 day stand down before travel to the Pacific, the effect of this requirement in conjunction with the travel advisory will severely limit and inevitably stop visitor arrivals from NZ
- A substantial percentage of some 7,000 Public and Private Sector employees in the Cook Islands face at least temporary unemployment
- Cancellations/refunds combined with severely diminished new bookings will mean negative cash flows for most businesses.
- Repercussions for downstream service providers e.g. employment of trade services will dry up immediately
- Individual Government Ministries have already made decisions impacting on the continuation of business as usual e.g. Ministry of Justice preventing landowner meetings.

### **IMMEDIATE ACTIONS – 90 DAYS:**

The diagram highlights areas to be considered if the economy is to bounce back. The key elements are:

1. Ensuring businesses are able to preserve capital and resume operations once the virus has been contained globally and the world is back to normal
2. Ensuring there is sufficient workforce remaining in the Cook Islands to resume employment.
3. Using 'downtime' to upgrade public and tourism infrastructure to provide employment as well as an enhanced tourism destination proposition.



### **DEBT SERVICING**

- Government provides low/zero interest capital via BCI to enable maintenance to be brought forward for tourism operators
- Banks to release packages that enables principal and interest holidays on debt

### **TAX & CASHFLOW**

- Maintain all existing tax structures except for the deferral of the provision tax payments due June 2020

### **PRESERVE WORKFORCE AND EMPLOYMENT**

- Government to consider the impacts on the whole workforce – options include minimum wage to be paid to all those that lose their jobs as the result of the sharp downturn. (e.g. 5,000 x Min Wage \$300 for 90 days \$18 million)
- Payroll support – pay minimum wage as above to redundant workers using the Maternity Benefit mechanism
- Pause CINSF payments for both employers and employees for 90 days
- Enable workers on Visa's to change employers and/or other work requirements
- Provide a credit per domestic dwelling for power for first 150 kw per month

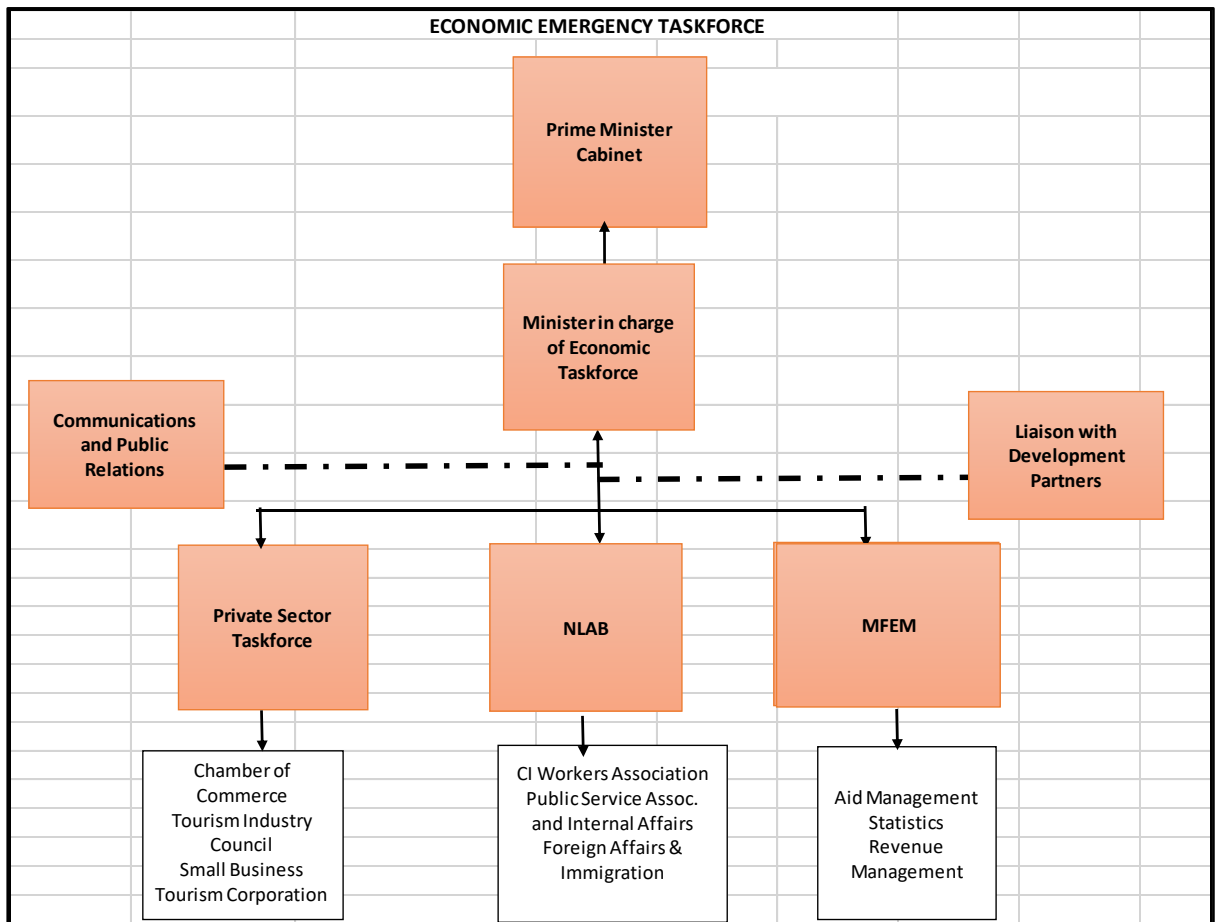
### **STIMULUS PACKAGE AND PRODUCTIVE WORK OPTIONS**

Productive work options that will mitigate the payroll support cost and result in upgraded public and tourism infrastructure and enhance future tourism earnings are tabulated below:

- Government must accelerate Rarotonga Infrastructure Projects – ensuring work is continued will have a flow on effect for the workforce and cashflow to businesses

- Tourism Accommodation and Plant via incentivised loans and accelerated depreciation will ensure, existing employees have work, service industry, electricians and plumbers, have work, and the tourism plant and buildings are ready for when visitors return.
- Superannuation withdrawals – allow people to draw down a % of savings

**OVERARCHING MANAGEMENT STRUCTURE**



**PRIVATE SECTOR TASKFORCE**

The Chamber along with BTIB are hosting the Private Sector Taskforce office (formerly the BTIB Training Room). This office will host a call centre to allow **ALL BUSINESSES** to access the latest resources and information pertaining to the COVID19 crisis, as it relates to the private sector and business continuity and assist Government to deliver economic relief packages when decided.

The Taskforce office:

1. Three staff intermittently who will support the office and provide the necessary support to businesses
2. Secured commitment from BTIB for some seconded staff to assist as required

3. Drafted a series of likely questions from businesses, with a view to securing current answers to these questions, for the purpose of populating a help-desk script.
4. Discussed with Vodafone the options for a call centre, and recommend the use of their hosted auto-attendant service ("For CoronaVirus business advice, press 1 for finance, press 2 for employment.....")  
It is likely the service will have the facility to provide auto-attendant transfer calls to dedicated cell phones, one per area
5. The telephone call centre will go live early next week.

It is noted that this office requires support and funding to maintain ongoing services.