

2.3 Deputy G.P. Southern of St. Helier of the Minister for Treasury and Resources regarding public spending cuts and redundancies:

What research, if any, has the Minister undertaken into the likelihood of public sector spending cuts and redundancies triggering further job losses in those private sector companies which rely on public sector contracts, as suggested in the PricewaterhouseCoopers report on similar U.K. public sector proposals?

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

The PricewaterhouseCoopers report highlights that the U.K. Government is planning a fiscal squeeze of in the region of 6.3 per cent of G.D.P. (Gross Domestic Product). The vast majority of which is focused on public sector cuts. Jersey's £65 million worth of targeted savings are equivalent to 1.8 per cent of G.V.A. (Gross Value Added), significantly less than that in the U.K. and the fiscal consolidation required in many other countries. By taking the approach that the Council of Ministers has taken, we are planning to minimise the damage to the economy as a whole, including the private sector. To remind the Deputy there is a 3-part plan; comprehensive spending review savings to be achieved as far as possible through efficiencies and providing services differently without significant impact on frontline services. Any tax increases to be phased in and done in a way which maintains the competitiveness of the Island. Thirdly, to promote growth. As I previously said, I will consider all ways we can do to minimise adverse impacts on our proposals to individuals and the private sector and the economy as a whole. Tackling the deficit is, however, essential to maintain our stability, our economic growth in the long term and keeping taxes low.

2.3.1 Deputy G.P. Southern:

Supplementary, if I may. What a lot of words, none of them directed at the question. What research, was the question, has the Minister done into the likelihood, as I suggest and they have suggested in PricewaterhouseCoopers, of knock-on effects in the private sector? In particular does the Minister have a figure for how much public sector spend is spent in the private sector on goods and services, thereby propping up the economy? If he does not have such a figure, why not?

Senator P.F.C. Ozouf:

I am not a left-wing individual of a view like the Deputy. The Deputy says that there is a comparison with the U.K. I need to remind him that the percentage of the fiscal consolidation, while necessary in Jersey, is significantly less. Therefore, it will effectively be significantly less on the private sector. If he is worried about the private sector, then he will want to join me in supporting measures to deal with the deficit in the 3-year period that we have set out.

2.3.2 The Deputy of St. Mary:

The Minister for Treasury and Resources has just informed us that our situation is quite different from that of the U.K. and in fact we are in less of a pickle. In that case, why are we proceeding down the same path?

Senator P.F.C. Ozouf:

Jersey is in a strong position with an excess of £560 million in the Strategic Reserve, at least half as much again in investments and assets. But there is a "but". In the last 2 years we will have spent in the region of £156 million from the Stabilisation Fund.

That is an investment in the Island community throughout the downturn and must be corrected. We cannot continue on this path.

2.3.3 Deputy M. Tadier of St. Brelade:

The Minister mentioned a moment ago that he was keen to keep taxes low. Will he extend that to an invitation to keep taxes low to average earners and those below, to keep it at the same rate ... percentage that 1(1)(k)s pay, perhaps?

Senator P.F.C. Ozouf:

I will be saying some things in relation to 1(1)(k)s in the speech that I hope that the Deputy will be coming to on Friday, and again in the budget speech in the first week of December, where there will be further reports on 1(1)(k)s that will be made. Having said that, 1(1)(k)s, I would remind the Deputy, are a significant economic contributor to the Island and if we did not have them G.S.T. (Goods and Services Tax) would be at least 1 per cent higher.

2.3.4 Deputy M. Tadier:

It is a shame, because members of the public who are listening on the radio will not be able to attend the meeting on Friday, so would the Minister answer the question, whether ordinary members of the public will have the luxury of paying the same percentage tax as 1(1)(k)s and if not why not?

The Deputy Bailiff:

I allowed the question to be put the first time round, but it has nothing to do with the question which Deputy Southern has put, so I rule this out.

2.3.5 Deputy M.R. Higgins:

Has the Minister for Treasury and Resources got any estimates as to the impact that the cuts on the public sector are going to have on the private sector? After all, the private sector relies on public sector spending in the Island. Therefore any substantial reduction in public sector spending will definitely have an impact on the private sector. What are the estimates?

Senator P.F.C. Ozouf:

I am not about to explain to the Assembly today what is going to be in the announcements that are going to be made later on this week. Suffice it to say that the Deputy can conclude that a number of things from the statements have already been made. That is that the Council of Ministers is targeting £65 million worth of spending reductions by 2013, that there are £14 million within the £65 million, which are designed to deliver reductions in terms of the manpower terms and conditions and there is a ... and I am happy to debate with the Deputy after Friday exactly what the impact of the millions of pounds that will be taken effectively from reduced spending in the private sector. But I would hope that in accepting that there will be a reduction that the best way in order for the private sector to return to growth is to promote policies to promote economic growth. That is the way that we keep the private sector buoyant and in jobs, not by providing public subsidy in the manner which I think is being attempted to be drawn out.

2.3.6 Deputy M.R. Higgins:

Supplementary, Sir. Does he realise that public spending cuts have an effect of reducing growth? Unless the public sector is coming in with spending, other than

from the public sector to replace the shortfall, there will be a reduction in expenditure in the Island.

Senator P.F.C. Ozouf:

There is going to be a reduction in spending in the Island as a result of the fiscal consolidation for Jersey, and I cannot avoid that. But it is important that the Deputy thinks longer term. What is in the long term interest of the private sector? He is suggesting we should have invested in the economy in the downturn. We have put £44 million worth of fiscal stimulus. We are proposing to withdraw money from the economy when the economy is going to grow, which needs planning within the next 3 years.

2.3.7 Deputy G.P. Southern:

Can the Minister point to one issue on which he has promoted any growth in the economy? Will he answer the initial question, will he produce a figure for how much public spend filters into the private sector and thereby risks having knock-on effects?

[10:00]

Senator P.F.C. Ozouf:

I will give the Deputy one example of where I have proposed boosting economic growth, and that is to improve the budget allocation within Economic Development and, for example, putting money into Jersey Finance, which is developing markets, which is developing jobs. We have lost 500 jobs in financial services; a far smaller percentage than perhaps other off-shore centres. But nevertheless if he wants to promote economic growth, put money into Jersey Finance to grow our financial services industry.