

# STATES OF JERSEY

## OFFICIAL REPORT

### TUESDAY, 7th DECEMBER 2010

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[09:32]

**The Roll was called and the Dean led the Assembly in Prayer.**

**PUBLIC BUSINESS - resumption**

**1. Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010)**

**The Bailiff:**

Very well, we come to Public Business and the first matter on the Order Paper is Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 - Projet 157 - lodged by the Minister for Treasury and Resources and I will ask the Greffier to read the proposition.

**The Greffier of the States:**

The States are asked to decide whether they are of opinion (a) to agree that total States net expenditure for 2012 and 2013 should not exceed £694.2 million and £688.3 million respectively, as set out in Summary Table A on page 50, with these sums including a minimum of £65 million of savings proposals by 2013; (b) to approve the estimate of total taxation revenue in 2011 of £521.319 million as set out in Summary Table B on page 74 of the Budget Statement, with the sum to be raised through existing taxation measures and the proposed changes to income tax, goods and services tax, impôts duty, stamp duty and land transactions tax for 2011 as set out in the Budget Statement; (c) to agree that the sum of £31 million be transferred from the Stabilisation Fund to the Consolidated Fund in 2010, in addition to the amount of £37 million agreed on 19th December 2009 in P.179/2009, resulting in a total transfer of £68 million; (d) to agree that the sum of £46 million be transferred from the Stabilisation Fund to the Consolidated Fund in 2011.

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

I think it is probably quite appropriate that we have a group of young people in the gallery for such an important debate. The world is slowly emerging from what the history books will call, I think, the great recession. We have heard a number of countries have suffered significant financial problems; many face unsustainable deficits in their public finances. While we have not been affected as dramatically as some, the recession has left us with a deficit. The decisions that we are now called to make need to inspire trust and confidence and need to deal with this deficit but also lay the foundations for a strong economic recovery to meet Jersey's agreed long-term objectives. We have approved the Business Plan and these proposals which we will debate over the next few days now set out a 3-part budget plan that deals with the challenge that we face. It strikes a sustainable balance between making savings and efficiencies while maintaining our essential services. If we, the leaders of the Island, do not act now we face a deficit of £89 million in 2011, £107 million in 2012 and £112 million in 2013. Approving this budget will ensure that this does not happen and Jersey remains a stable and successful jurisdiction. We have already agreed savings of £12 million in 2011 and we are now proposing further savings of £35 million by 2012 and £65 million by 2013. These are tough savings targets and will require significant changes in the States in the way the States works. While I can report that we have made a good start in delivering savings, cuts in spending alone are not enough to balance our books. For this reason this budget proposes tax changes which will raise £22 million in 2011. The remaining shortfall will be funded over the next 2 years from the balance of the Stabilisation Fund. This means that by the end of next year we will have spent £158 million of our savings to cushion the effects of the recession. The budget proposals are based on significant expert research and wide consultation, their impact is well quantified and it is understood. They have the support of the Council of Ministers who are all united in taking a longer term view for the benefit of future generations. The International Monetary Fund points out that the recovery in the global economy remains fragile, uneven, and downside risks have risen. Although a double-dip is still a risk it is not considered now to be the most likely outcome. Larger economies such as the United Kingdom and France have returned to

growth this year, although their recoveries are slow. The view of Jersey's highly regarded independent Fiscal Policy Panel is that significant uncertainties remain around the strength and the durability of the global recovery. They say, therefore, it would be prudent for Jersey to continue to plan on the basis that the recovery will be fragile and drawn out. So the downturn has had a significant impact on the Island economy. Many businesses have been affected and unemployment numbers have risen by nearly 300 over the last 12 months. More than a quarter of those seeking work are aged between 16 and 19. Behind every statistic is a person, and it is our duty to assist every Islander who is seeking work. However, at 3 per cent our unemployment level is still one of the lowest of any developed country in the world and this budget aims to keep it that way. G.V.A. (gross value added), a measure of economic activity - broadly the sum of wages and profits - fell by 6 per cent in 2009. Falling profits in our banking sector have been caused by the impact of low interest rates which are expected to persist for some time to come, together with lower employment numbers, lower pay increases, lower interest rates, poor investment returns. These have all combined to reduce our tax revenues. So I continue to hear some say that the current deficit has been caused by the introduction of Zero/Ten. This is not the case. The drop in tax revenue was clearly identified prior to Zero/Ten being introduced and it was then filled by G.S.T. (Goods and Services Tax), 20 Means 20 and efficiencies. The deficit we now face is structural and arises for these 2 reasons: first, the impact of the global recession influence on our tax revenues; and secondly, the continued rise in States spending in recent years. A structural deficit can arise from a recession. This occurs when such is the severity of the downturn it causes a permanent reduction in economic activity and associated wealth.

[09:45]

Even after the budget measures are in place, a deficit of £55 million is expected in 2011, which equates to around 1.5 per cent of G.V.A. and a further deficit of £18 million in 2012. Of course, uncertainty remains in our income tax forecasts which have a range of plus or, importantly, minus £35 million by 2013. The advice of the Fiscal Policy Panel is that we should act in a responsible and prudent manner. They advise that our focus should be on a credible medium-term plan and that we should act now. They cautiously remind us that even if the budget proposals are implemented the fiscal position we face is extremely tight. I will explain during these introductory remarks that not doing enough now would pose greater risks for our economy in the longer term. The biggest dangers are complacency and the temptation of delay. Thanks to the prudence and the foresight of our predecessors we are in the fortunate position that we have no public debt and we have savings. I have already stated that we will spend £158 million of our savings. Some have suggested that we should spend even more. However, we should recognise that the independence of a jurisdiction is in many respects dependent on its financial strength. Members only have to look at the recent example of Iceland, Ireland and other places to see how a lack of financial strength has resulted in them ceding some of their sovereignty. That is why I believe that we need to protect our Strategic Reserve so that we can maintain our hard-fought independence for our successors. At the start of the savings review each department was asked to find savings of 10 per cent. Five reviews were conducted of the major spending departments and 2 looked at the significant areas of staff pay and court and case costs. This Assembly owes a debt of gratitude to the 7 independent reviewers who gave of their time and expertise freely for the benefit of this Island. I believe that the involvement of non-executive board members could play an important part in our future Government structures, helping Ministers and their Chief Officers in the implementation of policy. All departments, without exception, have played a proactive and positive part in the Comprehensive Spending Review but it is not just about savings. It is about reallocating resources to deliver better value services more effectively and more efficiently. We also need, I think, to develop capacity in the Third Sector. The States is not necessarily the provider of every service in every circumstance that Islanders require. The C.S.R. (Comprehensive Spending Review) has highlighted many innovative areas. Staff from across the States have been thinking differently and getting involved in changing the services that they provide, from those on the front line of our caring services and those

employed in backroom roles which are equally essential in the smooth running of our public services. More than 370 savings ideas have been submitted by staff and they are being considered by departments as opportunities for making savings. These suggestions have included reviewing management structures and pay scales, specific ideas for the reduction of high value land, using energy more efficiently and encouraging the private sponsorships of areas such as parks and gardens. We are, as a direct result of I.T. (information technology) staff suggestions, now making savings of more than £750,000 by harnessing new technology to reduce the cost of business processors, rationalising data centres more effectively. I would like to take this opportunity to thank all staff involved in proposals for the C.S.R., for coming up with ideas and for the whole public sector's continued dedication in serving the public of the Island. **[Approbation]** As well as savings, all departments were also asked to look at their user pays charges. There are cases where it would be appropriate for the beneficiary of a service that uses it, for those services to be funded by the user rather than taxpayers as a whole. After careful consideration the Council of Ministers is bringing forward £2 million of specific user pays charges. These include charging more to grant liquor licences, charging anybody who uses the General Hospital as their doctor's surgery, and charging businesses for technical fire safety and building control consultation work. A review of procurement has identified savings of £6.5 million which we will deliver by 2013. Court and Case Costs are another area where significant savings are being made by strengthening procedures and improved negotiation. It would be unrealistic in any organisation that spends more than 50 per cent of its budget not to have looked at employment costs. Following the Assembly's approval of the Article 11(8) request funding in July the first phase of the voluntary redundancy programme has been finalised. More than 70 staff applications have been accepted. These alone will reduce expenditure next year and every year thereafter by more than £3 million per annum. The Council of Ministers has set an initial target of £14 million to be delivered from changes in staff terms and conditions with the intention of making greater savings beyond 2013. Some commentators have questioned why the Council of Ministers has not undertaken to deliver greater savings from terms and conditions. As a fair and responsible employer, staff and unions need to be consulted first. They will be given the opportunity to shape the future savings. For example, in areas like pensions, which could deliver additional savings of up to £10 million per annum, I accept that these are going to take longer to deliver. During the course of preparing this debate I have held a significant number of meetings with different groups and organisations and I am grateful for all of those many individuals who have spent their lunch times and their evenings meeting me to discuss the budget proposals with Ministerial colleagues. I can assure the members of the public that I have met that I have taken account of many of the views that they have expressed. The next stage of the C.S.R. is for departments to deliver. To achieve this, a small C.S.R. Programme Team has been drawn together to plan, co-ordinate and monitor the C.S.R. effort across all departments. This is a significant change programme. While the task ahead is significant I believe we are ready to ensure that the 2012 and 2013 Business Plans contain robust deliverable proposals which will deliver the savings targets and that are within the spending envelope that is incorporated in this budget debate. We have developed longer-term planning, both as an organisation and within departments. In future departments will have greater certainty. By extending their budgets over 3 or 4 years departments will have more flexibility to manage their budgets. But in order to manage Government spending within the proposed limits we do need contingencies to manage forecast variations and deal with unpredicted expenditure. Any large organisation plans for the unforeseen events. I recognise the intention of Deputy Vallois' amendment to establish an appropriate process for managing and accessing these contingencies, and the Council of Ministers has been persuaded that a broader approval process is required to provide further assurances to this Assembly that contingencies will be allocated appropriately. Also over the coming months the Treasury will be consulting on changes needed to the Public Finances Law required to introduce the principles of 3 or maybe even 4-year budgeting. All departments were asked also to submit their investment and growth needs as part of the Comprehensive Spending Review. The Council of Ministers has accepted that a number of growth requests are valid and these have been included in the indicative

expenditure limits which were published a number of weeks ago. Taken together the proposals for savings, user pays, investment and growth mean that the net reduction in department budgets ranges from 3-13 per cent. Spending will have fallen by more than 12 per cent in real terms between 2010 and 2013. We will have covered inflation, provided some growth as well as making significant savings. Just as other central banks and governments across the world have acted to prevent a replay of the 1930s depression, this Assembly commendably has played its part too. I want to thank Members again for their foresight in supporting the careful use of the Stabilisation Fund to support local employment and businesses: £44 million funded important and valuable projects which helped us compensate for lower demand in the private sector. It supported business and kept Islanders in work. The skills and training initiative Advance to Work has helped more than 100 unemployed teenagers secure permanent employment during the downturn and is helping many other adults gain the skills and confidence they need to find jobs too. Jersey Enterprise has delivered additional support programmes for local businesses, including the Jersey Business Angels Network, small exporter grants, States 'Meet the Buyer' events, enterprise grants and off-Island trade opportunities. This fiscal stimulus money was allocated in a timely, targeted and temporary manner and it is working. We should be proud that our past prudence has enabled us to fund the fiscal stimulus measure from savings. The second part of the plan is to deliver economic growth. The Council of Ministers wants to see the spirit of enterprise driving our economic recovery. It is clear that while we cannot rely on a swift rebound in the global economy there are reasons for cautious optimism. The latest forecast from the International Monetary Fund is that the world economy will return to pre-crisis levels of growth and expand by 4.2 per cent in 2011. Interest rates are expected to rise at the end of the next year, albeit at a later stage and at a slower pace than previously anticipated. This should help alleviate some of the pressure on banking profitability. Having fallen by 2 per cent this year we have factored in moderate growth in Jersey's G.V.A. of 1 per cent in both next year and 2 per cent in 2012 and 2013. New businesses and jobs have already been created. Retail sales volumes have begun to stabilise and while the numbers of visitors fell since the onset of the crisis, these numbers are also now stabilising. In the first 9 months of this year 791 entities were granted new Regulation of Undertakings and Development licences and 802 additional staff licences, mainly qualified, have been approved. These new entity approvals will, I am confident, also lead to many more jobs being created. For example, Waitrose alone plans to create in excess of 200 new jobs. Again, the majority of these jobs are for Islanders. Significant retailers have plans to open branches in St. Helier and next year will be meaning more opportunities for Islanders in the jobs market. The September Business Tendency Survey gave some cause for encouragement. Finance firms report a further rise in business activity and they are more optimistic about future business and employment. The Minister for Economic Development and his team are determined to continue to improve the support to all businesses, importantly tourism, agriculture, finance, construction and retail; they all play an important part in the Island and the Island economy. Last week the States approved the first phase of the new intellectual property legislation, designed to encourage inward investment and provide new opportunities. But more than this, the Minister for Economic Development will publish and consult on a new economic growth strategy in the first part of next year. In addition to the budget proposals, the States will be asked to approve a change in our Income Tax Law to exempt funds. This is intended to provide long-term confidence in the tax-neutral treatment of Jersey investment funds. It is essential that we continue to diversify the markets in which our financial services sectors are active. We need to focus on the growth area of the world, in the Asia/Pacific and the Middle East. The recent signing of a tax information exchange agreement with the People's Republic of China is an important step in developing that market for Jersey. Jersey Finance continues its excellent promotional efforts and I am pleased that this Assembly has overwhelmingly agreed to support these efforts to support future growth. I now turn to the tax proposals. In making these proposals I have listened to the views of more than 1,000 people, businesses and interest groups who responded to the consultation on personal tax. A whole range of valuable comments were received which highlighted the need to find a sustainable balance between fairness on the one hand and what is best

for the economy on the other. After consultation and very careful consideration the Council of Ministers supported my conclusion that a higher rate of income tax would have negative consequences. This budget, I hope, will send out a strong and powerful message that we support maintaining the foundation of our economic success, our 20 per cent tax rate. Based upon expert advice and consultation the Council of Ministers has proposed 2 main revenue-raising measures, one of which is the increase in social security contributions of 2 per cent on those of higher incomes above the social security cap.

[10:00]

The Minister for Social Security will, of course, bring a separate proposition on this proposal. However, I do want to say this. The Social Security Fund is separate from general taxation and making this change will mean that higher paid employees and their employers will pay more into the Social Security Fund and help balance the budget. The Minister for Social and Security and I will continue also to explore ways in which the social security system can be restructured so that it generates the revenue needed while allowing business to flourish and remaining competitive. The second measure proposed in this budget is, of course, the increase of G.S.T. from 3 per cent to 5 per cent on 1st June 2011. This increase in G.S.T. will raise £15 million in 2011 and £27 million in 2012 after allowing for G.S.T. compensation. This is a necessary and important part of the overall package that will put our finances back on track. Even at 5 per cent we are lower than most other places and this is designed to protect the competitiveness of the economy. Everybody pays G.S.T. Better-off locals pay more than those not so well off. Business visitors and visitors to the Island also contribute. I have heard that there are Members in this Assembly who believe that indirect taxes like V.A.T. (value added tax) and G.S.T. are regressive or even very regressive. I would encourage Members to look at the evidence. The Institute of Fiscal Studies concludes that V.A.T. is progressive. This is also supported by the Office of National Statistics. If we use a similar approach to assess the impact of G.S.T., bearing in mind the differences between G.S.T. and U.K. (United Kingdom) V.A.T., the evidence shows that it is closer to being a proportional tax rather than a regressive tax. Notwithstanding the evidence that G.S.T. is closer to being proportional and regressive, we do understand the need to protect the most vulnerable. The question is not whether to protect the less well off but how to do it with the best effect and the least administrative cost. A recent review of taxation in the U.K. headed by the Nobel Laureate Sir James Mirrlees recommended that the U.K. itself abandons its system of U.K. V.A.T. exemptions and differential rates and instead move to a broad-base system. Introducing exemptions does not just target the groups that are most in need, it benefits all Islanders and particularly those on higher incomes far more than it does those on lower incomes. The cost of exemptions would be, in total, if approved, around £8 million a year but only £3 million would go to the less well off, while £5 million would go to the better-off. The Council of Ministers believes it is important to protect those on lower incomes from the effect of G.S.T. and it is therefore intended that all people on income support and those who earn less than the tax threshold will be compensated, just as we did when G.S.T. was introduced. We are not alone in considering raising consumption taxes, 14 European countries have recently or are in the process of increasing their V.A.T. rates, albeit from significantly higher basic rates. Many other governments around the world, such as New Zealand, have used consumption taxes to correct their fiscal deficits. Exemptions benefit those who can afford to pay, they are administratively burdensome and countries are envious of our G.S.T. structure, a low-based tax with a broad base. Our G.S.T. model is sound and efficient and I believe that it is essential that whatever the differences in terms of the rate we need to keep it that way. There are a number of other proposals for income tax. I am proposing the last year of the withdrawal of allowance under 20 Means 20 and that that takes place as planned. Although it depends on household circumstances, 20 Means 20 only affects taxpayers with higher incomes. I am proposing that the profits of the exploitation of land and importing oil are also subject to 20 per cent tax. This extends the number of businesses that pay income tax on their profits and, as I committed in October, I will seek to extend this further after the code group process. I am proposing that income

tax exemption thresholds increase in line with average earnings growth helping taxpayers on lower incomes. The budget proposals of an earnings-linked increase ensures that those on lower incomes do not see a real drop in their disposal incomes but does not put too much pressure on tax revenues. Finally, I have been advised that we should collect more information to allow a proper audit of income tax returns, and to improve administration and collection of tax there are a number of changes proposed. Last year I said that I would ensure that all taxes are efficiently collected and paid and I would like to thank Members for approving the investment in additional tax investigators. As a result of the investment made we have already collected £2 million of back taxes and penalties. I believe that we can do more. A review of the States tax function has now been carried out. The review has confirmed that we do have a cost-effective tax office whose cost per pound of tax revenue raised compares very favourably with other similar tax jurisdictions. It has, however, also highlighted the complexities of Jersey's personal tax system. We have a wide range of allowances on top of tax exemptions, 2 different tax rates, some Islanders paying the tax in the current year and some - the majority - paying for the previous year. Most taxpayers find it difficult to understand how their effective tax rate is calculated. Consequently, the Tax Office receives a large number of queries and spends a great deal of time dealing with queries from Islanders. Around a quarter of tax returns are incorrect when they are first submitted. Even more staff time then has to be spent on correcting these for unintentional errors rather than being able to investigate omissions which might not have been unintentional. It is essential, I believe, that we move towards a simpler personal tax system so that individual taxpayers can understand their own tax position and fewer incorrect tax returns can be submitted. I have also questioned why we expect almost all Islanders to submit tax returns when other jurisdictions only require returns from those with more complex affairs. For these reasons next year I intend to propose simplifying Jersey's tax systems. Improvements in I.T. will in future allow online filing of tax returns but also automated self assessments. Where individual taxpayers still need to submit tax returns, we plan to make the tax collection process more straightforward, providing automatic assessments of the tax payable. Where individual taxpayers no longer have to submit returns, online access will provide details about how their effective tax rate has been calculated. We will improve revenue sharing data with Social Security, Customs and the Tax Office and this will enhance efficiency and help to reduce the loss of tax revenue. I have also been looking at how we can strengthen our tax policy arrangements. At the moment we supplement the very limited internal resource with external consultancy advice; however, the increasing range and complexity of international tax development, such as Zero/Ten and T.I.E.A.s (Tax Information Exchange Agreement) means that it makes much more sense in future to build capacity in a stronger in-house team. There are also a number of opportunities where we can boost revenue. So that Jersey has a modern efficient and effective tax collection system, I can announce today that a new tax policy unit will be formed from 1st January with a specific remit to raise more tax revenues. The combination of a strengthened tax policy team, a simplified and more automated tax system and efficiencies from sharing information could, I believe, result in an annual net benefit of between £5-10 million within the next 3 years. All these revenues I have referred to will be required in order to balance our books in the medium term. Last year I was disappointed that the States approved an amendment to remove all increases from duties. I understand the rationale for this action but it increased the deficit and we have now got to deal with that. That decision was also not supportive of our health strategies. I have also noted that some price increases were made despite no duty increases. In this budget I am proposing that alcohol duty should be raised by 6.7 per cent, the same rate that was proposed in last year's budget. In price terms this is equivalent to 58p on a litre of spirits, that is 3 per cent on the retail price; 7p on a bottle of wine, that is about 2 per cent on the retail price for an average bottle; 2p on a pint of beer, less than 1 per cent on a pint of beer. For tobacco duties I propose a high rate of increase of 11.1 per cent equivalent to an extra 35p per packet. Together these measures will not only raise revenue but they will also support the Health Department's policy to improve Islanders' health by reducing alcohol and tobacco consumption. I am also proposing that fuel duty should rise by 2p per litre, which is half the rate that I proposed last year, with the appreciation that for many



the use of a vehicle is less discretionary than the purchase of cigarettes or alcohol. The impôts proposals, if approved, will come into force on 1st January 2011. Stamp duty as a whole and its level was reviewed as part of the fiscal strategy review and I am proposing in the budget that the rates of stamp duty and land transaction tax on properties valued over £1 million, and specifically new measures for properties over £1.5 million, £2 million be increased by 3.5 per cent, 4 per cent and 5 per cent respectively, these changes deferred to take place from 1st June 2011. The majority of our housing market has seen stable prices over the last few years and this proposal will only affect those buying property with a value over £1 million and therefore most Islanders will be unaffected. Judicial fees for using the court have also been reviewed to reduce difficulty in collecting payments in some instances and to increase the fees in line with inflation. Senator Breckon has lodged an amendment to increase probate duties to the levels applied for stamp duty. I am concerned that if this amendment were to be approved we could see a significant reduction in bank deposit and investment in Jersey funds by international investors. We will, of course, come to Senator Breckon's amendment in due course but let me say it is an important competitive issue. As disappointing as it is to say, I will be arguing that the most likely effect of Senator Breckon's amendment would be to reduce the total probate income. Last year I committed to look at ways of increasing the contribution from the 1(1)(k) regime. Since then the 1(1)(k) regime has been the subject of a lot of discussion in this Assembly, some of which has been negative. The very small population of around 130 taxpayers contributes in the region of £13.5 million every year to the Exchequer, which if we did not have it would mean that G.S.T. would be 1 per cent higher. I estimate that the indirect tax contribution that 1(1)(k) residents make through their spending and investment is conservatively between £50-70 million per annum. In the last 2 years new applicants have also paid on average more than £3 million on their house purchases, contributing over £5 million to stamp duty revenues. In addition millions have been spent by this group on refurbishing their properties, using local businesses, builders, architects and interior designers. Our 1(1)(k)s also attract high-spending visitors to the Island. I am told that that number alone is hundreds. Their contribution for charities runs into millions. I welcome our existing and prospective 1(1)(k) residents and their families to Jersey and I hope that a majority of members in this Assembly will believe, and continue to believe, that they make a substantial **[Approbation]** financial and economic contribution to the Island. More than that, we continue to need to create the right environment which attracts and maintains our high-value residents. Other countries, our competitors, are doing this and I think we can do more. I did say that I committed that I would be looking at ways of increasing the revenue from 1(1)(k)s and as a first step I believe that we can increase the minimum contribution for all future applicants without harming our competitive position. For that reason, I have asked the Minister for Housing to increase the minimum tax contribution for future 1(1)(k) category consents to £125,000 for all new entrants with immediate effect. I also intend to develop a new high-value residents regime for new residents. If we were to welcome 15 new 1(1)(k)s a year, this policy could bring around or in excess of £2 million of additional tax and significant other contributions to the economy. One issue which I have considered is that the current policy encourages current and prospective 1(1)(k)s to structure their investments outside Jersey, quite legitimately, before they move to the Island. Jersey loses investment business, even if they have been persuaded to come here. Other places do quite well out of this and that is something that I would like to change. We need a simple and competitive tax regime that encourages high net worth individuals to bring their investment and businesses to Jersey. Some of our competitors have a tax cap on liabilities but this actually limits the contributions to the Exchequer.

[10:15]

In future, in addition to the change that I have already requested I plan to propose that all future high-value residents will be taxed on their worldwide income at 20 per cent on the first £625,000 and only 1 per cent thereafter. This is a different and innovative approach **[Approbation]** which does not limit the financial benefits to Jersey but is more beneficial and competitive and lucrative to

Jersey. There also must be an increased focus on marketing. We need to send a message out throughout the world that Jersey is open for business. People in businesses who want to invest in our Island are welcome and we need to do everything that we can to make them feel so. So I move finally to business tax. Members will be aware that the Code Group met last month to consider our business tax regime. Based on feedback we have had from the Code Group members and the U.K. we understand that concerns surround the interaction of deemed distribution with the Zero/Ten regime. Although we do not, of course, agree with this conclusion, if the Code Group and ECOFIN (The Council of Economics and Finance Ministers of the European Union) decide that this is the case we are prepared to change the rules. I believe that we can do this without a loss of tax revenues. There are other ways of achieving the same effect as deemed distribution. This could include taxing residents on shareholder loans as we do within the existing rules and ensuring that if somebody enjoys the profits of their company in any way that can be subject to tax. We understand that ECOFIN will today decide whether there should be a review on the scope of business tax, that is should it include personal tax measures such as this deemed distribution provision. Assuming that the review goes ahead, we are not expecting to hear further from the Code Group until February. We will, however, be engaging with the United Kingdom and the Code Group. The business tax review continues and I am taking account of the results of the consultation. I do not intend to go today into the detail but suffice it to say that the overwhelming response from that consultation was that Zero/Ten should be maintained. The review will carry on in terms of business tax but obviously the final outcome of the Code Group assessment is an important element of any future decisions. I am committed in the business tax consultation review to looking at the way that businesses that actively trade in the Island contribute to tax revenues. I have already brought proposals in this budget, as I have said, to extend the 20 per cent rate to oil and excavation companies and I have noted the Deputy of Grouville's amendment. While I appreciate the reason for bringing this amendment I unfortunately cannot support it in the currently drafted form. But I have committed to look at this issue and I am also considering, during the course of today - even though it is late - to lodge an amendment to the Deputy of Grouville's proposal that will allow the underlying principle but flexibility in the intent that she wants to achieve. As the Deputy rightly says in her report, but is not reflected in the proposition, the measure could be by tax or a charge of another name. Whatever is introduced, we must ensure the integrity of our tax regime is maintained. If the Code Group concludes its assessment in February and we have clarity on any concerns that they have, I will commit, both in that debate and in the potential amendment, to consult on a proposition by the end of June for measures to be introduced in 2012. I will continue to keep States Members informed on all of these aspects with the Chief Minister in the coming months. Following consultation on company fees the Minister for Economic Development and I have listened to the responses from local businesses. Given the challenges that local companies are facing, annual company fees will not be increased. I have proposed an increase in the basic I.S.E. (international service entities) fee from £100 to £200 charged to international companies. This will raise approximately £3 million per year. I have also been advised that the current structure for other I.S.E. fees, such as those charged to banks and trust companies, could be improved and I am reviewing this to make sure that this happens. The increases already included in the budget will result in the finance industry contributing over £8 million a year. I want to aim to do further increases to a total of around £10 million following the consultation. I hope that this might persuade Senator Le Gresley to withdraw his amendment to increase fees without consultation immediately. The budget I am proposing to Members is as the result of very careful research and consultation. I am sure Members will know the level of planning, research and detailed analysis that goes into developing a budget strategy. The work of the Fiscal Steering Group made up of a number of States Members was invaluable in giving guidance to me in advance of the consultation last year. As I close I want to recognise particularly the Interim Treasurer of the States who has done a tremendous amount in the short time he has spent in Jersey to strengthen financial management in Jersey, to the Chief Executive of Resources for his long hours and hard work and to the Comptroller of Income Tax, the Director of International Taxation, the Economic Adviser, the

Agent of the Impôts, the head of Statistics and all of the senior officials at Treasury and Resources, Social Security and the Chief Minister's Department, with all of their excellent teams of professionals who have supported me and the Council of Ministers throughout the proposals of the budget process. I am also delighted to welcome today, for the first time, in the gallery, the new Treasurer designate who will be assuming her office in the New Year. She is already making her mark among staff and I wish her every success in her new role. **[Approbation]** Finally, in terms of thanks, I would like to express my sincere gratitude to the Chief Minister for his continued wisdom and support, to my Assistant Ministers, Deputies Noel and Le Fondré, and of course to Ministerial colleagues for their diligence, and sometimes creativity, in bringing forward savings proposals that will safeguard the financial and constitutional independence. I also want to recognise the role of Corporate Affairs who have been challenging but fair in their questions. In closing, I would like to remind Members where my speech started. We are emerging from the deepest global recession since the 1930s. The recovery is fragile. If we do not make some difficult decisions now there will be even tougher decisions to make in the future. As the Island's leaders we need to have the courage, the foresight and the conviction to ensure that we make the right decisions this week to secure our good fortunes for tomorrow. Faced with difficulties, our predecessors were able to pull money-laden rabbits out of the hat. We will be successful, I am sure, in the future but we have to accept that the world has changed. We are thankful for our predecessors who made provision for downturns and we are benefiting from that foresight today. That is why we have been able to spend from our reserves to insulate Islanders from the worst effects of the downturn. Unlike most other jurisdictions we have done that without incurring a penny of debt and that is, I believe, what the majority of the Islanders expect us to do. Our proud history has been built on the fundamental principle of living within our means. I have thought a lot about our predecessors, some of the great politicians of this and the last century, such as Senator Cyril Le Marquand, and I wondered what he would be saying in this Assembly today. Would he be wanting us to live beyond our means? Our reserves come from the taxes of Islanders who have worked hard to earn it. We have to remember that the money that we hold in trust is not ours to spend on compensating for overspending. Islanders expect us to use their taxes wisely. I believe they expect us to live within our means to provide at the same time essential services as efficiently and effectively as possible. Islanders expect us to think about the future just as they think about their futures when planning their own personal finances. When I think back to the budget debate and the business plan debate, it was clear to me then, and it has become ever clearer to me now, that both Members and Islanders want to see significant savings in States expenditure before we increase taxes. **[Approbation]** That is why the Council of Ministers agreed to an increased savings target of £65 million. I believe I have been open and transparent right from the launch of the Treasury's review of personal and business taxes. I have made it clear that we would be as tough as we could on making savings and efficiencies but it was obvious that I would not be able to find enough to avoid some tax rises. We need to balance the budget as quickly as possible, not for its own sake but because a balanced budget is necessary for economic growth and future job creation. It is necessary that we also meet our objectives that we have debated in this place and approved in our strategic plan. We need to maintain a strong economy and ensure sustainable public finances. We need to reform the public sector and work hard together to meet the needs of the community. We cannot achieve those aims without tackling the immediate problem. I believe that it needs to be tackled now, today, this week and not put it off in the hope that it will go away. Our long-term constitutional independence very much depends on the way that we run our finances. Judging by the amount of Islanders that I have spoken to and have taken the trouble to contact me in the past days and weeks, I believe that their vision is that. They want a self-sufficient community which protects the vulnerable, maintains flexibility, develops a competitive economy and supports Islanders. I believe that this is the right budget for today; it is the responsible budget designed to meet the current spending challenge. Jersey is a wonderful, unique place with a long, proud history of fiscal prudence. I hope Members will agree with that and help us keep it that way. In these challenging times I commend this budget to the Assembly. **[Approbation]**

### **The Bailiff:**

Is the proposition seconded? [**Seconded**] Very well, then there are a substantial number of amendments as Members know, and hopefully Members have the proposed order of debate. The first matter is the ninth amendment lodged by the Deputy of St. Mary and I will ask the Greffier to read the amendment.

### **1.2 Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010): ninth amendment (P.157/2010. Amd. (9))**

#### **The Greffier of the States:**

Page 2, paragraph (a): in paragraph (a), for the figure “£694.2 million” substitute the figure “£710.7 million”; for the figure “£688.3 million” substitute the figure “£704.8 million”; and for the figure “£65 million” substitute the figure “£32 million.”

### **The Bailiff:**

Deputy, before asking you to speak to your amendment, can I just make 2 preliminary remarks. The first one is that you have emailed all Members saying that you will be proposing an alternative budget during this speech. No, you will not. You will please be speaking only to the amendment. If you want to make a more general speech that will come at the time of the debate on the budget itself, but I must ask you to confine yourself to the amendment. Secondly, just to confirm that you have written to the Greffier saying you want to change the figure to £704 million, but having discussed it with the Greffier I am afraid that is not possible. Amendments have to be lodged 14 days before and it is not possible to change them again. Deputy, I invite you to speak to your amendment.

#### **1.2.1 Deputy D.J.A. Wimberley of St. Mary:**

Well, that has taken away my first line which was: “I rise with pleasure to present my alternative budget.” But nevertheless it will be educative for the people in the gallery - the public - and I hope Members also. There is a lot to agree with in the budget as presented by the Minister for Treasury and Resources and I do not have any disagreement with him when he says that we need to continue to try to be efficient in our public sector. Notice I say “continue” because of course we have been driving-out inefficiencies for years and years now and there are limits to how far you can take this process, and I will address that later. But nevertheless it is important, of course, that we spend the public’s money, or rather we spend the money that we gather from the public, in the best way possible and efficiently. I also agree with the Minister for Treasury and Resources on the need to raise more in tax, to the surprise of the Corporate Scrutiny Panel, but in the end they teased-out of him what the taxation money was for. It was to deal with the backlog, it was to provide contingencies and it was to carry out ‘invest-to-save’, which is necessary in order to do effective restructuring. So I do not have disagreements with those aspects but where and why I am bringing this amendment is to scotch the idea that there is no alternative. T.I.N.A.: there is no alternative. We are told constantly from many sources that cuts are inevitable, that we have to have cuts, and my amendment is restoring or putting back the cuts in 2012 and 2013.

[10:30]

Not to 2011 because we have voted those through already. Although clearly budgets are flexible animals and if we do put back the money in 2012 or 2013 maybe some of the more incredible and damaging and morale-sapping cuts that we have voted on - like stopping children being subsidised by the States to visit our world class Durrell, or stopping the effective border controls on the importation of drugs by axing the key post at Customs, and the physiotherapy at the hospital and so on - maybe some of those would be restored if we were to put the money back in to put the cuts back in 2012 and 2013. What that little exchange about the corrigendum was about was that I made an error in the computations and I added - and it is quite easy to do because there was a lot of figures - that in 2012 ... the net effect of my proposals is to add back £33 million because I accept

the £12 million cuts we have already voted on and my suggestion is that we can legitimately expect to save £20 million in efficiencies and various savings that are not cuts, so there is £33 million left over. I simply divided the £33 million by 2 and stuck £16.5 million on 2012 and £16.5 million on 2013, but of course that is an error because the 2012 £16.5 million has to be carried forward into 2013 which then goes up by £33 million. I apologise for that. But the intent is quite clear that I believe that the cuts are unnecessary, they are damaging and they go against the grain. Something that should stay with us as we go through this amendment is what the Constable of St. Saviour wisely said in the Annual Business Plan debate back in September. He said about one of the amendments, I think it was the amendment to axe language teaching assistance in schools... and he said: "This is difficult because we are all having to make cuts that are cuts to services that are very close to the heart." That are very close to the heart. I think we should remember that when we cavalierly say: "Let us have £50 million worth of cuts and then in a matter of days let us add £15 million to the cuts. Oh, then we will say that is just a minimum figure, we will have a few more if we can get there." Just remember that cuts are cuts to the heart. I feel that the budget that we are being faced with, leaving aside the areas where I said I agree, and also leaving aside 2011 which my amendment is not concerned with, but the proposal for the envelope for 2012 and 2013 is a budget, is a figure, is a constraint - I am looking for the word - a thing that binds you and stops you moving that is being imposed on the people of Jersey and on the States. It is not consulted; it is basically a bullying budget. It is certainly a bullying envelope. I will cover that in more detail later but the I.O.D. (Institute of Directors), the Chamber of Commerce and the Small Society, and indeed J.F.L. (Jersey Finance Limited) - I will explain in a minute why I add them too - have this chorus going on: "We have to have the cuts" and they back it up with various myths. I want a budget for all the people: the people on the street, on the bus, on the beach, for the people who grit the roads and the surgeons in our hospital. I want a fair and honest budget which protects Jersey for the future. I want us to be positive and not paralysed, and I want us to be pragmatic and not ideological. I was looking for an image and the first image I came up with was the juggernaut. Why am I doing this? Why I am bringing an amendment to question the whole principle of the cuts? The first word that came to my mind was juggernaut but it is not the right image and it came to me on the bus, possibly driving through the snow. It came to me that the right image was the wicked witch and that what has happened is that the Island, and indeed States Members, are in some sort of a spell. People can be made to believe anything if your magic wand is powerful enough and if you have enough spin doctors and if you have enough people in the chorus to keep telling the media and, through the media, the public what to believe. This is a fantasy budget, a fantasy envelope. Jersey is an Island run by magic where services and amenities provided by the Government do not cost the same in Jersey as they cost anywhere else. We can do it for 17 per cent of national wealth. We can provide schools, hospitals, roads, clean water, safe things to eat, all the gamut of government services, law and order, we can do it for half what everyone else does it for and have no adverse consequences. We can do it without taxing people more than they are taxed already. By magic. Lots and lots of fairy dust so that we get the same services for less spend. I believe that when people wake up from the spell they will be disoriented and possibly angry. They will see that their quality of life has been eroded and damaged and the method of working to achieve this spell is fundamentally dishonest and it grieves me to be part of an Assembly which is part of that process, although in fact it is not our process. It is the process of the Council of Ministers, and in particular the Minister for Treasury and Resources and those who support him in organisations like the Small Society. The core of the alternative, if you like - although I am not allowed to call it an alternative budget - is that I believe that we should have a social investment fund as a way of ensuring that we do have a mechanism for spending where so far we fail.

**The Bailiff:**

Deputy, you are drifting off the subject. This is a speech about the level of cuts there should be.

**The Deputy of St. Mary:**

Yes, Sir, and I am explaining how the £33 million will look. It will not be random tax shoved into the Consolidated Fund. That is what I am explaining.

**The Bailiff:**

Well, it is not very clear. Try and confine yourself to the amendment.

**The Deputy of St. Mary:**

Yes, Sir. The amendment, as I say, is for accepting some efficiency savings and I will explain why I have chosen a figure of £20 million and why I cannot accept the notion of the Minister for Treasury and Resources that somehow again by magic you can achieve an additional £53 million of savings entirely through efficiencies, or mostly through efficiencies which I think is the claim. What we fail to do again and again is we fail to invest for a better Island and we fail to invest to save. In the first category I have 2 examples that strike me very forcibly, and the first was Fort Regent. I still remember the debate setting up the working group: "Who will look into the future of Fort Regent? Who will galvanise things, make things happen so that Fort Regent can again fulfil its potential?" Fulfil its potential. There are many, many good things happening there. I know because I go there but it could be so much more. If you imagine what could happen, particularly to the exterior and to the ramparts access, I just imagine myself wheeling my mum along the top with that view and smelling the roses. Why not? The first thing that the Minister for Treasury and Resources said in that demand was: "By the way, remember there is not any money." Now, if the States is the driver for the renovation and the excitement that could be Fort Regent and we start with that premise that we cannot put any investment in at all, then how are we going to galvanise the community? How are we going to get all the people who use Fort Regent to muck-in and make that place what it could be? It is a very sad indictment and I do want to point out that the situation with regard to Fort Regent is analogous to householder. We hear about: "If we look in our handbag and it has not got any money in it then we cannot spend it" but in fact householders of course do spend money that is not in their handbag when they buy property. Why do they do that? To improve the quality of their lives. All I am suggesting is that we do exactly the same with Fort Regent. The second example is the Millennium Town Park. Members will remember the ferocious battles to achieve a park that was not covered in buildings. Why did we have to have buildings? Well, there was an argument about framing the park but the reason, we all know, was to pay for the park. We have got to pay for the park by putting buildings on it. Again, we ducked the issue - although now we have resolved it - of investing for a better Island and we have to have a mechanism for doing this into the future. The other category is 'invest-to-save.' I have examples here. We have accepted the principle of 'invest-to-save' within the C.S.R. and I am so glad. Personally I think we should all be grateful that at last this is inscribed as Council of Ministers and official States practice. If we have to put money in upfront for restructuring costs and then we gain a saving year on year then that is all to the good and we have to budget for that. We now all accept this process. One example, simple example, is Planning and Environment, and we have been told in scrutiny and we have now been told in their official report, if they had a proper I.T. system for the 21st century then all their planning processes would be more efficient, they could save money year on year and the public would have a better service. Fine, who would argue with that? So 'invest-to-save' should be applied to policy as well as process. It should be applied to save money but in policy areas. For example, the sustainable transport policy, if it is successful, as we all hope it is, and we have voted for a 15 per cent reduction in commuting, then land will be released in town that can be developed with the attendant capital gains which come to the States or to the Parish of St. Helier. There is an 'invest-to-save' or in the case of Health and in the C.S.R. workshop document we read in the health section ... but when financially times are hard, and this is from the report of the review group into health: "When financially 'times are hard' it is often these upstream investments that create cost pressures." By that they mean encouraging and even requiring our population to stop smoking, eat healthily, take more exercise and control weight and alcohol consumption. That is the context. "When times are hard it is often these upstream

investments that create cost pressures now but deliver benefits in terms of better health and less demand for services in future. It is these investments that are the first to be considered for cuts.”

[10:45]

We know that because twice the Minister for Health and Social Services in written answers to written questions has said exactly that: “Oh, we are under pressure, we will have to keep the services that are acute to keep people alive where there is a life and death question” and these services are the ones by implication that will go to the wall. We cannot run an Island, or it is not sensible if we do run an Island like that, but it is a daft way to run the show. So I suggest that we should have a mechanism for doing that. Road safety: many people talked in the sustainable transport policy debate about road safety and the amount of gains that there are to be had if we ‘invest-to-save’, and energy efficiency, of course, homes and buildings across the Island, that is ‘invest-to-save.’ I would suggest that when the savings are bankable they go back into the fund to be recycled. So it is a recycling fund and therefore you can see the ‘invest-to-save’ principle working. How would this work in practice, this £33 million that I want to put back into the pot? It would be dependent on the economics at the time, the State of the Jersey economy. The F.P.P., the Fiscal Policy Panel, is quite clear that there are upside risks, downside risks, it is all very fluid. In fact we know that if Zero/Ten is found to be non-compliant then we have a huge unknown - an unknown unknown - in the middle of all our calculations. So this is an indicative debate at best. But if the economy picks up more than expected then income tax receipts rise, unemployment falls and with it the cost of government because income support falls, public finances therefore are in a stronger position, there is therefore scope to restock the Stabilisation Fund and we would fund spending from the social investment fund through taxation, because the economy is doing fine. The whole thing has to be carefully managed so that the economy does not overheat. The exact reverse is true. If the economy is in the doldrums, as it is now, income tax receipts flat-line, unemployment remains high, the economy needs to be stimulated, as again we have accepted that principle in the last 2 years, it is appropriate for the Government to spend from the social investment fund and this will act in exactly the same way as the fiscal stimulus package. That investment would come from transfers from the Strategic Reserve, as it should do, or from the Stabilisation Fund if that is picked up in the meantime. The other element of the Social Investment Fund, and it is a new form of taxation that we have not considered, is the carbon levy that I would suggest. That would go straight into the Social Investment Fund and fund Jersey’s transition towards becoming a low carbon society. Lest Members might be tempted to think that this is some kind of optional extra, low carbon is the only place to go. For 2 very good reasons: one is climate change, and I do not think we will have long words on climate change but I am quite willing to have a verbal punch up if anybody wants one. But on the general issue of why we have, as a society, to go low carbon ...

**The Bailiff:**

What has this got to do with the cuts at the moment? What has it got to do with your amendment?

**The Deputy of St. Mary:**

£33 million ‘invest-to-save.’

**The Bailiff:**

Your proposition is not to carry out the cuts which the Minister for Treasury and Resources is proposing.

**The Deputy of St. Mary:**

Not to carry out the cuts. Well, I shall spare people William Haig’s quote about how societies have to go that way. But the benefits to individuals of that kind of investment, which would not happen under a regime of cuts... it happens to a limited degree, energy efficiency is on the radar and we do £1 million worth of it every year. In a written answer to a question, I think it was in the last session, which pointed out that I think it was the Housing Department carried out some work on

housing in Clos du Roncier, 30th November: “On average tenants on the estate are making a saving of £467 a year in energy costs.” £467 a year. That is good for the environment, it is good for those tenants and it strikes me that it is a good use of public money as well. I would like to see that extended beyond just low income groups because I think that it is a place the Government has a duty to go, in fact to increase the security and resilience of our Island in the face of a very uncertain future with regard to fuel prices and fuel availability. So, efficiency. Why do I reckon that £33 million is a go-able figure and that we can make £20 million worth of efficiencies, which is vastly different from the Treasurer’s implicit figure? I have spelt it out in my report so I do not need to go into too much detail. Procurement is a third of it, £6.5 million. Various departments, if you read carefully the C.S.R. workshop reports, can find savings and a certain amount of user pays and savings in energy. I do believe that the £20 million is achievable but I do not believe the £53 million is achievable. Another way to be more efficient if we are talking about being efficient with the public’s money is to get things right, is to do things in a timely fashion that otherwise cost us a fortune. The police authority, 10 years, still not with us, recommended by Clothier and others and somehow it never came to pass. One of the results, it has been suggested - and I think I would agree with that view - is the whole disaster around the former Chief Officer of Police, the former Acting Chief Officer of Police and all those characters. That if there had been not one Minister but a police authority then there would have been political oversight but not obviously control of what the police are doing, in a different format. We might have saved ourselves a lot. The Children’s Service, we failed to protect children and vulnerable families. We are now having to put that right with Williamson but also we have on the way incurred Family X and the serious case review costing between them over £2 million. Then of course the euro, whereby not listening and not telling the States what the risks were we lost in the region of £6 million, which is £8 million less what it would have cost to hedge the euro at the time. So there are ways of being more efficient and I do not deny that, and that is all to the good. But the Minister for Treasury and Resources is telling us £53 million, of which £14 million is a pay freeze effectively, its terms and conditions, and right at the top of the list is the pay freeze for 2012, 2013 which just happens to be £14 million which is the desired saving. So if you take that out you have £40 million of efficiency savings. It is very comforting, is it not, to think that we can shave-off £40 million out of our various department budgets? But if you look at the evidence - oh dear, the Deputy of St. Mary is going to look at the evidence again - but if you look at the evidence you will find that these cuts are going to be vanishingly-hard to achieve. Remember, I have already said we spend less than half of what other O.E.C.D. (Organisation for Economic Co-operation and Development) wealthy nation jurisdictions do on our public sector. Page 91 on the Corporate Services Review, if you want to check that, into the Annual Business Plan: less than half. So we can get even more savings out of this thin, lean and efficient public sector. Not everywhere is it lean and efficient but mostly. A written answer, this is Education, Sport and Culture on 30th November this year: “E.S.C. (Education, Sport and Culture) has been working hard to identify savings. It has already delivered efficiencies of nearly £4 million between 2003 and 2010. Investigations have shown that many of the areas which have already delivered savings would be severely affected by a further reduction in funding and the services they provide would be compromised.” Then comes the horrific list of where we might go if we were to continue cutting E.S.C. and if we do not achieve the savings from the reduction in subsidies to the fee-paying schools. The areas that are mentioned in this question: “Close both the Youth Service and Library, close sports centres and remove the majority of the funding for sport in the Island.” It is not me that is saying this, it is the Minister. Now, you can say shroud-waving but I would say if you have to save £11 million off a lean budget maybe this is where you have to go. I have included in my £20 million a couple of million from E.S.C. but this is what they are saying if they go the whole way down, £11 million. “Discontinue all free nursery education provided through the nursery education fund” would be another option. So that is E.S.C. Public Library Service, Comptroller and Auditor General, what does he say about that? Plenty of money to save here, surely. “Meets most of the U.K.’s national standards for public libraries and achieves a high level of user satisfaction. They have achieved this in a period when its budget has



been constrained and this is a testament to the quality of the leadership and the commitment of the staff.” Then, this is still his findings: “Spending restraint. Assuming that the States continue to restrict spending, the Library’s budget will continue to be restricted. It is likely to be more difficult for the Library to continue to meet national standards. If the proposed closure of the branch library is implemented and it is not possible to increase usable space at the Halkett Place library, achievement of certain U.K. national standards will become even more difficult.” Property maintenance: “The Halkett Place building was opened in 1989 and, with age, the expense of maintaining the building is increasing, having for many years been negligible.” Save where it does not show. “This will be difficult to manage within a limited budget.” So the Library Service, according to the Comptroller and Auditor General, is on the edge. The Comptroller and Auditor General looked at the management of the Health Service. Now, I remember some sort of mantra that there are layers and layers of managers all managing each other managing each other and, therefore, we can save a few million at Health. Now, that is not the view of the Comptroller and Auditor General.

[11:00]

March 2009, page 33: “Our review uncovered no evidence of excessive expenditure on managerial or supervisory posts. We did, however, observe some evidence of shortage of management capacity in some areas. For example, within the directorates of medicine and surgery and anaesthesia, the directorate managers had little or no support in their roles despite the substantial scale of their managerial responsibilities. The resources of the finance function were also under strain. As in relation to the question of the number of management levels in the organisation structure, therefore, we found no evidence of inefficiency.” Then he says there is a problem with data collection with knowing how much things cost and he recommends that that be addressed. That is fair enough but the gist of what he is saying is that if you look at what people are doing and interview people, then you find that it is not an inefficient organisation, but that is not what we are told. We are told: “Oh, we can save a few million down at Health because they are all managing each other.” “The department’s organisation structure is inherently complex because of its need to perform a wide range of functions that elsewhere would normally be organised in a number of separate institutions. Given this context, the department contains the range of specialist functions that might be expected in an organisation of this nature and scale, taking into account practice in U.K.-based institutions.” So not only are they not over-managed, not inefficient by and large, but they have specific issues related to Jersey which is that they are one hospital for 90,000 people. So I am sorry. I am not getting a picture of where we can find loads and loads of easy savings so maybe they are not going to be efficiency savings. Maybe they are going to be cuts. I was in a scrutiny hearing with Planning and Environment and the Chief Officer explained how difficult it was going to be to implement his cuts because he had a department where basically one person did each job. That is obviously not true in Building Control and so on but there are many areas within Planning where the expertise is very thinly stretched. Our Chief Executive giving evidence about the E.f.W. (Energy from Waste) and the attendant problems and issues said memorably that the States of Jersey Civil Service is run on a shoestring. So where are we going to find £40 million if we are already on a shoestring? So I reject and I urge Members to reject a £33 million cut which will turn out to be ... although we have not seen the details or we have seen some of them, but I think it will be a cut because efficiency savings beyond my own £20 million which I accept are simply not going to be available. “Low tax, high spend” says Senator Shenton in a report somewhere. He says we are a low-tax, high-spend jurisdiction. We are not. We are a low-tax, low-spend jurisdiction and that is why we cannot afford to cut any more. It is unrealistic and the fact that Ministers have led the public to believe that somehow they can magically have good services for very low taxes, that spell has to be broken. Someone has to come clean. It was interesting to see the Minister for Treasury and Resources’ difficulties in front of the Corporate Services Panel when he said: “Why is it that one minute we are told it is £50 million, the next minute it is £100 million?” The problem was that the Minister for Treasury and Resources did not

want to admit that there was £50 million that he had to get. The extra £50 million was his contingency, his restructuring and the backlog and the infrastructure that we have not invested in for so long that we have to get some money in from the public to pay for it. So there is this problem of laying out a stall which is not realistic and the chickens have to come home to roost. We have to tell the truth but it is very difficult because what we are saying is that we are going to have to pay for this backlog and start asking the public to pay for this backlog in a recession and that is obviously very difficult, which is why various amendments talk about the Strategic Reserve because we are in a very, very hard place - or rather the public is. The second problem with low tax, low spend is where does it go? Where does it lead us? There are 2 issues there and one is it leads us straight to the Waterfront. Now, I well remember the Waterfront; one of the sayings of our former Chief Minister: "Not a penny of public money will be spent" and the result is there for all to see, unambitious and cheap, destroying our civic pride. Whatever happened? Joy to be Jersey? Gorey Castle? Royal Square? The markets? The countryside? The Waterfront, because we tried to do it on the cheap. We nearly went the same way with the Town Park but we were saved by an amendment and then by another debate and then by another debate and then by I think another debate but at least we saved that one. Now, the other technique we use for magically providing public services at a lower cost than anywhere else is we put things off. We have a set policy of mañana which for those who do not know any Spanish at all but I think most people know what it means: tomorrow. Put it off if you possibly can until tomorrow or even do not do it at all. Only last week, there was a question asked of the Minister for Housing about housing maintenance. In 2007 he said we had an estimated £75 million backlog. Housing Department had a £75 million backlog. That is mañana. We will not do it now. We have not got the money. We will do it tomorrow. A new condition survey has just been completed and the data collected indicates that the maintenance backlog has reduced significantly to around £46 million. The maintenance backlog is now only £46 million. We have a proposition from Deputy Green that arrived in our letterboxes last week about Pomme d'Or Farm. There we see what the result of mañana politics is. He talks about how the residents there live daily, and I am sure he does not mind my quoting his proposition: "with obnoxious smells, smells emanating from a very old sewerage system which is in dire need of redevelopment." Mañana again. Smells which affect their quality of life and he says that: "the conditions at Pomme d'Or Farm, substandard internal accommodation which is both unhealthy and unacceptable. Damp, poorly heated, mouldy and unhealthy conditions." This is totally unacceptable and a disgrace and he says in that proposition that those residents have been living in that estate in those conditions for 10 years. Jersey, I should remind Members, is the richest place on the planet. Give or take one or 2 very small islands in the Caribbean, we are the richest place on the planet and yet we have ... [Aside] the previous Minister for Housing is laughing but he does not believe the figures [Aside] Regional statistics Jerseyan figures...

**The Bailiff:**

Can we not have a debate across the Chamber, please?

**The Deputy of St. Mary:**

The Minister says it is rubbish but if he looks at his Jerseyan figures, he will see the gross national income per head and Jersey is, on the left-hand side, the highest of all. So we have people living in conditions like that. We have children who were let down by the States, and I will not go into the Haut de la Garenne thing but in other situations via the Children's Service and so on. We paid a very high price for that and we are now putting £3.5 million into Williamson to put it right, and the most shameful of all, Bellozanne, where we sat on our hands, where the Minister came to the House, I think, but certainly it was a departmental proposal to put ...

**The Bailiff:**

Deputy, you have been through a number of different matters of the past. How is that relevant to cuts that we are debating?

## **The Deputy of St. Mary:**

It is absolutely relevant, Sir, because it is part of the same programme and if we cut again, we will end up with the same things down the line. That is why it is relevant. We failed in the past to spend enough. We had this mantra of low tax, low spend and the result was we poisoned our own people and if that is not shameful, I do not know what is. A proposal came to this House or certainly came to the committee of the day - I am not sure whether it reached the House - that flue scrubbers be put into the chimney at Bellozanne to clean the toxins. In those days, everything went into that incinerator and no action was taken and I ask us whether we can be proud of that record. Personally I think it is shameful. I think that if we have more cuts we will end up with more impositions on our people like that. But it is not just about avoiding harm, although that is a major part of where cuts will fall. They will fall on the bits that it is easy to sweep under the carpet, the bits that you do not see like environmental protection, the soft. They will not fall on our schools and our hospitals. They will carry on and then we will have dodgy seawater and oysters that have not been tested and so on, so it is a dangerous road to go down. So the protection aspect is important but I would rather focus on the positive. I believe that if we cut another £33 million from a public sector that is already lean to the bone, then we fail our society. We fail to make things better and I will just give 2 examples: Jubilee Centre, which is just down the road from my house, where young people can go from schools in groups and experience living in a log cabin in the woods. It is the nearest they will get to living in the woods in Jersey because we do not have many. But it is a fantastic environment. Public money. The other example is St. Aubin's Fort. I have a soft spot for St. Aubin's Fort because I still remember the outdoor organiser, one man, the outdoor organiser in the Education Department, striding around in his kagool and his wellies and his waterproofs and on his way to St. Aubin's Fort to teach yet another group of children how to sail. The excitement of that, the joy that that brings, the opportunities it opens out to our people. Are we into creating good life chances for all? If we go down a road of cut, cut, cut, we will do the bare minimum and it is not a direction we should go in. It is unworthy and it is not even what people would want us to do if they were honestly faced with the alternatives, honestly faced with the choices. I do believe in solidarity and I do not believe in inequality. I believe that facilities like St. Aubin's Fort should be available to all our children and that we should not have waiting lists at the hospital that are twice as long in some specialisms as in England.

[11:15]

The option of, well, bypass the queue, buy yourself an operation, I do not think that is very noble, very moral even. It is not an option that the Government should be telling its people. Why is solidarity important? It is important for itself because if we are in this together, if we are a community, then that is important, I believe, and it is self-evident but there are other reasons why it is important. The economic situation of the world is going to change. We are going to spend less both as individuals and as governments. This is inevitable and that will have to be taken up by doing things for and with each other on a community basis. We are not there yet. We are there in some areas but we are not there yet and we cannot abandon solidarity on our way to creating a better and more united society. We have to abandon the language of competition and learn the language of a new and better age. There is another aspect and this is one that the Chamber of Commerce and the Institute of Directors do not seem quite to get and that is that shared social values save business a lot of money. They save the whole economy a lot of money. If you can trust people, then you save compliance costs. The whole of our society runs on trust. We are surprised at the miscreants. There are 200 of them in the prison. The rest of us do not check our change. The rest of us reckon that what is in the box is what it says and so on. Those conditions of trust are built by having a community with shared values and, in fact, having a community at all. So the idea that there is no relationship, that somehow we can cut, cut, cut and it does not have social consequences I find very hard to believe. The second main issue I want to take up about this programme of the Minister for Treasury and Resources - the cut, cut, cut programme - is this notion of the spell that I have talked about, the spin, the fundamentally dishonest approach (I have to say

that) to working out how we go about this and I notice the Minister for Treasury and Resources does not agree with my characterisation of how Ministers go about this and, in particular, the Minister for Treasury and Resources. Consultation is something to be avoided at all costs. There are certain sacred cows. Transport: fine, we consult on that. The form that taxes should take: we consult on that, but we do not consult on the mix between tax and spend. We do not ask people honestly how the mix should be. We do not try to reach the hard to reach groups. This is what it would look like, an honest statement of the situation we are in and then you ask people what they think. We have £550 million in the bank. The percentage of our wealth spent on public services is the lowest in the world. If you benchmark data on our public services against other jurisdictions, you find that we are lean and efficient. The deficit is so much. These are the options for tax increases. But it is not done like that. It is done on the basis that the C.S.R. figure of 10 per cent is itself a sacred cow. The myths around this are several and the first myth is States spending is out of control - drip, drip, drip - we hear this mantra fed to the public all the time and I am just looking for a reference. In the Fiscal Strategy Review, the public consultation on personal taxation, page 1 ... and this went to all consultees and, of course, anybody who wants to take part. It is a little quote pulled out of the body of the text at the bottom of page 1. This is what the Minister for Treasury and Resources says about us: "If the States Assembly does not bring spending under control, the deficit could be as much as £100 million." A completely misleading statement, completely misleading, and it is repeated again and again in different formats so that the public thinks that we are some wild collection of clowns who just spend money at a whim. It is not so. If you look at the Fiscal Policy Panel's report in September, they show that from 2001 to 2007, there was a 1 per cent a year growth in real terms. If you look at Treasurer's reports, financial statements for those years, you constantly get the refrain: "Spending is tightly controlled." One per cent a year in real terms. However, yes, it did go up. In the last 2 years, there was a jump, the famous jump, and if Members look at the F.P.P. September report - I will not read it out but it is in my report as well - they will see what that consisted of: extra money for the hospital and various other expenditures which no one in their right mind would say were wild extravagances. So it is all there in the F.P.P. report. The second chorus is from the Small Society, who put a full-page advert in the paper saying that expenditure had doubled in the last 10 years. That was a straightforward misleading statement. Doubled in the last 10 years? Again, look at the F.P.P. report, page 6, and you will see that it is around 35 per cent increase in the last 10 years and, indeed, Mr. Keen, in a recent letter to the paper, said exactly that. So we have gone from double to 35 per cent more. The myth, however, is planted in people's minds that spending is out of control. I dwell on this because it is important that we realise that we are being spun to, the public is being spun to, and this is all fairy dust. It is all from the wicked witch's spell trying to tell us things that are not exactly true. Then Jersey Finance. Now, this is interesting. What are Jersey Finance doing writing newsletters that tell us about the state of our nation? It says, cutting our cloth: "Jersey Finance Ltd. News. Comments from the Chief Officer, Managing Director of Jersey Finance." At the bottom of the first page: "S is for spending ... however a closer examination of spending patterns does not speak well of the States' track record in controlling expenditure." Same mantra. We cannot control expenditure. In fact, we have the leanest public sector probably in the world. It has been borne down on again and again. It has been shaved and shaved and shaved and now it is pretty efficient but different in here, and there is the graph showing a huge increase of net expenditure from 2001 to 2009. It is not the same graph as what you see in the Fiscal Policy Panel because they are economists and they do the sums correctly. Then he says, astonishingly: "Without further in-depth analysis which is beyond the scope of this article, it is difficult to determine the detailed root causes but I hope to return to this subject in future articles." The heading of this paragraph is: "How is it that States expenditure has consistently outpaced inflation over many years?" Well, not by much, by 1 per cent between 2001 and 2007 and then in 3 years after that we had to play catch-up because we had not increased expenditure enough. "The most obvious explanation," writes the Managing Director of Jersey Finance: "is simply that the money was there to be spent" and he underlines that. We are a bunch of idiots. The money is there to be spent so we just throw it around. That is not what Treasurers

have said in Annual Reports to the States. “There appears to have been little if any focus on ensuring the size of government and the level of public expenditure could accommodate the inevitable variations in the economic cycle.” That is completely at variance with what the Fiscal Policy Panel September report says about how we manage our expenditure. But it is part of the myth making. It is part of this process of getting us all to believe that we are big spenders and therefore there are plenty of easy cuts to be made. It is a myth. “The public sector is bloated and inefficient” and there is an appalling quotation of this from Senator Shenton in a report where he says: “Overpaid and inefficient.” My mind just boggles when a Senator in our States can refer to the generality of our workers in that way. There may be pockets and I have said that we can have efficiencies, and a constituent even rang me and told me about a couple of pockets of inefficiency, but that does not alter the fact that by and large our public sector is something we should be proud of. The third myth is the backlog or rather the hidden elephant in the room. This is why we have been able to have low tax, low spend for so long because we have accumulated a massive backlog, and one example of the backlog is the housing maintenance which I referred to. Another is sewerage with £150 million. We have not sorted our ageing population, the costs associated with that. All these things are going to come, we have to pay for them, and the public will have to find the money. It will have to come out of taxation or charges in some way or another but it is all part of the wishful thinking. It is all part of the spell that somehow we can do it for nothing and it is all the fault of those pesky States Members who get up and make amendments like we should have respite care and that will cost £500,000. Well, I am sorry, we should have respite care and we should have treatment for the smell at Bellozanne and we should get on with it. If there was an honest debate, if the Minister for Treasury and Resources and his aides had gone to the public and spelled-out the situation honestly: “We have this much. Here are the options. This is what public expenditure does. This is how we compare to other jurisdictions. Now, shall we have roads full of potholes, waiting lists twice as long as the U.K.? Shall we have oysters that we know are okay to eat? What is the balance that you want?” then I would go along with an honest process like that and if the public want poor public services, long waiting lists and schools that have not been renovated for years and years as in St. Martin, fine, but that is not what happens. The last little point I want to make before concluding is the “people will leave” argument. People will leave if we take a little more in tax and this argument comes again and again. Well, firstly I have to congratulate the Minister for Treasury and Resources in finding ways of extracting a bit of money here and a bit of money there. He has done that in this budget. There are also amendments on the table for different ways of extracting a little more tax but the basic argument around income tax and around, in particular, social security which the Minister for Treasury and Resources is rightly suggesting that we raise by 2 per cent in 2012 from 2012 onwards ...

**The Bailiff:**

What has this got to do with cuts, Deputy? This is to do with tax, is it not?

[11:30]

**The Deputy of St. Mary:**

I am in the “people will leave” argument. If Members vote for my amendment, then £33 million will be added back into the 2012 budget if we are not in recession at that time whereupon the money would come from the Strategic Reserve. But if we were not in recession, if things were going better, that money would come out of taxation because that would have a neutral effect on the economy and therefore the argument would then arise, and I know it will come in the debate, people will leave. That is almost the most important argument that is used against tax rises and therefore I need to address it, Sir.

**The Bailiff:**

Very well.

**The Deputy of St. Mary:**

Thank you for forcing me to clarify that.

**The Bailiff:**

Yes because you have now been speaking for over an hour, Deputy, and it is, I think, important to try and ...

**The Deputy of St. Mary:**

I did say that this was the remark before my conclusion but it is an important issue about “people will leave”. I just find it hard to believe. The Minister for Treasury and Resources himself in his budget says that there is no evidence for this assertion. He cannot do the necessary whatever research to find that out. It is a feeling. Well, if people leave from Jersey to somewhere else, they will leave to a jurisdiction which has probably a higher overall tax take than here because we manage fantastically to run our public services on less than half of the O.E.C.D. average, way below Luxembourg and so on. So people will be leaving to somewhere where they will probably pay more tax. That is the first argument. The second argument is people will leave Jersey. There are, in spite of the best efforts ... well, in fact, because of the best efforts of this House and the best efforts of God the creator as well, there are many good reasons for living in Jersey, and the idea that people will run away because their tax rate has just gone up by a few hundred pounds or a few thousand pounds I believe is less than true because there are huge advantages. If they go to somewhere that has a lower tax bill than we do, then they may be going to somewhere where law and order is not guaranteed, where the quality of the bathing water is likewise and so it goes on. If you try to run a modern society on less money than we do, then you are likely to be cutting corners severely. So I do suggest that this “people will leave” argument is flawed. There is one other serious reason why people might not leave and that is that the global recession is global. It is not just Jersey that is feeling the pinch. It is not just Jersey financial institutions where hundreds of people are unemployed. So if someone ups sticks because we have just put a bit more tax and tries to go and get a job in another financial jurisdiction, it may not be as easy as you might think. The States are being asked to subscribe to what I believe is a mean-spirited socially divisive and unnecessary swathe of cuts which is damaging to the people of our Island. I have spelt out all the reasons in my report and I do not wish and I hope Members do not wish to live in a grey, drab, small society. I do not want to live in a small society with limited opportunities and the minimum care and the minimum standards. We will comply with that because we have to. I hope my vision for Islanders is a colourful, positive, secure, resilient future and to do that we cannot cut to the bone. We have to face the fact that for very, very long we have been living in a dream world, in a fantasy, and the time has come to put a bit ... well, not even put a bit back in the pot. The time has come to reverse these cuts as a first step towards a genuinely fair and prosperous society. I urge Members to support the amendment.

**The Bailiff:**

Is the amendment seconded? **[Seconded]**

**1.2.2 Senator P.F.C. Ozouf:**

I have to say the Deputy of St. Mary has beaten me. I spoke for 46 minutes and I calculate that he spoke for 77 minutes so he is up on me so far in the debate. He treated us to a long and interesting speech and in his remarks to some - last time I think he spoke on the Business Plan on the same subject - he referred to me as “Grandma from Goldilocks”. At this time I think that I am the wicked witch. I have been sent a few ...

**The Deputy of St. Mary:**

Sir, may I correct that statement? He was the wicked wolf.

**Senator P.F.C. Ozouf:**

A number of Members throughout his speech sent me a note to ask me whether I did, in fact, have a wand **[Laughter]** and then asked me to do something about it **[Laughter]** but I am not sure that I ... **[Approbation]** I do not have a wand and I do not do children's story economics either. There is an important point. The Deputy in his remarks and in his report I think ... and I think I need to correct this assertion straight away. There is a disconnect in what he is saying and the actual effect of his amendment, just to be clear. He is proposing reducing the savings target not by £32 million but by £16.5 million next year and the year after and I think there is a disconnect in terms of what he was saying and I just wanted to be absolutely clear about that. The Council of Ministers recognises that time is money. We have issued a substantive comment in relation to the reasons why we oppose this amendment. We have made in that comment the explanation of the effect this amendment as drafted would have on the Consolidated Fund. It would increase the Consolidated Fund balance to my view to a worrying extent. The Deputy appears to say that the Island can simply afford to spend more and that the level of savings is too high. I do not believe that that is correct. I do not believe that that is possible. I do not think that is responsible. I will say that all departments have made commendable efforts in delivering the savings target and the purpose of Part (a) of the proposition is to ask the Assembly to send a clear message to departments to deliver and bring forward their detailed proposals. I have to say that the Deputy's comments do little but damage the commitment and determination of Ministers and staff and I think a majority of States Members who expressed their view in the Business Plans to deliver on savings. The public has said taxes second after savings and I think the Deputy is not reflecting the majority of the views of Islanders. I am going to say one final thing. The Deputy refers at length to the issue that we have not addressed issues in terms of growth. The fact is in the resource framework that we agreed in the Strategic Plan that we have put forward in this overall envelope of spending does reflect the need for some growth in terms of expenditure. They do deal with inflation and growth. In overall terms, they deliver everything. They put all of the spending issues out on to Members' awareness and we are having a clear debate about the total amount of States spending that is required. I do not believe the Deputy has made the case for reduction in the savings target. I urge Members to reject the amendment, set the target and let a clear message be given to Ministers and their departments to deliver £65 million worth of savings. **[Approbation]**

### **1.2.3 Deputy A.K.F. Green of St. Helier:**

I do not intend to take very long but I just want to correct something my friend the Deputy of St. Mary said incorrectly. That was the written response that the Minister gave to a question was a response to what had we looked at, not what we were going to close, and the Deputy of St. Mary was wrong to imply that the Youth Service and other services were under threat. We have declared very openly the efficiencies we want to make. I will not say there will not be tweaks around the edges, but it is wrong to say that those were the things that we were going to hit. We said we had looked at them.

### **1.2.4 Deputy R.G. Le Hérissier of St. Saviour:**

Very briefly, in a way it was necessary that the speech be made in a condensed form **[Laughter]** and in a way it does remind me of the Curate's Egg. There were some very good thought-provoking issues. I think it is important that the cuts programme be shaken in a sense to its foundation. But oddly enough I find myself in the same company in this sense as the Minister for Treasury and Resources because the public do believe that in some respects the States is a wasteful organisation. I am afraid there are some areas where even it has to be said the Minister for Treasury and Resources and his likeminded colleagues have not faced up to: for example, the culture of excessive management structures, the culture of high management salaries. I do not think they have understood the anger that there is out there about the way we are handling these things. He has used a variation of the Deputy of St. Mary's argument or people like the Assistant Minister for Health and Social Services when I was quizzing him about how could he in all conscience as a conscientious accountant allow £750,000 suddenly discovered overspend to go on a

management consulting company, having just employed 2 very highly qualified and we thought highly expert people who were going to grab the whole issue of the strategic direction of Health but arrive and say: "Oh, no, we are too busy with day-to-day management." I find those sorts of statements are really leading to cognitive dissonance; they are leading to that situation. So there are areas in which I think the Minister for Treasury and Resources has to drop the mantra that cuts just because they are cuts are worthy, they are good, they are virtuous and, to that extent, the Deputy of St. Mary is right to have drawn attention to some of those issues. But I think some of the issues, for example, about if you go to a low-tax society you inevitably are going to go to one with more crime or one with lesser public services, I am not sure a higher G.N.P. (gross national product) spent on public services equals ... it does in some respects but I am not sure the argument totally follows that the more you spend in State expenditure, the better society you have got. We know that countries like Britain are struggling with inner city crime in some areas and we know that some of the conventional solutions that centre on pouring more money into these programmes do not necessarily work. We know that. So I am not sure more money always equals a better society even with ... and I take into account what the Deputy said about 'invest-to-save.' It does not necessarily lead to that route. But the bottom line is I do not think the Council of Ministers have got their cuts programme right. I do not think they realise the public anger that there is out there about how the States are handling it and they have become rather blind to some of the more difficult areas, it has to be said. But the bottom line is to go out there and say we are going to come up with a programme to increase the deficit when we have not systematically worked through how we deal with matters I think is political suicide, quite frankly, and until we get stronger and more robust arguments from the Deputy of St. Mary in that regard, I cannot support his proposition.

#### **1.2.5 Deputy M. Tadier of St. Brelade:**

It is interesting to see the changes in formation of the way in which the Minister for Treasury and Resources is portrayed. We heard him say that he had been labelled Grandma in the past. He has now been rejuvenated at the time for change demonstration in the pouring rain which I thankfully did not catch flu at. **[Laughter]** He was labelled Pinocchio **[Aside]** and then we have heard he has also been likened to the Fairy Godmother who can wave a ... or a wicked witch but somebody with magical powers nonetheless who can perhaps wave a magic wand. Then we have also heard the analogy of the wicked wolf, so really I think States Members and members of the public can choose which one they feel more comfortable with. Of course, we acknowledge that the Minister for Treasury and Resources does have a job to do and that he is pursuing what he thinks, I believe, is best, although we do have a valid political disagreement and it is right I think that robust debate ... **[Aside]**

#### **The Bailiff:**

Senator, please do not interrupt with things like that. Now, the Deputy is in order so far. Carry on.

#### **Deputy M. Tadier:**

Senator Le Main said that he thinks the Minister for Treasury and Resources deserves an apology for my language but I am not sure which particular ...

[11:45]

#### **The Bailiff:**

Just carry on, Deputy. Please ignore the interruption.

#### **Deputy M. Tadier:**

It is difficult to ignore Senator Le Main. You can dislike him or you can disagree with him but you certainly cannot ignore him. **[Laughter]** **[Aside]** First of all, I congratulate Deputy Wimberley who seems to have successfully given at least a partial alternative budget speech. In fact, I do not see what the problem is really there because any amendment to this budget is essentially an



alternative budget [**Approbation**]. So I would disagree with what I see, well, with the intervention of the Chair, because I think Deputy Wimberley ... you may not necessarily like his style, you may not like the fact that he kept you for 65 minutes, but nonetheless this is a very important debate. He was proposing an increase in expenditure from what has been suggested in the budget of £16.5 million and if you take that as per minute, it works out as one minute for every £250,000 extra that he is proposing to spend. So we do need to put these things in perspective although we would all ...

**The Bailiff:**

Deputy, it is of no concern to me whether you disagree with the rulings of the Chair but you must accept them and the Deputy is not entitled to put forward an alternative budget. He may make amendments to the budget put forward by the Minister. So please get on with your speech.

**Deputy M. Tadier:**

What I did want to address to States Members and I have been forced to do that - I was not, as I say, going to - is that I think that what we have seen interestingly after yesterday's headline in the *J.E.P. (Jersey Evening Post)* the recommendations from the Carter Review about the separation of roles is quite an appropriate time [**Aside**] because that is what I see as a political intervention. Of course, the Deputy cannot formally lodge an alternative budget but what he can do and what he is quite right to do within orders ...

**The Bailiff:**

Deputy, please get on with your speech.

**Deputy M. Tadier:**

I am being silenced again by ... [**Approbation**]

**The Bailiff:**

You are not being silenced. I am simply asking you to accept the rulings of the Chair, which is that the Deputy was not entitled to propose an alternative budget. That was the ruling of the Chair. Now, please get on with your speech which is on his amendment.

**Deputy M. Tadier:**

Sir, I am getting on with my speech, but as an elected Member I have my own opinions and in the interests of freedom of speech ...

**The Bailiff:**

At the appropriate time, you may express those opinions but not in a debate on an amendment lodged by the Deputy of St. Mary. [**Approbation**]

**Deputy M. Tadier:**

I do not know if I am mad but surely the way I see it - and I am carrying on with the speech to do with the amendment - is that this amendment for me is and would make the budget an alternative one and therefore I will be supporting this because I think there is a need for an alternative budget rather than the one which is being proposed by the Minister for Treasury and Resources. Now, like the Deputy of St. Mary before he even started his speech, I have quite successfully through an intervention from the Chair been shaken from my initial resolve but I will nonetheless continue as I intended to do. The trouble is I believe that we are faced with these kinds of scenarios first of all is that with these long speeches we do not have a forum within the States that sets the macro policies for the Island. We never have any real big chance to choose which direction we want to take in terms of policy. Do we want a low-tax Island, low spend, do we want high tax, low spend? Do we want high tax, high spend or low taxes, indirect taxes? What kind of Island do we want? What kind of economics model do we want in the Island? That is why we will find ourselves in these

situations which may be uncomfortable but which will I believe be all the more frequent if we do not face and rectify this problem. I think the concept of wastefulness is a valid one. Deputy Le Hérisser says that most Islanders do believe that the States is being very wasteful and this is obviously because there are very high profile instances where money has been seen to be wasted or certainly subjectively people would say, for example, why did we not in hindsight pay in instalments for the incinerator rather than paying one lump sum? Many people would think had we done that we would be in a much better scenario, although that is up for debate. What is more difficult to measure, of course, is the funding that is not there. It is very difficult to put your finger on it and say that is an area of funding where we do need more money first of all because it is very difficult to identify often something which is not there. Now, Scrutiny Panels can do that. We have had it with the dentist review. There has been a whole review about the fact that in Jersey dental care is not as accessible as primary health care whereas in some other jurisdictions it is. We know that there is also an issue with G.P. (general practitioner) costs where members of the public although it is subsidised have to pay to go and see a doctor and it is not necessarily everyone who can afford that. So it is not always easy to put your finger on things that are missing so it is quite easy to say that area is being wasteful, but the premise that I would challenge - and I think it is the one that the Deputy of St. Mary is also saying - is this dogma perhaps that there is an overall net saving that can be made. Sure, I think we all agree that there are areas of waste but whether there are actual net savings that we can make without harming the public or without harming front line services is a completely different matter. I would say probably there is definitely waste there. The savings that were made from genuine efficiencies I am sure could probably be spent twice or 3 times over in areas which are currently under-funded. So I do not need to say any more. I will be supporting this proposition and I welcome the fact that Back-Benchers are bringing forward alternatives and amendments to this budget.

#### **1.2.6 Deputy P.V.F. Le Claire of St. Helier:**

I have to say I am getting extremely concerned about how we are going to present to the public the way in which we are debating these issues today. I think the Deputy of St. Mary brings to the Assembly a degree of academia, if that is the correct term, that has been sadly lacking in certain circumstances and in certain debates. But I would implore him as a person who has learned the hard way - and it took me a lot longer to learn the lesson I am going to try to share with him than probably he will take - I stood in the Assembly for nigh on a decade giving long speeches that nobody listened to, annoying Members, turning off just about all support that I had for issues because I felt at the time Members needed and the public needed to hear the detail in extreme minutiae as to what was before them. What I have learned is that most Members are thinking people. They do in the majority read as much of the information put in front of them as they are able to. I do feel if the Deputy of St. Mary is going to accomplish more than I, and I think he is capable of doing so, then I would urge him - and I have said it privately before - now publicly to consider using his abilities in a much more confined manner because not only will he be more successful but he will also take away the underlying threat that now exists for ordinary Back-Bench Members to continue to bring propositions and make speeches in the lengths that they wish to. Because we are becoming grouped-in with a feeling of frustration from the majority of Members in that regard and I feel that our individual Back-Bencher rights are going to be eroded unless the Deputy of St. Mary does work at achieving what I think he can achieve, which is a more robust and confined presentation. I would urge him in his summing up and in future contributions to take on board what I am saying in the best spirit. I certainly have not been able to learn it as quickly as I would have liked to have done, but I have found that if I make shorter speeches I accomplish more. The Deputy of St. Mary has highlighted some very important areas of concern in the community that he understands from his involvement in government that are there for all of us to consider. He spoke about things such as bathing water quality and he knows about these issues because he is the Vice-Chairman of the Environment Scrutiny Panel. I know about those matters as does he. The Minister for Planning and Environment is here. He also knows that if we were to adopt certain

regulations coming through in the future, it might be extremely expensive for the States and he is concerned about those issues as he has expressed concerns about others. The reality is we have a large number of amendments and a very huge debate in front of us, a considerable challenge to all of the community to get through a difficult economic period. We can all vote against amendments or the majority of the proposition if we wish, but if we are going to get through this week and not into the end of next week, we have got to shorten our speeches, I am afraid.

### **1.2.7 Senator S.C. Ferguson:**

Just a few comments. In his proposition, the Deputy was rather pejorative in his report on the Tea Party from the United States. I do not know whether he understands that the T-E-A Party is “taxed enough already” which I think should strike a chord with people. He talks of ridiculing the concept of an exodus of people from the Island. Well, I wonder if he has looked at what is happening in the U.K., certainly in the City. There are people voting with their feet leaving the U.K. to go to less red tape and lower tax areas. Now, I do not know whether the Deputy considers that Switzerland should be considered as a country with a high crime rate and poor social care but I rather doubt it. He talked in his report of socially risky cuts and referred to Family X. Well, this was precisely because the Health and Social Services Department was not running efficiently and economically. The public are demanding an efficient and economic organisation. That is all they want. You talk of cuts being driven by ideology. They are being driven by economics and common sense based on practical experience in the workplace. We should have small government and low taxes and leave money in the hands of the public who are a great deal better at spending their own money than we are at spending their money. He talked of a lack of vision. Yes, but whose vision? I hear John Holdren talking about de-developing the west. Well, sorry, folks, I like my car. The Deputy appeared to want to keep everything in the hands of the State. He wants to direct my spend and my lifestyle. That sounds much more like the U.S.S.R. (Union of Soviet Socialist Republics) than Jersey to me. He talks of a carbon levy. They have fuel poverty in the U.K. because of their carbon charges. They have pensioners riding round on buses all day using their free bus passes because buses have heating. Members might remember the lady who used to sit in the balcony. She always used to be here when the States were sitting. She was quite upfront about it. She used to come in and sit there because it was warm and it saved her central heating. Clos de Roncier saves £467 a year. In the U.K. the renewable charges are in the order, I understand, of around £450 per year per household and are going to double under their current policy. Do we want to add £1,000 a year to people’s heating costs? The Deputy does not believe the savings are achievable. They are, but the bulk of them will come from the cross-cutting issues: I.T., H.R. (human resources), property and procurement. From what I understand, the Deputy - and he may correct me on this - is apparently in favour of high tax, high spend. If we do that we will be back to growing cabbages. I would respectfully suggest that the Deputy might like to spend some time on the Public Accounts Committee to get a real appreciation of matters financial. Government can get good services on low taxes provided that Government does provide what it must and gets its inefficient fingers out of areas where it has not the expertise.

[12:00]

This is a well-meaning amendment but, frankly, economically it makes no sense whatsoever. I call on Members to oppose it.

### **The Bailiff:**

Does any other Member wish to speak?

### **1.2.8 Deputy G.P. Southern of St. Helier:**

Members will not be surprised that I am rising to my feet to speak in favour of Deputy Wimberley’s proposition.

### **The Bailiff:**

The Deputy of St. Mary's.

**Deputy G.P. Southern:**

Sorry, the Deputy of St. Mary's proposition, whose only defect was the length of the speech. It might have been a speech I might have written myself except mine would have been shorter. Let us have a look. I think the Deputy is absolutely correct to link-in the combination of tax rises and cuts to services as the whole package of what we are producing here and what we are about to inflict on our society. He is absolutely correct to point that out. The facts are that the cuts will affect the bottom quintile, the least well off in our society. They are the most dependent on public services and, therefore, they are the ones that will suffer most as we proceed through our chain of cuts. The Minister in his comments on the Deputy of St. Mary's proposition talked repeatedly about all of the cuts are going to be about efficiency savings and none of them will be impacting on essential services. The Deputy of St. Mary has pointed out quite correctly that even in the first stage of the Comprehensive Spending Review cuts we have seen numerous cuts to frontline services, particularly sensitive in health in particular. We have seen a reduction in mental health services at a time when a lot of people are suffering from the stresses of the recession. We have seen a reduction in the physiotherapy services; a benchmarked service that gets people back to work quicker than almost anywhere else in the U.K., a very efficient service and one which is now cut. We have seen hydrotherapy services cut. We have seen - and this is a particular one that I noted - the number of Customs Officers and particularly the intelligence operation cut at a time when we need to reinforce our borders most specifically. The Ministers keep saying all we are doing is efficiency cuts. While we do not know, it says here in the comments, the outcomes of the drafted 2012 Business Plan and the cuts associated have been well informed and debated by Ministers and we know exactly where we are going. That is not the experience that I have in talking to the 3 departments and Ministers for whom I have a scrutiny responsibility. I talked to the Health Department. They talked in general terms about, for example ... let us pick on one. In C.S.R.2 they are suggesting we will look at patient transport services. We do not consider that our core service, therefore, we shall look. So you ask them: "What are your plans? What are you coming forward with? What are we likely to see? You are trying to save £100,000 on patient transport services." What we got back was fresh air: "We were in discussion with T.T.S. (Transport and Technical Services). T.T.S. could do some of it." There is a thought that we might charge for patient transport services; user pays. Right, that is interesting. Pay to go to hospital. Pay to go to your day centre. Really is that where we want to be? Or we might be outsourcing it to a third sector; some sort of charitable organisation that could deliver patient transport and we do not have to pay for it. You say: "How far have you got with that? Are you likely to make that £100,000? How are you going to deliver £100,000 savings?" You get: "It is early days." That will not be finalised until some time in the first quarter of next year if you are lucky. Let us say by March we might have something there. Yet we are making decisions now about how much to tax and how much to cut on the basis of fresh air. Similarly, talking to the Minister for Social Security, he has lined up £4 million worth of cuts from income support and benefit levels. "How are you going to pay for that?" you ask him. He says: "We are hoping that the recovery will be in place by then and we will have to spend less on income support." You say: "What is going to happen if the recovery is not firmly in place by then?" He says: "We will have to cut benefits and income support to certain target groups." You say: "Have you thought about what target groups they might be?" "No, we are still researching it." Again, something that could have a material and serious impact on front line delivery of services and yet that is up in the air too. We do not know. The point being that funding of public services is a way to maintain the economy. Cutting public services reduces the effectiveness of that input. The Minister is reliant on the fact that the end of the recession - the recovery - is just around the next corner. It is going to be here soon. That is an article of faith that the Minister for Treasury and Resources has almost, I believe, in his D.N.A. (deoxyribonucleic acid). Just around the corner. He has produced not one iota of evidence that that is the case. Yet he still proposes to pile cut on cut from public services, reducing the economy. He proposes to

impose tax rises now, before there are any signs of the recovery, on an economy and thereby reducing economic activity. It must happen. Talk to and listen to the retailers out there. Listen to the British Council of Chambers of Commerce. They know a thing about V.A.T. and the economy. In the U.K. they have just reduced their growth estimate for next year from 2.2 per cent to 1.9 per cent. Further on, 2012 and 2013, they are saying growth will recover but next year it will not. Why? You ask, why? Because there is going to be an impact on the U.K. economy of the rise in V.A.T. from 17.5 per cent to 20 per cent. That will damage the economy, say the British Council of Chambers of Commerce. Yet our Minister for Treasury and Resources stands here before us and says there is no evidence that a rise in G.S.T. will affect the economy. That is simply not true. Raising taxes in whatever form reduces economic activity. Whether you are left wing, right wing, whether you are an economist or an accountant or a politician, everybody knows that. That is the reality. The rise in G.S.T. will take some steam out of the economy before there is any recovery established. Yet we are asked to believe that that is perfectly okay. We are told by the Minister for Treasury and Resources - and he said it several times today - that people want cuts first and tax rises second and that he has extensively consulted over the options and come up with a balanced programme. Nothing could be further from the truth. As the Deputy of St. Mary correctly pointed out, what we have been on the end of is an intensive lobbying activity from the business sector. The business sector have said quite clearly, particularly the finance sector: "We do not mind G.S.T. rises." Why is that? Because by and large the finance sector does not pay G.S.T. Yet we have had this review, this so-called consultation on the Fiscal Strategy Review, and we have yet to see the base results on which the comments of the organisers are in fact founded. Time and time again the Minister refuses to show the basic results. All he will say is there was a split. There was a split in opinion widely between, for example, the business sector, the finance sector and ordinary individuals and their contribution. A wide split but we have not seen that. We have seen words like a majority, a substantial proportion, et cetera. The Minister for Treasury and Resources has been able to do exactly what he wants on the basis of his consultation because he has not revealed properly the basis of his actions. So he is able to increase G.S.T. I will return to this issue later on in this debate that G.S.T. is the chosen weapon of tax raising and - he comes back to it time and time again - that is not regressive. It is closer to proportional and may well be progressive. I will deal with that later but that is not the truth. The fact is his tax rises will impact and it will be a double-whammy on the back of the cuts already made from services that the bottom earners in our society depend on, the most vulnerable depend on. On top of that he is going to load on G.S.T. as an extra burden on those people. That is the reality. That is why we should be debating the whole principle. That is why the Deputy of St. Mary's amendment is worth supporting and I will be doing so.

#### **The Bailiff:**

Does any other Member wish to speak?

#### **1.2.9 Deputy M.R. Higgins of St. Helier:**

I will be very brief. There is much that I admire in the Deputy of St. Mary. I have always admired his forensic ability of going through masses of documentation and finding out there is a key point. He has made some excellent points in his speech. Unfortunately, I hate to say it, he has taken so long to do it that most people have turned a deaf ear to it. I think he has done his case more damage than good. I happen to agree with much that he said. I personally do not like many, many elements of this budget. I can see me voting against it in the end. However, there is much that I agree with him. There has been much spin, excessive spin. You have to remember all the things he said about excessive government expenditure. He is quite correct when you look at the F.P.P. report it is really in the last few years. He has given the case as to why some of those very large items came out which were unavoidable. That is part of the spin. We are also being told that really there is no alternative. There are alternatives. A lot of decisions we are making are political decisions. I happen to believe that the particular proposals that are being put forward are

ideologically driven. The Deputy of St. Mary has already said that. We heard Senator Ferguson, for example, who is a firm believer in the Tea Party, who are so far right of the Republican Party in the United States that even they are starting to disown them. They are a party that believe in excessively small government. I do not want big government but I do not want excessively small government either. I want a question of balance. There is much that I agree with the Deputy on. I also happen to believe that the cuts are not just efficiency savings. They are having a real impact on people. I had a meeting here with the other Parish Deputies from St. Helier this morning and the Housing Department about Pomme d'Or Farm. One of the consequences of this budget even so far is that £6 million has been taken from money they were promised for the development of that estate. This estate right below Bellozanne's chimney and right next to the sewerage works and everything else has been ignored. It is a scandal that we have allowed people to live in those sorts of conditions. What has happened, despite promises made by Ministers, that money was withdrawn. Basically, they are going to get a little bit of it. It will be long and drawn out and they have got to put up with these conditions.

[12:15]

There are real cuts taking place. It is not just efficiency savings. Again that is part of the spin, there will not be these cuts. I can tell you once we agree these indicative spending limits and everything else and the real facts of what is coming in the C.S.R. review in the next stage and the stage after that, we will be seeing some real cuts. We will also see, as Senator Ferguson wants, privatisations. Can I just say from the beginning I support the C.S.R. project and the review? I have done that from the very beginning. Why? Because I believe every organisation has to look at what it does. You have to ask yourself the question, do we need to do this thing or could someone else do it? Can we do it in a different way? Are we doing it in the most efficient way? Every organisation has to go through that process. One of the objections I have got to this particular budget is much of it has been rushed. We have not seen a lot of detail. The Minister for Education, Sport and Culture has been under a lot of flak in the Island because of the talk about fee-paying schools having to pay more. That is just one proposal but they have not finalised the proposals. I know, for example, that he started I think 8 reviews, was it? Eight reviews before we even got into the C.S.R. scheme. What he was doing was doing exactly what I believe he should have been doing, which is looking at everything top to bottom and looking at it. I have not spoken on the fee-paying cuts. The reason why is I want to see the whole picture. I want to see what the other options are so we can weigh them all and decide which is the way we are going to go. We may have to have a compromise of things. As I say, he has been pilloried for the fact that it has been leaked about the fee-paying schools. It is only a proposal of the States. There are no firm details. We do not know what the others are. Other Ministers should be doing exactly the same thing. We know Health have not got a clue. We are going to have a few more months and another £700,000 to try to find out what they are doing and whether they should be doing things differently. I believe this whole process has been rushed. I believe it is uncoordinated. I happen to believe if it had been handled better and there had been less spin, one, there would be more support in this House and, secondly, outside in the Island. Let me just in summary say that I happen to think the C.S.R. is necessary. I happen to think, yes, we do have a budget situation. We are going to have to increase some taxes, although I have objections to certain of those taxes which will be made clear later on in the debate. But we have to take steps to try to bring that balance back. However, part of the spin as well is we are changing the way that we do things. In the figures that are being put forward for the next 3 years are contingency figures. The States never ever had contingency money. They used to always come back and vote for more. That change is one thing that is probably positive but at the same time it is inflating the amount of money that we have to raise over the next few years. In exactly the same way we are talking about efficiency savings or restructuring costs, that is adding to the figure that we are having to raise taxes for and so on. There is an awful lot of spin which I am afraid I lay at the Minister for Treasury and Resources and his colleagues for. They have been putting this out. They are trying to bamboozle the public together with a lot of the other people. I

would love to see the real facts coming out. What I will say is, unfortunately, I cannot support Deputy Wimberley on this because there are elements to it I disagree with. We do have to balance the budget. But he has made a lot of excellent points which I fully support. I just wish he would learn to make them much briefer.

**The Bailiff:**

Does any other Member wish to speak?

**1.2.10 Senator T.A. Le Sueur:**

I appreciate that in the opening speech and response to a budget there is often temptation to ramble over all sorts of hobbyhorses and pet ideas. I think it is important that we do just come back to the nub of this proposition, which is to reduce our spending and thereby increase our deficit. That is something which my Ministers and I clearly would not want to sanction. The solution which the Deputy of St. Mary proposes is that we dip into the Strategic Reserve until the economy improves. The Minister for Treasury has already built into the budget forecasts realistic estimates for economic growth of 1 per cent next year and 2 per cent in years thereafter. I remind Members that our target for economic growth has been an average of 2 per cent per year for some time now. We are not looking at rampant economic growth. Meanwhile the Deputy of St. Mary is proposing a reduction of £16.5 million next year, twice that much the year after and no sign of a reduction in sight. He hopes that the economic recovery will enable the tide to be turned. I believe that we need more than a pious hope. I believe the economy and businesses and people need more than a pious hope. He talked about a principle of mañana. I think this is him putting mañana into practice because Deputy Southern suggested that raising taxes might dampen the economy. Yes, perhaps they might. I suspect that a demonstration that we as a Government do not know how to control our spending, do not know how to live within our means will not dampen the economy; it risks killing it. I believe that an amendment like this sends out a completely wrong message and is one which we should oppose at all costs.

**The Bailiff:**

Does any other Member wish to speak? Very well, I call upon the Deputy of St. Mary to reply.

**The Deputy of St. Mary:**

If I may adjust my papers just for one second ...

**The Bailiff:**

While the Deputy is gathering himself, the Deputy Greffier sent me a note. Do we double the fine for unattended phones? **[Approbation]** Very well. I think that probably is a resolution of the States.

**1.2.11 The Deputy of St. Mary:**

I thank all who have contributed to the debate on this amendment. I think I will start with the comments of the Minister for Treasury and Resources because they are more on the economic side and also clarifying the amendment once more. He made something of the sums involved. It is quite clear that in 2012 I would be adding back £16.5 million and in 2013 double that so instead of his £65 million cuts there would be £20 million of efficiency; £12 million we have already voted for and the £33 million which I am saying we should not cut. It is an indicative sum anyway. It is guidance to the Ministers. We learnt yesterday that Ministers are in fact free to do whatever they wish. However, the point of this debate is to try to constrain them a little bit or to try to point the way. It is in that spirit that this amendment is brought. The Minister for Treasury and Resources also talked about the Island spending more. No, I am not suggesting that the Island spend more. Maybe it is a play on words but I am suggesting that some money is spent in the public sector that would otherwise have been spent in the private sector. In fact it might not be spent in the private sector because people might prefer to save it in the present uncertain times. But I am not

suggesting more spend. I am suggesting a transfer from private to public that his proposals would not do. That is simply a clarification. The Chief Minister in the same vein - keeping with, if you like, the economic aspects - talked about my proposal was to dip into the Strategic Reserve. I made it clear in my speech that that would depend on the economic circumstances at the time. If things were going badly and we needed more stimulus then it would be correct to spend into the economy exactly as we do now with the fiscal stimulus package. On the other hand, if the economy was going better then the Minister for Treasury and Resources would use his undoubted talents to find more sources of revenue for the States as he has done so on this occasion, I might add. A number of speakers referred to the length of the speech, in particular Deputy Le Claire. There are a couple of points to make there. If you are trying to deconstruct what is the perceived wisdom, the received wisdom, it is what everybody thinks. It is what the public have been told. We have that statement from the Constable of St. Saviour saying I wish we did not have to do this but ... I was explaining why we do not have to do it. Because it is the subject of so much spin and so much constant repeating of things that are at best half true then it does take, I am afraid, time to bring the evidence and show that it just does not stack-up. Deputy Tadier in fact made a very good point about no proper forum for this kind of debate. No proper forum with the public, no proper forum in here about the overall direction. What we get are Ministerial policies brought in one by one. We cannot make the overall pictures. We are told we have to cut this £5 million by some Minister but the overall context has not been properly dealt with so the default position just grinds on. The States waste money so do not give them any more. Wasteful and inefficient; cut first then tax. We even get these sentiments reflected back in the consultations. But they were put into the consultations. Deputy Le Hérisier is in need of a blanket or he is still clinging to his blanket. He talks about he does not want to go where my amendments goes, which is that if we do come out of the doldrums - which I think we probably will although not in the same way to which we are accustomed - then there would be increased taxes. He wants to get away from that. He wants to say, yes, but it is all the States wasting. There must be more places where we are wasting money. We must be able to get round this. I have in my amendment said that we can make £20 million of savings. I accept that. I have read the workshop report. I think there are efficiencies there to be made. If you look closely and take out the ones that are cuts and you are rational about it, there is probably £20 million worth of savings. But I did detail just how hard this is going to be. I referred to E.S.C. I should say I apologise, yes, for perhaps misleading Members. It was quite clear from the written question that what E.S.C. did was they looked at those cuts. They looked at the youth centres, libraries, sports centres and nursery education and they said we are not going there. But they are left with the problem of what do they do. If the expected savings cannot be achieved from the reduction in subsidy or it is limited to 10 per cent, the funds will have to be found from elsewhere within E.S.C. and this means front line services. That is what their answer says. Whatever Deputy Le Hérisier might like to believe, that somehow there is some fat in the department, they have cut it away already. Sorry, mate. This is the problem with this wishful thinking. I referred Members also to the Health Department where the C. and A.G. (Comptroller and Auditor General) himself has looked. Okay, he did not have £800,000 to spend but he did look. He said it is not inefficient. So it goes. I am sorry, you have not got a blanket. The Deputy cannot ...

**Deputy R.G. Le Hérisier:**

Just a correction, if the Deputy ... I do not think the C. and A.G. said it is not inefficient. He said that there was nothing fundamentally wrong with the management structure. The 2 things are not necessarily linked of course. A very nice management structure running an inefficient organisation.

**Senator S.C. Ferguson:**

With respect, the report said that they could not assess the size of the management and the efficiency because there was not sufficient financial information in order to make a meaningful comparison.

**The Deputy of St. Mary:**



Everyone, as I expected, would produce these little red herrings. No evidence ... not red herrings but inexactitudes and quotes from memory. Quotes from memory but I have the document, you see: "Our review uncovered no evidence of excessive expenditure on managerial or supervisory posts." I am sorry, you can dream all you want but that is not what the C. and A.G. said. You will have to find your evidence elsewhere in your own imagination **[Laughter]**.

[12:30]

Arguments for the cuts. Senator Ferguson, paid-up member of the Tea Party **[Laughter]**. Probably not paid-up because of course that would be against their principles. She said that maybe people might go to Switzerland. Switzerland, I just checked, spends double the percentage of their G.D.P. (gross domestic product) on public services and amenities as we do. Indeed, they probably do have law and order and clean water and so on because they are well run. There you go. The people will not be leaving in droves because of a higher tax setup - marginally higher - to Switzerland. She pointed out helpfully that there are savings from the cross-cutting area: I.T., H.R., procurement and property. I agree with her that these are areas where I am sure there are savings, particularly I.T. and H.R. We have already had an answer to a written question which pointed out that we are already saving substantially in H.R. in the last 5 years because obviously the centre and the peripheries do not all need their own H.R. Procurement has promised savings so that is covered. That is included in both my figures and the Minister's. But she mentioned property. Savings from property? They have a backlog of £100million of maintenance costs. Yet another of those unfunded things that come from the mañana approach. But the property is there and you either sell it at a knock-down rate because it is in a bad condition or you spend the money to repair it and keep it in good order. She mentioned high tax, high spend. I am not high tax, high spend. Deputy Higgins mentioned the word balance. He said that he was not for excessively large government and not for excessively small government. I am in the same boat. I do hope he puts his hand in the right place or puts his finger on the right button when it comes to voting because we are in the same place. I do believe in the right balance. I am only asking for £33 million of cuts to be put back. These are new cuts on a service that is already cut lean. We already provide these services at half the cost of anywhere else. The Minister for Treasury and Resources says I can find another £40 million and it will not affect front line services. I want a balance that is honest and fair with the public that says we have messed up. We are going to come to you for more money even though it is in a time of downturn because we have these unfunded essential expenditures. Deputy Southern mentioned income support. That was really quite striking what he said and Members should remember that. He was saying that in his conversations and questions and so on with the Minister, there is a real problem with income support. We will have to cut income support if we cannot manage to fund it. Who is going to receive these cuts? We are still researching it. I think Members should remember that, should bear that in mind when they come to vote. Finally, Deputy Southern made the point about redistribution. We are going to hear a lot in the G.S.T. debate about whether it is fair or not, whether it is regressive or not, whether it is proportional or progressive. Spending cuts are regressive. Spending cuts affect the poorest in our society - the vulnerable - most. We have a Strategic Plan commitment for social inclusion. We have said there - we have signed up to - we will protect the weakest in our society. We will enable them to have equal opportunities. The only research that I have seen on the distribution, the impact of spending cuts on different income groups is on the falseeconomy.org.uk site, if you want to go there. It is done by the T.U.C. (Trades Union Congress). Researchers trawled official statistics and came up with this chart. It shows that the poorest decile - the poorest 10 per cent - will lose 30 per cent of their household income. They will lose services to the value of 30 per cent of their household income. The chart is absolutely a smooth curve to the richest, who lose about 2.5 per cent. All points in between are proportional. Spending cuts are regressive. There will be cuts. If Members reject this amendment we are heading towards more cuts on a lean public service. We are condemning the people of the Island to less good experiences than they could have on the positive side and even to substantially worse outcomes in different areas. As I have said, I believe that we should be

positive. We should aim for a secure future, not one where we have skimmed on this, that and the other and produced a divided society. I really do believe that if we cut any more then we are cutting into the meat. It will be painful. Finally, this business of honesty. We are not being straight. The Minister is not being straight with the public and it is a tragedy. We are all associated with that. When we have debates about electoral reform and we talk about why so few people bother to vote, just think of the spin and the constant repetition of things that are only half true about the quality of our public services, about how we compare to other jurisdictions and about the States being a wasteful body, because we are not. Those things are untrue. I do say that we can afford this. The Island will be better for a better balance between private and public sectors. I urge Members to vote for the amendment.

**The Bailiff:**

Is the appel called for, Deputy? The appel is called for then in relation to the amendment of the Deputy of St. Mary. I invite Members to return to their seats and the Greffier will open the voting.

<b>POUR: 5</b>	<b>CONTRE: 44</b>	<b>ABSTAIN: 0</b>
Deputy J.A. Martin (H)	Senator T.A. Le Sueur	
Deputy G.P. Southern (H)	Senator P.F. Routier	
Deputy P.V.F. Le Claire (H)	Senator P.F.C. Ozouf	
Deputy M. Tadier (B)	Senator T.J. Le Main	
Deputy of St. Mary	Senator B.E. Shenton	
	Senator J.L. Perchard	
	Senator A. Breckon	
	Senator S.C. Ferguson	
	Senator A.J.H. Maclean	
	Senator B.I. Le Marquand	
	Senator F.du H. Le Gresley	
	Connétable of St. Ouen	
	Connétable of St. Helier	
	Connétable of Trinity	
	Connétable of Grouville	
	Connétable of St. Brelade	
	Connétable of St. Martin	
	Connétable of St. John	
	Connétable of St. Clement	
	Connétable of St. Peter	
	Connétable of St. Lawrence	
	Connétable of St. Mary	
	Deputy R.C. Duhamel (S)	
	Deputy of St. Martin	
	Deputy R.G. Le Hérisssier (S)	
	Deputy J.B. Fox (H)	
	Deputy of St. Ouen	
	Deputy of Grouville	
	Deputy J.A. Hilton (H)	
	Deputy J.A.N. Le Fondré (L)	
	Deputy of Trinity	
	Deputy S. Pitman (H)	
	Deputy K.C. Lewis (S)	
	Deputy I.J. Gorst (C)	
	Deputy of St. John	
	Deputy A.E. Jeune (B)	
	Deputy T.M. Pitman (H)	
	Deputy A.T. Dupré (C)	

		Deputy E.J. Noel (L)		
		Deputy T.A. Vallois (S)		
		Deputy M.R. Higgins (H)		
		Deputy A.K.F. Green (H)		
		Deputy D.J. De Sousa (H)		
		Deputy J.M. Maçon (S)		

**The Bailiff:**

Very well. Do Members wish to move to the next matter?

**LUNCHEON ADJOURNMENT PROPOSED**

**Senator A.J.H. Maclean:**

I propose the adjournment, Sir.

**The Bailiff:**

Very well, the adjournment is proposed. We will reconvene at 2.15 p.m. to move on to the next amendment.

[12:38]

**LUNCHEON ADJOURNMENT**

[14:16]

**COMMUNICATIONS BY THE PRESIDING OFFICER**

**The Bailiff:**

Just before we recommence can I inform Members that there has been a lodging - P.180 - Jersey Bank Depositors Compensation Board: Appointment of Members, lodged by the Minister for Economic Development.

**PUBLIC BUSINESS - resumption**

**1.3 Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010): eighth amendment (P.157/2010.Amd. (8))**

**The Bailiff:**

Very well, then we move to the next amendment, which is the eighth amendment lodged by Deputy Vallois. I will ask the Greffier to read the relevant part of the amendment.

**The Greffier of the States:**

Page 2, paragraph (a) - In order to reduce the provision for Central Reserves in 2012 and 2013, for the figure “£694,200,000” for 2012 substitute the figure “£690,200,000”; for the figure “£688,300,000” for 2013 substitute the figure “£680,300,000”; and in Summary Table A on page 50, for the figure “£13,000,000” substitute the figure “£9,000,000”, and for the figure “£17,000,000” substitute the figure “£9,000,000”.

**1.3.1 Deputy T.A. Vallois of St. Saviour:**

Firstly, I would like to make it quite clear to Members this amendment is by no means a way of a slash and burn approach to public finances. It is merely a mechanism to ensure that there is sustainable and appropriate evidence to base the increase in figures laid out in Table A, page 50 of the budget proposal for central allocations. These, I believe, need to be set alongside a clear

framework and guidelines for the Council of Ministers to adhere to and for this Assembly to hold those Ministers to account for their actions in using these funds should they be used at all. We are not only embarking on new ground with the uncertainty surrounding the economic downturn. We are also getting to grips with years of loose and passive financial regimes. These are both challenging and unpredictable courses of action which lays at our door a margin for error; however, as with anything in life we have to take a risk. The question I am asking of this Assembly today is how big a risk we should be taking. Before any Member may comment on the financial regime that is being put in place, I would like to say that I fully support the way forward for 3-year cash limits, central reserves and tighter control of public expenditure. We have all seen numerous reports on the control of public finances over the years. There are even reports dating back to 1995 from the Audit Committee which have almost identical findings and recommendations to those of many P.A.C. (Public Affairs Committee) and Corporate Services reports that have been completed over recent years. The new financial regime, therefore, should be welcomed by most. I think it is only appropriate to thank the team at Treasury for their hard work and determination in putting it all together at such a time when pressure is coming from all corners. Quoting from the 2011 Business Plan, 2 paragraphs which took my interest when comparing with the budget proposals before us today were as follows: "The intention is that this first C.S.R. provides the opportunity for States Members and officers to work with a new framework, an approval process before deciding whether to make the necessary law changes. If law changes are decided to be necessary, these will be proposed early in 2011 so that they can be brought into effect for the 2013 Business Plan process. Certain principles will, however, require changes to the current framework and these are outlined in this section. The proposals will require appropriate controls and procedures whereby funds can be accessed and approved. The intention would be to develop the changes required through further consultation with the P.A.C. and Corporate Services Scrutiny Panel so the proposals will require appropriate controls and procedures whereby funds can be accessed and approved. We, as an Assembly, have given some leeway to the sentiment as the central allocations for 2011 have none of these in place at present and are indicative of what the Minister for Treasury and Resources sees fit and appropriate to allow access to those funds. As scrutiny members or non-executive members will be aware, there is still to a certain extent a way for the checks and balances. However, it is long and drawn out and sometimes too late." I am, therefore, asking Members to take a step back and look at what has happened over the years. It is fine for us to accept words of Ministers and just to keep our fingers crossed that these promised words come to fruition. However, we are talking about an allocation of a significant amount to be determined for 2012 and 2013 by the Executive without these controls and procedures currently in place and by which time a new Executive will be in office. As a business plan and a budget for 2012 will still need to be debated by this Assembly next year all I am asking is that we do not allow recurring expenditure of the central reserves for 2012 and 2013 until appropriate controls and procedures have been fully explored and agreed in line with up to date forecasts as at 2011. The reduced amount of expenditure has not been offset from a reduction in proposed tax measures for 2012 and 2013 and, therefore, as I understand it, funds would be retained within the Consolidated Fund unless of course when the 2012 Business Plan is determined next year the central allocations have been evidenced as requiring such amounts. I, therefore, propose the amendment.

#### **The Bailiff:**

Is the amendment seconded? [**Seconded**] Does any Member wish to speak on the amendment?

#### **1.3.2 Senator P.F.C. Ozouf:**

I think I should start by thanking Deputy Vallois for her very constructive remarks about the way that we have been attempting to strengthen financial management. I think there is to a great extent - which I will go on to the amendment - substantial common ground between what she and Corporate Affairs are trying to achieve. I think Deputy Vallois, who I have had the benefit of discussing this amendment with before today, made it clear that she is not trying to cut spending;

slash and burn, she said. The attempt is not simply to say that this is an expenditure-cutting proposal in that sense. I think there is common ground that there is a need to have very strict rules about contingencies. I think the concern is the accessing of that money. I am just going to deal with that in a second. I do just want to say though that I do think that there are important lessons for us to take in terms of how we manage contingencies. I cannot help but point out that the Comptroller and Auditor General over a long period of time has been concerned that we estimate and then approve an overall level of expenditure and then because there have been no contingencies in the past, we have no alternative but then to bring forward Article 11(8) requests to this Assembly. This is the thing that has been pointed out by the Comptroller that has seen the expenditure drift up and up. We want to deal with that. Many Members will remember perhaps the good old days of the Finance and Economics Committee when we had a General Reserve. That was regarded as almost an amount of money that was available. I have called it a self-service buffet in terms of money that was available for departments. The purpose of having contingencies and the rules that we want to put in place are not going to be the same as contingencies in the past. All organisations plan for contingencies in their managed annual expenditure and do have some form of reserves. We have taken advice based upon the previous experience of contingencies. We have also taken advice from how other governments manage contingencies. I want to stop the issue of Article 11(8) requests. I want to listen and accept the advice of the C. and A.G. that when we set an envelope we stick to it. But you do need a contingency. We have taken the best advice in terms of constructing contingencies. I would refer Members, if I may, to the comment that we have given on this amendment which sets out how ... as the Deputy quite rightly says, we are dealing with a number of millions of pounds but it is important to see how that contingency has been made up in terms of its forward projection. Obviously the amendment deals with 2012 and 2013 but Members will see from the table that the contingency is based upon a number of percentages in terms of the overall limits of States expenditure. It is broken down with A.M.E.s (annually managed expenditure) and D.E.L.s (department expenditure level) and an amount for unforeseen expenditure. There is no intention of necessarily spending these contingencies. I want to be absolutely clear about that. They are contingencies that are there in the case of need. I would hope that we would not need these contingencies but I have to be realistic. Experience of the past has suggested that we do need this kind of level of contingencies in the second and third year of what is clearly going to be a learning exercise over the next couple of years. The thing that I have said is that I am committed to working not just for 2012 and 2013 but next year in terms of a process - which I think is one of the concerns of the Deputy - on having a proper, accessible arrangement which is difficult for these contingencies. I think that that is a really important point. I am going to ask Members to maintain the level of contingencies that the Council of Ministers is proposing but I am going to say 3 things about how this is going to be dealt with. First of all, I am going to commit and have done so in my comment to bring the mechanism of accessing contingencies and the methodology of the contingencies to the Assembly well in advance of the Business Plan debate. Secondly, as I have said in my opening speech, I will be making some changes in consultation with Members to the Public Finances Law which I hope are going to clarify further and put on a statutory basis some of the elements of contingencies. Many Members have been concerned about perhaps the phrasing of Article 11(8) and that is something that we can look at. Finally, the issue of the level of contingencies will be confirmed in the Business Plan. Nothing that I have heard in any of the representations given indicates that there is an acceptance that we do not need this level of contingencies. If Members look at the breakdown they will see that they are carefully constructed, that they build up over a 3-year period to less than what are the contingencies available in other governments and certainly the U.K. We have taken advice in terms of the I.M.F. in terms of the percentages of the overall contingencies that we are proposing. With those assurances, I suspect the Deputy is not going to withdraw her amendment. I do say that it is a good thing to have a debate about the contingencies. I repeat, the proposals that I have said about accessing it, which I think meets to a large extent the concerns that have been raised. I am concerned about that too. I do not want to be put under pressure by the Council of Ministers to access this money almost to

deal with an increase in spending, which has been the concern. I hope that those assurances that I have given will mean that Members are content to set a reasonable contingency, set an overall limit which is realistic and to learn the lessons of the past and to take the advice of those that have looked at our spending habits in hindsight and said that there should be realistic contingencies.

**The Bailiff:**

Does any other Member wish to speak?

**1.3.3 Senator S.C. Ferguson:**

The Minister for Treasury and Resources talked about Deputy Vallois and the Corporate Services amendment. In actual fact, much as I would like to take part of the credit for this, this is entirely due to Deputy Vallois. I will not steal her thunder. The other problem is not the lack of a contingency fund but the problem with forecasting and the proclivity to spend by States Members. While the current Minister for Treasury and Resources might have a tight grip on the fiscal purse strings, if he is not the Minister for Treasury and Resources in future, if we do not have the rules in place there could be a spending spree. As we found yesterday, the departmental contingencies are apparently unknown but there do appear to be a number of under-spends which could well roll-over into under-spends at the end of the year. I support Deputy Vallois' proposition and I hope that Members will also.

**1.3.4 Deputy P.V.F. Le Claire:**

I think Deputy Vallois is bringing something that highlights the problem with the process that is occurring and has been occurring when the political ideology of the Council of Ministers apportions monies to departments that have not got the money they need to do the job they need to do.

[14:30]

It is very interesting. I went and had a look at last year's budget and I looked through some of the speeches and found them quite interesting. We also saw in last year's budget the section that came after the main proposition which was user pays charges, which was part of the financial considerations. The Minister for Health and Social Services brought forward a proposal to stream £750,000 a year from the Health Insurance Fund to support primary health care. That might be ringing a bell with Members because we only just recently targeted another £6.2 million in that direction. Quite rightly it was mentioned at the time by the Minister for Social Security that there was an ongoing call upon these funds. But when we have a fund such as that, which was at the time £77 million, and we have seen an allocation of £750,000 to fund the other Ministry that is cap in hand, it shows a poor process. It shows a poor process that maybe is going to be corrected over the long term. But I think Deputy Vallois is trying to bring a bit of focus into that process and this proposition, so I will be supporting it.

**The Bailiff:**

Does any other Member wish to speak?

**1.3.5 Senator T.A. Le Sueur:**

It is very tempting to support this proposition, because it does indeed appear to give greater control over our spending. I just exercise a few words of caution based partly on my time as former Minister for Treasury and Resources and, previous to that, the President of the Finance and Economic Committee which brought in the concept of Article 11(8) requests. They were done at a time when there was concern about a general reserve and a feeling that Article 11(8) requests would bring greater financial discipline. I am not sure how successful that has been. It has been successful, certainly, in the past. The one thing which it has done is caused grave difficulties over budgeting. The Deputy of St. Mary this morning spoke about how our spending had gone up by only 1 per cent per annum over inflation in recent years, as if that was quite good. In fact, during

that time, as the Minister for Treasury and Resources, I had been trying to restrain States spending still further. I recall that virtually every year we would set a spending profile for the next 3 years. Just like clockwork a year later those figures will have risen because of unforeseen circumstances. So, I think Members who have been in the States for a few years now will recall the graphs we used to put up showing how States spending has gone up year on year above expectations, but how it was always due to very sound reasons - whether it was a pandemic flu or a historic child abuse inquiry - there was always a good reason for it. But we have never budgeted for it. So, what this proposition tries to do is to address 2 issues at the same time. One is the issue of proper budgeting and setting those budgets on a 3-year or 4-year cycle in such a way that we know that once we have set it we do not need to increase it. The other way to use the Article 11(8) request is that we set a figure and then each year you exceed the amount you have budgeted by the amount of those Article 11(8) requests. It means you can never budget properly over a 3 or 4-year cycle. Is there a way in which we can resolve both those problems? I think there is, but I do not think it is the way that Deputy Vallois has proposed today. Because I think it is important that we do budget quite clearly over that longer time cycle and stick to it. My fear in accepting Deputy Vallois' amendments this afternoon would be that having accepted the proposition we then do not stick to it, insofar as we have brought an accepted Article 11(8) request in the future which exceeds that budget constraint. I think the question really has to be, are there better ways in which having created this contingency we can ensure that it is not misused? In the nature of an Article 11(8) debate, that is in the hands of all States Members and that ought to be and is a very good safeguard. The trouble is it is a safeguard after the expenditure has been incurred. If one thinks about the historical child abuse inquiry, we agreed to top-up that money from the Article 11(8) request, but there was no question of doing otherwise at that time because the money had already been spent or been committed. With a pandemic flu the money had already been spent or committed. With all these Article 11(8) requests, although we may think they are one-offs they tend to recur with, I am afraid, depressing continuity year after year, albeit a different variety each year, but they do recur in some form or another. I think although this amendment solves that one problem in giving tighter control, it does so at the expense of not creating a proper budgeting framework which we, as States Members, can and will adhere to. If I thought that this would be the solution, I would happily accept this. But I believe that what we need to do is to give the contingency fund, but with strings attached. In other words, that we cannot ... the Minister for Treasury and Resources, whether it be the current Minister for Treasury and Resources or a future Minister for Treasury and Resources, cannot use those funds willy-nilly. The Council of Ministers cannot use those funds willy-nilly. The expenditure needs to be validated in some way by a body outside the Minister for Treasury and Resources and outside of the Council of Ministers. I think the Deputy may understand what I am getting at here. If we can achieve that measure of control I think we could have the ideal solution. I suggest to her that this is at best a stopgap and I think really a proper control system, whether that be done by the Public Accounts Committee or some other body, I leave for the discussion. I think that extra level of control needs to be in place, but not at the expense of poor budgeting, which I fear this amendment will create.

### **1.3.6 The Deputy of St. Mary:**

I think we are seeing a degree of smoke and mirrors, because expenditure whether it is made out of one box or another box is still expenditure. Yet we are being told that if it comes out of a box called contingency that is better than if it comes out of a box called Article 11(8) requests. We were told right at the beginning of this debate that Article 11(8) requests involve expenditure drift, with the implication being that the contingency requests do not. Either way they are expenses that we did not predict or, one could say, could not have been predicted. I think there is an issue around that, is there not? We ought to be better at predicting, but there is always going to be the unpredictable, like the pandemic flu. It just seems a little bit smoke and mirror-ish to me, because it is all going to come out of the Consolidated Fund one way or another. But what it is is a change of power. That is what it is. Because by taking the contingency away from Article 11(8) requests

and locating it within the Council of Ministers - which I understand is the budget proposal - and then this amendment is saying: "We do not need quite that much in that box." But the box is totally controlled by the Council of Ministers. I was interested to hear the Chief Minister saying that maybe there might be another way of doing it that was somehow more controlled and was somehow not totally within the gift of the Council of Ministers. I read in their comments, the proposal is that these central reserves should be allocated to the Treasury and Resources Department with an appropriate process for allocation. I suppose that is what we are talking about. But are we also saying that all departmental contingencies will now end up in the central pot? Because if so that seems a very difficult way of doing things. I mentioned earlier the issue of snow on the roads and if you have a very, very, very severe winter, does the Minister for Transport and Technical Services really, once he has raided all his other budgets ... well, he should not have to raid his other budgets, he should be able to do it from a departmental contingency, which is transparently reported at the end of the year so we all know that there were 10 extra days beyond what was predicted of snow and therefore there was an extra expenditure. I am struggling with this. I can see the point of the amendment being to reduce the amount of contingency overall, but I just cannot see why there should not be more within the departments' own discretion as long as it is transparent. We have seen an incredible case where the endoscopy under-spend ended up as a review of the department. But there is a central restructuring vote. Surely that is where £800,000 should come from for reviewing all the workings of the Health and Social Security Department. I am extremely puzzled by this and I cannot see that it is getting us further forward.

**The Bailiff:**

Does any other Member wish to speak?

**1.3.7 Deputy J.A. Martin of St. Helier:**

Just briefly, to carry on the theme of the Deputy of St. Mary, what worries me about this is ... and I was not sure whether I was going to support it. I am still wavering. I have obviously listened to Deputy Vallois sum up. It was when the Minister for Treasury and Resources and the Chief Minister spoke and I was reading their comments and it goes on from the theme of: "Yes, are we putting more money in a bigger pot?" On the bottom of page 3 on the comments, it says: "The process outlined and approved as part of the 2011 Business Plan is tightly controlled and it will only be available after all opportunities for funding and reprioritisation within departments have been explored." We all know ... the Deputy has just said the bottom line is the bottom line. Budgets move around in departments. That is not changing. The next part says approval will require recommendations of the Council of Ministers and finally the Minister for Treasury and Resources ... this is the bit where Article 11(8)s will come to the House. All this will tell you is that approvals will be regularly reported to the States. So where the money goes ... now, if we do not have a decision ... if something crops up ... I am not saying Article 11(8) is the best way of doing it. The other comment the Minister for Treasury and Resources... and as Deputy Vallois said in her opening speech, this is not tying anybody's hands, because if all these plans to make tighter financial controls have been down since spending reviews from 2000, the plan in 2001, 2004, where is it? Again, it is a promise. It is jam tomorrow. It is because ... follow our budget true thing. It says it is to do with the 3 years C.S.R. That does not come in anywhere. Bits of it will come-in in the budget, bits of it ... Business Plan ... will become cuts, money ... how they are going to claw it back without cutting the budget? But this C.S.R. is just something that we are looking at now, because we are in some sort of financial difficulty. So, I think I am more wavering to support the Deputy, because again I cannot see why, if they have near enough the wherewithal to do this, it is going to be brought before the next Business Plan anyway. Is it just because it does not have the Minister for Treasury and Resources' name on it? I do not know. But it sounds to me like a better idea. Going back to where we were yesterday, who makes the decisions? At the moment you have to convince not just the Council of Ministers and the Minister for Treasury and Resources, you need an Article 11(8). You are giving them more money to have their own decision. So, as I say, I



will leave it there. I will listen to the Deputy, but I think what she is saying then is not ... I was worried about losing money, big pots coming from ... and I do not read it as that now. I read it as taking or giving more power to fewer people.

**The Bailiff:**

Does any other Member wish to speak?

[14:45]

**1.3.8 Senator F. du H. Le Gresley:**

I will be supporting Deputy Vallois' amendment. The reason I will be doing that is because on page 5 of her amendment she really highlights where we are going with this. If I may read it to Members to remind them: "Although we are looking to set up a saving target of £65 million over the next 3 years, we also have a central allocations element to the budget which totals £64.8 million. The resulting question that arises from this is what exactly are the States of Jersey trying to achieve?" I think that is a very valid question. Why are we putting so much money aside into contingencies and then telling States departments that they have to find £65 million of savings over the next 3 years? I also have in my hand, of course, the response from the Council of Ministers. They counter this by saying, effectively: "There will be an annual opportunity to consider the transfer of any unspent balances to the Consolidated Fund or Stabilisation Fund, as appropriate. So what we are told to believe is that a lot of this money will not be spent and it will end up going back into the totally empty Stabilisation Fund. I think that is taking credibility a bit too far and I would ask Members to support the amendment.

**1.3.9 Deputy I.J. Gorst of St. Clement:**

Sorry, I must just rise after the previous speaker. It is important that we understand the difference between a total of savings throughout 3 years, which might total so many per year, meaning that at the end of 3 years, every year the Council of Ministers are proposing that every year going forward after 2013 the saving will be £65 million per year. That, I am afraid, is completely different to a saving or a contingency in year, which if you add up for 3 years adds up to £65 million for those 3 years. Totally different to making a saving of £65 million every year going forward and, therefore, I am afraid, the comments made by the previous speaker are not correct. That is not what I wanted to say, but I felt I ought to address that issue to start with. It is not correct. I have been a part of this Assembly on many occasions when we have received Article 11(8) requests from the Minister for Treasury and Resources and the previous Minister for Treasury and Resources. During those debates, Member after Member has stood up and said that they felt it was completely inappropriate that they were in effect asked to authorise additional spending after that spend had taken place. That they had little choice but to approve a proposition which said this amount was about to be spent or had to be spent or had already been spent. They asked the current Minister for Treasury and Resources and, in effect, the previous Minister for Treasury and Resources to go away and transform and change that process so that they were not put in that unfortunate position again. The Council of Ministers have with this proposal presented exactly that to the Assembly. We are proposing that a central contingency is created. One hopes that in effect that means that we will see very few, if any, Article 11(8) requests going forward. I think, while that is the case, I do understand where Deputy Vallois is perhaps concerned about the process of unlocking those central contingencies. I have to say that again one or 2 Members have spoken about next year, 2011. That has already been approved by this Assembly. What this proposition is talking about is 2012 and 2013. We must be clear on that. The question then arises, what should be the process of unlocking that central contingency, if we agree, and I think we probably do as an Assembly, on the whole, that a central contingency route is the best way to go? What should be the process of unlocking it? That, if one recalls what the Minister for Treasury and Resources said earlier, and what the Council of Ministers have said in their comments quite clearly, I believe, in the second paragraph, where it says that the Council of Ministers wish to address Deputy Vallois' concerns regarding the

management and allocation of the reserves and we - probably via the Minister for Treasury and Resources and the Chief Minister - commit to work with the Corporate Services Scrutiny Panel and obviously any other interested Member to identify an appropriate process for 2012 and 2013, which in effect means that these monies will not be spent until this Assembly has approved that process. Why do I say that? I say that because it says: "Which will be brought back to the States in the New Year." Therefore, the Assembly will be able to determine at that point the process of unlocking those monies. I have to admit that I am of the opinion that we must develop a process that is right and proper. Perhaps where I differ slightly from the Minister for Treasury and Resources and the ongoing comments is that I would like to see any unspent monies in these contingencies placed into the Stabilisation Fund. The Minister for Treasury and Resources knows this is my position. I have told him I will be stating my position publicly. I would hope that Deputy Vallois and the Corporate Services Scrutiny Panel would agree with me, because I believe that perhaps by controlling the spending of the contingency and ensuring that any unspent contingency goes into the Stabilisation Fund it is perhaps in the short-term the only way that we are going to start to rebuild that Fund and that is something that we absolutely, I believe, must do. It should not go back into the Consolidated Fund. It must be, in my opinion, locked away, so that we can prepare ourselves for the next difficulty that we might face or for economic cycles that we know that inevitably we will face. I believe, in summing up, the Council of Ministers are committed to working in the way that Deputy Vallois wishes us to work. I believe that it would serve no purpose by agreeing to simply cut the contingencies at this point. The far better way is to agree the methodology of unlocking them, with the ultimate backstop, I hope that Members would agree, of placing any unspent monies in the Stabilisation Fund.

#### **1.3.10 Deputy M.R. Higgins:**

Can I get some clarification from the Minister? In their comments to this proposition at the bottom of page 10 it says ... he mentioned that it would come back to this House. It says: "The decision to allocate funding will, therefore, be by Ministerial Decision of the Minister for Treasury and Resources, but only after full consultation with the Council of Ministers." That is totally at variance with what he has just said about it being decided by the House.

#### **Deputy I.J. Gorst:**

I believe that that is in relation to the 2011 spend, which this proposition does not cover. This proposition is about 2012 and 2013. It is quite clear from the Council of Ministers' comments that the Minister for Treasury and Resources and the Chief Minister will bring it back to the Assembly for approval of the methodology of unlocking the funds from these central contingencies. Thank you.

#### **The Bailiff:**

Does any other Member wish to speak? Very well. I call upon Deputy Vallois to reply.

#### **1.3.11 Deputy T.A. Vallois:**

I thank all Members that spoke to the proposition. Can I just put it quite clearly that this is not about cutting the expenditure and saying that we are no longer going to have those monies in place? I am calling out to everyone who tries to hold another Member to account in this House. What I am saying is pressures can cause problems during a year, especially in times of uncertain economic downturns and when we have new financial regimes in place. What I am saying is that over many years we have seen many, many reports that have been established repeating the same mantra over and over again. I am asking for the Assembly to take a step back and just be careful with what we are doing here. The Chief Minister clearly showed that there is no idea how the control is going to be maintained at this precise time. I understand that. What I am saying is that this House is now saying to the Council of Ministers: "We are going to hold you to account to make sure that you are definitely going to bring some form of mechanism for these contingency funds to the next business

plan and the next budget.” That is what I am asking for. The difficulty is that we then get comments from the Minister for Treasury and Resources on the Draft Sex Offenders (Jersey) Law 2010 (Appointed Day) Act 201- talking about accessing the contingencies, but there is no process in place for that. What I am saying is that it is very difficult as a non-executive Member or a Scrutiny member to be able to hold a Minister to account to say: “Well, you have these guidelines and you have not set yourself against these and this is the problem here and Article 11(8)s are a problem and people do not like agreeing things after they have been spent.” I completely understand that, but we always put the cart before the horse. I feel like, in this specific area, we have done that. I am asking just to take a step back. Give a bit of caution. When it comes to the business plan next year Members will then agree for the contingencies with evidence and with the right amount of information to make that decision. I therefore propose the amendment, Sir.

**1.3.12 Senator P.F.C. Ozouf:**

I just wanted to say that if the Deputy wants an additional assurance about bringing contingency process to the States for next year, I am happy to do that too, in relation to next year’s contingencies. These are matters - such as the sex offenders issue - of this Assembly and if she is happy I will bring the process for contingencies. Obviously this debate is about 2012 and 2013, but I will bring it for next year too, which does not undermine the overall envelope of spending issue. I think I am doing what the Deputy wants, Sir.

**The Bailiff:**

The Appel is asked for in relation to the amendment lodged by Deputy Vallois. I invite Members to return to their seats and the Greffier will open the voting.

<b>POUR: 28</b>		<b>CONTRE: 20</b>		<b>ABSTAIN: 0</b>
Senator B.E. Shenton		Senator T.A. Le Sueur		
Senator J.L. Perchard		Senator P.F. Routier		
Senator A. Breckon		Senator P.F.C. Ozouf		
Senator S.C. Ferguson		Senator T.J. Le Main		
Senator F.du H. Le Gresley		Senator B.I. Le Marquand		
Connétable of St. Helier		Connétable of St. Ouen		
Connétable of Grouville		Connétable of Trinity		
Connétable of St. Martin		Connétable of St. Brelade		
Connétable of St. John		Connétable of St. Saviour		
Connétable of St. Lawrence		Connétable of St. Clement		
Connétable of St. Mary		Connétable of St. Peter		
Deputy R.C. Duhamel (S)		Deputy R.G. Le Hérisssier (S)		
Deputy of St. Martin		Deputy of St. Ouen		
Deputy J.B. Fox (H)		Deputy J.A. Hilton (H)		
Deputy J.A. Martin (H)		Deputy of Trinity		
Deputy G.P. Southern (H)		Deputy I.J. Gorst (C)		
Deputy of Grouville		Deputy of St. John		
Deputy P.V.F. Le Claire (H)		Deputy A.E. Jeune (B)		
Deputy S. Pitman (H)		Deputy A.T. Dupré (C)		
Deputy K.C. Lewis (S)		Deputy E.J. Noel (L)		
Deputy M. Tadier (B)				
Deputy of St. Mary				
Deputy T.M. Pitman (H)				
Deputy T.A. Vallois (S)				
Deputy M.R. Higgins (H)				
Deputy A.K.F. Green (H)				
Deputy D.J. De Sousa (H)				
Deputy J.M. Maçon (S)				

## **1.4 Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010): second amendment (P.157/2010.Amd(2) - Paragraph 1)**

### **The Bailiff:**

Very well. The next matter on the paper was the fourth amendment lodged by Senator Le Gresley, but that has been withdrawn. So we then come to paragraph 1 of the second amendment, also lodged by Senator Le Gresley. I will ask the Greffier to read the amendment.

### **The Greffier of the States:**

On page 2, paragraph (b), after the words: "As set out in the budget statement" insert the words: "except that income tax exemption limits for the year of assessment 2011 should be increased by 3.1 per cent rather than the 1.1 per cent proposed in the draft budget statement."

### **1.4.1 Senator F. du H. Le Gresley:**

Over the last 3 years, 2007 to 2009, income tax exemption limits were increased by 2.5 per cent in 2007, 6.5 per cent in 2008 and 5 per cent in 2009; a total of 14 per cent. I would ask Members to note that in the 2009 budget tax exemption limits were increased by an additional 2 per cent as part of a package to help those most affected by increased fuel and food prices. Also the figure for 2008 of 6.5 per cent included 3.5 per cent, which is mentioned in comments from the Council of Ministers to one of the amendments, which I will just read: "As previously noted, exemption thresholds have been adjusted twice to specifically compensate low earners for the impact of the introduction of G.S.T. The first of these was an increase of 3.5 per cent in 2008, followed by an additional 2 per cent in 2009." In the 2010 budget, that was last year, the Minister for Treasury and Resources decided to freeze income tax exemption thresholds and I quote here from his budget statement: "Until the outcomes of the Fiscal Strategy Review identify the options for fiscal measures in future years." The House was told last year that there would be no increase in income tax exemption thresholds as we were awaiting the outcome of the Fiscal Strategy Review.

[15:00]

I would also like to read out to Members the following paragraph from the foreword to that same budget statement in 2010: "Over the last 3 years income tax exemption limits have increased significantly by 14 per cent. A large proportion of these increases were planned as part of the measures to lessen the impact of the 20 Means 20 proposals and also to lessen the impact in 2009 and 2010 of the Goods and Services Tax, higher food and fuel prices and the current economic downturn." So I say to Members, the Minister for Treasury and Resources is on record as having stated that raising income tax exemption limits is an effective way of lessening the impact of the Goods and Services Tax. However, he now appears to have lost his desire to lessen the impact of G.S.T. on low income households, despite the fact that he is proposing a 66 per cent and, dare I say it, possibly a 100 per cent increase in the basic rate of G.S.T. from June 2011. Further evidence of this *volte-face* by the Minister appears in his comments on Senator Ferguson's amendment to the amendment by Deputy Southern on the 3 per cent G.S.T. rate, where he refers to his proposed 1.1 per cent increase in income tax limits. The increase in exemption thresholds was not specifically intended to compensate lower earners for the G.S.T. rise proposed from June 2011. The Minister for Treasury and Resources proposes to increase income tax exemption limits for the year of assessment 2011 by 1.1 per cent, which is equivalent to the annual increase in the Average Weekly Earnings Index for the 12 months period to June 2010. I was curious as to why the Minister had chosen to use the Average Weekly Earnings Index rather than the Retail Prices Index for the same period, so I emailed the Tax Office with the following questions: "Could you tell me if the tax thresholds have ever been increased by the increase in the Average Weekly Earnings Index before?" I received the following reply: "A number of factors are taken into account when considering proposed changes to income tax exemption limits. These will include average earnings, R.P.I. (Retail Price Index) measures and general economic factors." Members will note

the failure to answer my question. From the research that I have carried out, I can see no precedent for only using the annual increase in the Average Weekly Earnings Index as the basis for calculating increases in tax exemption thresholds. However, if this is to be the new policy of the Minister for Treasury and Resources I would point out to him that the annual increase in the Average Weekly Earnings Index from June 2008 to June 2009 was 3 per cent. Therefore, the combined increase over the 2-year period is 4.1 per cent and accordingly this is the rate of increase which should be used to raise income tax exemption thresholds, given that there was no increase in 2010. Let us now look at the other main factor which I was told by the Tax Office is taken into consideration when considering proposed changes to income tax exemption limits; that is increases in R.P.I. During the 12-month period to June of this year, the All Items Retail Prices Index increased by 2.8 per cent and R.P.I.X., (R.P.I. excluding Mortgage Interest Payments) increased by 2.6 per cent. The proposed increase in the basic rate of G.S.T. to 5 per cent with no exemptions will have the effect of increasing the R.P.I. from June 2011 by 1.3 per cent and R.P.I.X. by 1.4 per cent. If we add these increases to the changes in R.P.I. and R.P.I.X. during the 12 months to June of this year, we end up with figures of 4.1 per cent and 4 per cent respectively. I ask Members to acknowledge that based on the statistical evidence, my proposal for a 3.1 per cent increase in income tax exemption limits is much fairer than the Minister's rate of 1.1 per cent and arguably is one per cent lower than is justified. The Minister will tell us that there is no money to further increase tax thresholds and that those households in receipt of income support benefit will be compensated for the proposed increase in the basic rate of G.S.T. However, many people are only temporarily in receipt of this benefit because of unemployment and will not be compensated when they return to full-time employment unless tax exemption limits are increased appropriately. Increasing tax exemption limits is particularly helpful for pensioners, who have only received an increase of £1.96 in their weekly old age pension this year. The higher thresholds that I am proposing, of £14,550 for a single pensioner and £23,940 for a married pensioner couple, will mean that more pensioner households would pay less tax in 2012 and also qualify for additional benefits, such as the G.S.T. food bonus, the Jersey Health 65+ scheme and home insulation grants. I would refer Members to the table on page 4 of my report, from which they will see the effect of a 3.1 per cent increase in tax exemption limits, in particular the figures in the last column of additional income which would not be subject to income tax: single person, £390; single person aged 63+; £440; married couple, £630 and a married couple aged 63+, £720. According to the recent household expenditure survey an average household on £13,000 per year spends £2,200 on food. At the current rate of 3 per cent G.S.T. this means £66 is paid in tax. At the proposed rate of 5 per cent, this figure would be £110; a difference of £44. By increasing the income tax thresholds for a single person to £13,040 from the current £12,650, an increase of £390, that person would save £78 in income tax if he was paying an I.T.I.S. (Income Tax Instalment Scheme) rate of 20 per cent or £39 if paying an I.T.I.S. rate of 10 per cent. I hope Members can see from this very simple example - and I hope the Minister for Social Security will not pull me up on this one - that raising tax exemption limits is a good way of compensating low income households for the substantial increase proposed in the basic rate of G.S.T. I have been advised by the Tax Office that the additional 2 per cent increase in exemption limits would increase the tax revenue by approximately £3.1 million. However, in their comments to my amendment the Council of Ministers say the figure is £2.85 million. An increase in tax exemption limits will only benefit most taxpayers from January 2012 as income tax for the year of assessment 2011 is only paid in 2012 for the majority of taxpayers. Approval of parts 2 and 3 of my amendment would generate new revenue from the financial services industry in 2011 totalling £2.85 million, conveniently, which would enable the Assembly to stick with the sensible policy of lessening the impact of G.S.T. rises and the cost of living on low income households, particularly pensioners, by increasing income tax thresholds in line with increases in R.P.I. Deputy Green's amendment for zero-rating of food and domestic energy may at the moment seem very attractive to some Members. But I would stress to them the importance of supporting my amendment, because if Deputy Green's amendment is not approved, they will have missed the opportunity to help low income households who are currently not in

receipt of income support benefit or the G.S.T. food bonus. The Minister for Treasury and Resources adds weight to this argument in his comments to Deputy Green's amendment where he says: "Trying to transfer resources to the less well off by setting a low rate of G.S.T. on food and domestic energy is not effective, especially when there are other options. There are a variety of other ways to target the less well off more directly, including benefits and income tax." By that I assume he means income tax exemption limits. In summary, I would remind Members that income tax exemption limits were frozen in 2010, R.P.I. has increased by 2.8 per cent, R.P.I.X. by 2.6 per cent in the 12 months to June of this year and that a 5 per cent basic rate of G.S.T. with no exemptions will increase the R.P.I. by 1.3 per cent from June 2011. The combined increase in the Average Weekly Earnings Index over the last 2 years to June is 4.1 per cent. I maintain that an increase of 3.1 per cent is fully justified and I propose the amendment.

**The Bailiff:**

Is the amendment seconded? **[Seconded]** Does any Member wish to speak on the amendment?

**1.4.2 Deputy E.J. Noel of St. Lawrence:**

We should remember that Jersey already has generous income tax allowances and exemptions. The original thinking was along the lines of many other jurisdictions at this time, in that we were not going to propose increasing the income tax exemptions. However, the Treasury, supported by the Council of Ministers, felt that the exemption limits can be increased in line with earnings, i.e. the 1.1 per cent, as it is affordable, fair and reasonable. Senator Le Gresley's amendment will reduce States income and thereby increase the deficit to the tune of some £3 million year on year from 2012. The Senator has proposed that his amendment will compensate those on lower earnings for the potential increase in G.S.T. However, we have already included measures for those on income support and others on low incomes. Bringing in additional tax measures or cutting costs deeper and faster than currently planned could result in damaging Jersey's economy and its recovery and will also need to be paid for. The package of measures contained in this budget is intended to balance fairness, protecting the economy and encouraging economic growth. Should Senator Le Gresley's amendment be adopted by this Assembly it will create a greater deficit, an increase at some point will have to be paid for by other addition taxes or reducing spending further, but it will have to be paid for. Our proposition, as currently contained in the budget, does increase exemption limit thresholds by 1.1 per cent. This is based on sound reasoning, i.e. on the average earnings increase to June and is to ensure that taxpayers do not suffer in real terms a reduction in their income. Finally, as much as we would like to give more, we need to achieve a balanced budget.

**The Bailiff:**

Does any other Member wish to speak on the amendment?

**1.4.3 Deputy P.V.F. Le Claire:**

I think Senator Le Gresley's proposition has been extremely well researched and I would like to congratulate him on that research.

[15:15]

He has not only gone to the trouble and had the ability to go to the trouble of identifying what is patently a fairer way of doing things, but also I wish I had spoken to him before about this. He points out that in fact if it had been 100 per cent on this it would have been a 4.1 per cent rather than the 3.1 per cent increase in the exemptions. So, I think he is being quite fair. Whereas conversely, I do not think the Minister for Treasury and Resources and the Council of Ministers are being fair. Having listened to the evidence that was presented to us during the Senator's speech, it is abundantly clear that there is provision for us to increase these exemptions and moreover to help the elderly who have received a pittance in increases at a time when their savings mean very little in terms of interest rates for them and the times that they are facing are struggling. Senator Le Gresley speaks about the fact that they can access home insulation grants as a consequence and

another fund which they can access. So it does seem to me that these proposals will be helping the most vulnerable and a growing portion of our community in a very positive way. I listened to the speech of Deputy Noel and I do not know if it was his speech for the budget or if it was his speech that he wrote for Senator Le Gresley, but I just could not marry the 2 up, I am afraid. Deputy Noel spoke about it having a dire effect on the economy and this money must be found from somewhere else. I do not know if he was listening or has read the proposal by Senator Le Gresley, but it was quite clear to me that the consequential changes that he is proposing in the I.S.E. fees more than make up for the loss from the Treasury for these funds. When one looks at us all being in this together, which is a well loved phrase at the moment, one has to ask, looking at the figures that have been provided by Senator Le Gresley, whether it is fair in these economic times when everybody is paying for the profligacy of the banks and those people that have been managing their funds in an irresponsible fashion, we see the total take from the banks at £60 million. We do not get to see the figures, but I have it from a pretty well-placed individual that a bank in Jersey - obviously you have to go with what you are told - paid something like £16,000 last year in place of G.S.T. I get a letter today from St. Brelade's College, who is asking to be included in the round for schools that have exemptions, which are paying £11,500 G.S.T. The reason why I mention this is because Senator Le Gresley goes on in his proposition to say that the I.S.E. fees ... which he has stated can be increased from what the Minister for Treasury and Resources is proposing from £200 to a future £25, which makes it £225. He says, and I agree with him, that those figures could quite easily be doubled to increase the money that is drawn in. So in contradiction to the points made by Deputy Noel, with the greatest of respect to the Deputy, I think it is just a very, very weak argument that he has presented to us. I do not believe for one minute that the economy will be shattered if we agree to this proposal by Senator Le Gresley. I think, for once, we are presented with clear and unequivocal evidence - and obviously will be shot down in flames now by the Minister for Treasury and Resources, who is writing furiously - that there is room for us to allow this. So I will give over. I know the Senator is more than capable of handling matters on his own and this should have fired-up the Minister for Treasury and Resources well enough. It is for him.

#### **1.4.4 Deputy J.A. Martin:**

I am having a discussion here with the Deputy of St. Mary. Senator Le Gresley pointed out that this was frozen in 2010. If my memory serves me right, until Deputy Southern brought something about 2 or 3 years ago, it was ... all the exemptions were frozen for at least 3 or 4 years. I think if you add that on, where you are today ... and yes, as Deputy Noel said, we are low tax. But we are low tax, as we are told, and low spend. So, which one is it? We are having a discussion here about what is in your pocket. Now all these low earners are based on net ... so it is net and what is in their pocket at income support, so I think ... you are talking about we will be losing this amount of tax, those people will probably be increasing their money in their pocket, because they will be paying less money in tax, but the minute they go down to Social Security, which is fine, it is their money ... they are less begging, they are not going down Social Security cap in hand, they will have their own bit more money in the pocket. So, this is where it really does affect the low earners. But nobody has done that calculation ... we do not know how many, but we do know the majority on income support and benefits, apart from someone just on the housing, the rest are on the full benefit. Obviously they are only paying tax if they are working. These amounts to people who are earning very ... married couple, £23,000. Rent probably around the £9,000 mark, if they are in a one or 2-bedroom flat. We are not talking big amounts of money in our terms, but we are in their terms. As everybody said, this is ... I know we do the way we do things, but I think this amendment should have come after the G.S.T. because one way or the other we have got to help the less well off, the elderly and the disabled in society. I think this has fallen behind for so long. It was not just frozen in one year ... it went up before that and before that - Deputy Southern probably knows the figures better than me - it was frozen for quite a few years. Deputy Le Claire says 7 years. In the debate, it was to claw more people into the income tax net. I think we have clawed enough. I know single young people who are trying to pay rent and they are earning ... they are

apprentices, they are in their third year and they are earning £11,000 and £12,000. They still have to pay tax, pay high rents ... and the elderly, as I have just mentioned. So, as I say, I think taking this in the round, just giving it back to people who are trying, who are working, who are not earning that much, but they then are not getting it, they are keeping it from one States department, they are not having to go down to another States department and asking for a handout. I think that is very sensible. I think the 3 per cent ... if you did it over the years, it would be a lot higher than that.

#### **1.4.5 Senator S.C. Ferguson:**

Members will remember that the tax exemption limits are only valid in the marginal tax band. The tax bands as we have them, 27 per cent of people pay no tax, 55 per cent are in the marginal band and 18 per cent are in the 20 per cent band. So this particular exemption is going to affect everybody in the marginal tax band; in other words, 55 per cent of tax payers. I appreciate that people want to help low income families, but this is not entirely for low income families, because taxpayers in the marginal band are up to something over £40,000. You are hitting a much wider area than you would expect. I seem to remember that we increased exemption limits by something in the order of 6.5 per cent approximately for the 2008 tax year to account for G.S.T. I do not remember what the figure for tax payable in 2009 is, but I do ask the Senator if he has taken the 2008 figure into account in his calculations. There is one small point where I hesitate to correct him, knowing his background, but the inflationary increase is a spike; it is not an ongoing thing in terms of the R.P.I. Perhaps I am cavilling a little. I am undecided about this, because I am not sure that it is targeted as well as it should be.

#### **The Bailiff:**

Does any other Member wish to speak?

#### **1.4.6 Deputy A.K.F. Green:**

It is just a question really for the Senator, because I find this quite seductive. I considered not going with my proposition on the basis of this. But if I understand it right, and the Senator will put me right, if we support this to help the lower paid, those who are already not paying tax will not be helped at all, because it will just move up the figure that they can earn before paying tax, but it will not help them at all. Is that correct?

#### **1.4.7 Senator P.F.C. Ozouf:**

I should just start by saying and reiterating the point that something that is perhaps not often said in this Assembly is that as well as low taxes in Jersey, we do have an extremely generous exemption and allowances system. In fact one of the things that has been criticised... while I was very complimentary about previous Assemblies and the prudence, which is true, one of the things that did happen, which this Assembly and previous Assemblies have had to deal with, is the rowing-back of a very, very generous exemption system. So, it is sometimes curious; we do have the politics of the marginal debate in Jersey about that just additional extra where we must look back at the long history and look at the realities of what our exemptions and allowances are. I would urge Members when they are voting with their consciences with all of the data that they have to think about just how generous the existing exemptions issue is. Perhaps if the past Assembly had its time again in terms of giving allowances and taking so many people out of the tax bracket and giving so many exemptions, perhaps they would not have done that over a period of time. We are correcting that and have done so in the last few years. I will say that the original proposition, like many Ministers for Treasury and Resources in their difficult budgets around the world, was to freeze all the exemptions and allowances. That was the original proposal. However, the Council of Ministers decided that it would be preferable to give something in relation to exemptions and to forward the defensible issue, I think, that defensible statistics of 1.1 per cent. Senator Le Gresley criticised me for perhaps not taking the advice of the Income Tax Department. Let me be clear to the Senator that he asked only a partial question, how many times has the inflation increase been



used for exemptions, but how many times has it been necessarily frozen? Also, I am sure he did not mean to make the point... but you need to be careful with statistics. I know that the other justification has been that this is a fully-funded amendment. Deputy Le Claire: I am not going to have any fire... there is no fire wand around this area of the Assembly, but the reality is that it cannot be in my view ... we will come to that amendment. I do not think that it can be realistically fully-funded. I think Senator Le Gresley has had some discussions in relation to what is possible in I.S.E. fees. There have already been proposals to increase. The finance contribution will be £8.8 million. I have certainly said that if possible next year, to be brought in the year after when this amendment would come into force, I certainly think that there is potentially a little more scope in relation to I.S.E. fees and fully intend to do that.

[15:30]

But we must remember that we must be competitive and I.S.E. fees - which is the G.S.T. for financial services - does not exist in some of our jurisdiction competitors - the one not very far away - and we have to take account of this issue of competition. It is easy for us to say: "Oh, yes, let us have an amendment, spend money and we will tax it later." In absolute honesty I do not think that is going to be possible. Senator Le Gresley also mentioned the issue of pensions. He referred to his year's earnings and the situation with earnings, certainly the social security pension. Again, we just need to remind ourselves that the Jersey pension increases by earnings, which in most years has been in excess of inflation. This year it is not. Next year, when the benefit for the pensioners that he refers to would benefit by this, he does not know the earnings limit for next year. I suspect that in a year where we have not had the situation of a pay freeze to the extent that last year's earnings would be the case, I do not think there will be ... the lack of bonuses and the other remuneration that forms part of earnings, I think that pensioners will see an increase in their social security pensions in relation to a higher earnings figure. So I do not think it is entirely fair just to say that we are dealing with one figure in terms of pensioners. Senator Ferguson said rightly issues about the complexity of the taxation system and the distribution of this and who this affects. Deputy Green is absolutely right in relation to this issue, we may disagree later, but he is quite right in terms of the people that he is targeting in terms of these are the people that pay tax of which pensioners that are just on a social security income - because of the large exemption of issues that we have got - are unlikely to be able to be paying tax just with the social security pension, et cetera. So I think those are all the remarks that I need to say about this. This is an issue which deals with the expenditure limits of 2012 and so that is perhaps different from some of the other immediate issues that we are going to deal with, but I think that the Treasury has put forward a defensible position already on top of allowances that are generous, and I think the original proposition was a fair way to do it.

**Deputy G.P. Southern:**

May I ask a point of clarification from the Minister? The Minister seems to have implied that this proposition - this amendment - is not self-funding; the I.S.E. does not match the funds that are being foregone. Is that what he is saying or not?

**Senator P.F.C. Ozouf:**

We will come back to that amendment, but yes, I regret to say that while the amendment ... which we have obviously published the Council of Minister's comments on that amendment. I do not think that it is possible, even if those I.S.E. fees ... there are 2 elements of the I.S.E. fees - we do not really want to have the debate about that now - but the I.S.E. fees have 2 elements to it. There is the standard rate of the I.S.E. fees which Senator Le Gresley is proposing from £200 and £225. The other issue is the increase in the slated issue of financial services entities and those are the ones that we have considerable concern, we just simply do not think are going to be collected. Even if we were to agree those I.S.E. fees, they will not be paid because there are competitive issues which

will not mean ... so that is why I am saying that it is not fully funded. But obviously that is a matter for Members to debate later on.

#### **1.4.8 Senator T.A. Le Sueur:**

I think sometimes we lose sight of what we are trying to achieve in a budget debate and that maybe we cannot see the wood for the trees at times, because what we have in this debate is the opportunity to do the second half of a picture which we began in September. In September in the Annual Business Plan we fixed our spending for the years ahead, particularly for 2011, and in the budget we fixed our income in such a way as to reflect the level of that degree of spending. It is rather like at a Parish annual rates assembly you sort out your expenditure for the year, you sort out your rates and you tax your rate in order to pay for your year's expenditure. Now, on that basis, the level of income tax to be set for any given year depends very much on the level of expenditure that we expect to incur during the coming year and years ahead. That is why there is, in my view, a danger in trying to limit income tax thresholds or any other tax to any particular index and trying to uprate it on a year by year basis. You deal with each year on its merits in accordance with the needs that you perceive. In a situation where we perceive a need to raise significant revenue as part of a package, in order to maintain a balanced budget, we have to make sure that we look at every aspect of that package. The components dealing with income tax thresholds is only one element of a complete package and the danger every time you try to tinker with one element you interfere with the balance of that complete package. When I was Minister for Treasury and Resources some years ago we brought forward a fiscal policy debate and set out various criteria for a good tax system. It needed to be progressive, it needed to be simple, it needed to be fair and it needed to be inclusive. Therefore one has to look at the income tax system as one of those components and say: "Is it sufficiently inclusive?" I was prompted to speak when Deputy Martin said there are enough people already caught up in the tax net, but as Senator Ferguson corrected her, in fact we have a significantly higher proportion of our population that is not within that tax net than in most other jurisdictions. We have over 25 per cent, I think it is something like 27 or 28 per cent at the moment, who are not within that tax net and if we increase their threshold we will increase that number who are not within the tax net making the tax system even less inclusive. So I think from a philosophical point of view there is a danger in raising this sum more than is being proposed. Indeed, if it is to be proposed at all Senator Le Gresley asks for justification of this, income tax is based on income and the principal source of one's income normally is the amount of money one earns. So it seems realistic that if your earnings have not gone up very much your threshold does not need to go up very much, but that is a different argument. What I think is also a very important point, because this arose 3 years ago when we were bringing in G.S.T., was the overall effect that it would have. In trying to resolve the very serious and acknowledged difficulties faced by people on lower incomes, there are various ways of doing it. There is the income support system; there is the income tax threshold system; there is the allowance which is concocted to deal with those people not on income support but not paying income tax. But there are various ways of addressing the needs of those on low income. But the use of income tax thresholds is a very blunt tool in that respect. It is a blunt tool because, as Senator Ferguson says, it does not simply affect those people just at the margin of that threshold, it affects all those people who are liable to the marginal rate of income tax. In other words, over half the population. She said the marginal rate people can go up as high as £40,000; certainly when I was looking at it in 2005 we had one case of a marginal rate taxpayer with income in excess of £80,000 a year at that time. So I stress to Members this is not necessarily the best tool if the objective of this is to help those on the lowest income. If we wanted to assist those people - and I think that is very laudable, particularly in the situation where taxes are being raised we do that through the income support mechanisms, not through an income tax system which helps people on, as I say, very often quite considerable levels of income who, for one reason or another, are still liable at the marginal rate. So I conclude by reminding Members that when a Minister for Treasury and Resources brings forward a budget he tries to bring forward a balanced package. A balance in order to maintain an overall balance of progressivity between those on low

incomes, middle incomes and higher incomes, and tweaking with one aspect of that package can distort the whole package, so I do urge Members to treat very carefully any attempt to unpick the package, and in particular I suggest to Members that trying to unpick this part of the package by helping the whole middle income part of society, those on the marginal rate band, rather than maybe dealing with the situation through income support is not the way to do it. For that reason, I suggest that Members should oppose the well-intended amendment of Senator Le Gresley.

#### **1.4.9 The Deputy of St. Mary:**

I shall be brief. Four points: the first is that I did find the original speech of the proposer convincing, and I am sure others did as well, with the well-prepared explanation of where he got his figures from and where he got his 3.1 per cent from. My second point is that I hope - and I am sure he will obviously address in his summing up the 2 issues that people have mentioned - that firstly what he is proposing will not help those who are not paying tax, and secondly, that it helps all those who are on the fifth groove(?) within this 55 per cent marginal band, and that is clearly not very targeted. He is obviously going to, I hope, deal with those in his summing up because they are real problems for me. The third point I want to make is the Chief Minister has just said that in effect any amendment distorts the whole package. This amendment distorts the whole package and it is a whole package and that is an argument against all amendments. That raises of course a deeper problem about the whole debate. In this particular amendment, what the proposer would like to say, but he is rather constrained, is that his paragraph (a) is funded by his paragraph (b) and his paragraph (c) but we will only get to those the day after tomorrow, or whenever we get to them. That is very difficult because the Minister for Treasury and Resources has just stood up and said: "Paragraph (b) will never happen and they will all not pay their tax or run away or something" and we cannot test that now. We cannot see whether (b) and (a) together stand up because that is another debate. In the same way, we cannot compare his measure with G.S.T. exemptions either because that is down the road as well some time tomorrow, or whenever, so how are we to compare these different options in a sensible way? The problem for the proposer is he is first on - first on the track - he has to justify his own amendment on its own merits without any reference to all the other options that are in front of us, and I just find it a very unfortunate way of handling this whole debate. I did circulate a suggestion which was ignored, but I do hope - nothing happened, put it that way - that in future P.P.C. (Privileges and Procedures Committee) can sit down and get sorted this ... when we have complicated debates like this debate or electoral reform we muffle it up. We do not have a proper way of evaluating alternatives and then coming to a series of votes. What we are going to find later on, and I am only going to say this once, is the same issue of how do we evaluate this against something we have not even debated yet? How can we assess this package in this amendment when we have not looked at (b) and (c) and so on? It is very unsatisfactory and I hope we do sort it.

#### **1.4.10 Deputy M. Tadier:**

This amendment, in my opinion, is to be supported. First of all I would like to congratulate Senator Le Gresley because I think he is sticking by what he essentially stood for and the values that he stood for only a few months ago when he stood for Senator, which, I think, is to help ordinary people and to look at taxation issues and to try and make them fair and more equitable and it is nice to see a politician who does stand by his promises. So first of all I welcome this amendment and he has certainly been very active since he has been in the House. There is an issue here - there have been lots of comments bandied about - and I will pick up on those as I go along. The Chief Minister has spoken about the fact that this would benefit some 55 per cent of the population as if that is some kind of argument to reject this, so we cannot possibly go for this amendment because it helps far too many people. It makes life a little bit easier, but only a little bit easier, for those who are struggling within that large section of Jersey society where neither are at the very top and are very affluent, and who may also not be necessarily struggling on income support.

[15:45]

We also heard talk of income support as a net, and it is indeed. The trouble is though with the net is that it does have holes in it and it does not catch everybody, and that is not what it is designed to do either. It is obviously there in our capitalist model to take care of the very worst off in society just to give them the basics, just to give them just enough to survive so that there is not a revolution to keep the capitalist model ticking along. But there are very many people in Jersey these days who are finding it very tough but who simply do not get any meaningful allowances. They cannot claim income support. They are just a bit out of reach of that. They are still paying tax though. I had a call from an elderly lady, one of my constituents, just before I was going out on Saturday to protest in the rain. She was saying I have got this £10 tax bill: "I pay £10 a month in tax." She is only earning £14,000 a year and said: "I really cannot believe that I am paying £10, it does not sound like much but add that up over the year and that is something that I could be using for better purposes." She did say: "I have a neighbour who is better off than me but she is able to employ an accountant to get her finance arranged so she does not pay anything, and she is getting some kind of G.S.T. rebate" and she was very perplexed about the whole matter. There is this swathe of Jersey society for whom income support is not applicable but who are nonetheless finding it very tough these days paying G.S.T. even on food, we will see if that is the case by the end of the week, if that is to continue. I believe it is these people for whom life will be made that slightly bit easier by the amendment of Senator Le Gresley. I also wanted us to consider the argument about what kind of income you should pay your income tax on because I firmly believe, and I believe that is the underlying ethos of having exemptions, is that it is right that there is a certain amount of your money that you earn that you are allowed to keep to survive because everybody, whether they are rich or poor, has a minimum that they need to spend, whether it be on a mortgage, on rent, whether it be on heating, on food, on petrol for the car or for buying a bicycle and maintaining the bicycle for transport, or indeed using the bus. This is understood. But the same rules do not apply to businesses as to ordinary people and I would really ask if the current exemptions are high enough and also if 20:20 is equitable. Those are more global questions. But can anybody really survive? Can a single person really survive in Jersey on £13,000 a year? Those are the kind of questions we have to be asking. If anything, I think the exemptions are too low and that is why I would favour that. You can do some quick sums, £800 rent a week, for example, which is an extortion but you are already looking at £9,600 there. If you add on to that food, £50 a week, very modest, it does escalate very quickly when you add up all the bills. So actually if you are a business though you only pay tax on your profits. You are not paying tax on the rent that you pay for your office, on the heating, that all comes out of the bottom line, so you do not get taxed on your gross turnover, you get taxed on your profits. That is quite right, but really we should be looking for the same rules to apply to us as individuals otherwise what is the point in having personal income tax? We should all just incorporate ourselves as Montfort Tadier Limited, for example, and do it that way, and then we can get [Aside] ... or plc, probably going a bit too far. I do not think I want to be floated quite yet on the stock market. But you do get the point, there seems to be this ethos, this understanding that there is one rule for one, and one for another, so I do support this. I am only sorry that the amendment does not go far enough. I think we really do need to be looking at taxing profit, go where the money is, rather than taxing personal non-disposable income where possible. Of course we have to be grateful that there is an allowance; my point is that I do not believe that it is sufficient at this point. I would say that I do not believe in the same philosophy as the Minister for Treasury and Resources when he says it is people who pay taxes and this whole ethos that Jersey should be looking to raise taxes, raise revenue, purely through personal taxation, we must let that go if we really are to have a more equitable society. So I do congratulate the Senator on this amendment. I will be supporting it and I hope that many of us, and the majority of us, will also do the same.

#### **1.4.11 Deputy J.A.N. Le Fondré of St. Lawrence:**

I think, just a couple of very brief comments, to an extent I agree with Deputy Green. This is a very seductive argument and this time I am not going to be seduced by a Senator Le Gresley,

possibly much to his disappointment, or possibly to his relief even. But equally Deputy Green made the valid points about the impact on the relevant taxpayers. I think one thing that is worth drawing to Members' attention or reminding people about is although tax exemptions did not increase in 2010 they obviously have gone up quite a lot in previous years, and the certain figures I have got is that in 2007 they went up 2.5 per cent, in 2008 they went up 6.5 per cent and in 2009 they went up 5 per cent. I think that is a very useful thing to put into context of where we are. I have to say, this time, and where we are in Jersey and the economy, I am very much a proponent of keeping things as they are, or as close as possible to that, and I think therefore this is not the time to be supporting this amendment.

#### **1.4.12 Senator P.F. Routier:**

Just to add to those that have identified that this amendment is a bit of a blunt instrument. We have debated these matters in years gone by and the phrase that always comes to mind is that whenever this is discussed that it sprays the benefit up the income ladder. That is the problem with this. It gives a benefit to those people who are well up the income ladder and it does not really focus on those with lower income, so as much as we like to be generous and help people to live in the Island, this particular mechanism really just pushes the benefit up the income ladder too far. I do not think it is an appropriate thing to be doing, and I shall not be supporting it.

#### **1.4.13 Deputy G.P. Southern:**

May I start by saying what a pleasure it was to hear Senator Le Gresley express almost the same understanding of the tax system as I have been pressing this House for the last 8 years with. His presentation was concise, succinct and accurate to a T. As he says, the simplest way to get more tax out of people is not to change anything, but simply to freeze exemptions by a process called fiscal drag, as wages slowly, slowly, slowly drag their way up you claw more and more people into the income tax net. That is something, as Deputy Martin said, that has been happening for the best part of a decade until recently. So there has been substantial progress in lowering exemptions just by the simple act of neglect. Leave them alone and you get more tax as wages go up. Recently, at last, we have seen some attempt by Ministers for Treasury and Resources - 2 of them are present still in the Chamber - to do something about that and to raise them over the period 2007 to 2009, substantially. But now we are back to a Minister for Treasury and Resources who is quite content to freeze, that is what he did last year, thereby clawing back some of the generous provision he had already made to compensate the high fuel prices and G.S.T. in previous years. It is simple. Just do nothing and you get some of that money back straight away. It is easy. This year he has generously decided to go for a 1.1 per cent increase, which is the average earnings index rise, and Senator Le Gresley has efficiently and effectively demolished that argument and said: "Look at the 2-year period, it should be much more." If you are going to compensate people for this high cost, and if you are going to help people at the bottom end - which, as has been pointed out before, we say we are going to do, we are going to be inclusive, we are going to help the most vulnerable - then this is a way of doing it and 3.1 is far more appropriate and goes some way to easing the burden. Now both the ex Minister for Treasury and Resources, the Chief Minister, and Senator Routier have said: "Oh, but this is a very blunt instrument. It does not get to the people who it ought to be getting to" and Senator Ferguson has also repeated that sort of claim, when she talks about 55 per cent on marginal rate. Absolutely. Most people pay marginal rates. Marginal rates extend through a large swathe of incomes. The effect of raising the exemption limit is to take away a lump sum, to be more generous by a lump sum, effectively. If you change the exemption limit, let us say, you denote an extra ... or taxpayers in the marginal rate get to keep an extra, let us say, £200. £200 at the bottom end is very, very significant. It may well be all the tax you are paying: your tax bill will be removed. As you go up through the salary bands you will be paying more and more. You might be paying £5,000 in total tax and still be on marginal rate, depending on your circumstance, and you will see your tax go down by £200. Proportionately, very significant for those who are just into paying tax, less significant for those at the far end of the range. So that is

why, far from being a blunt instrument, as the Chief Minister tries to make out, this is a very refined instrument because as soon as you put lump sums into the equation they are far more significant for those at the bottom end than they are at the top end, and that is precisely what you want to do. Now, the Deputy of St. Mary expressed surprise about the mechanism by which we are discussing this, and he said we need to be able to compare all the various methods in some sort of more rational method rather than just wiping-off one after the other or accepting one after the other, and not knowing what really is to come and what is the best method. What I would point out is that having this particular amendment now, what it does focus on - quite seriously - is the balance of taxation. The balance of taxation. I remind Members what we have done recently in terms of the balance of taxation - and it was a deliberate aim by this Council of Ministers and the previous one, and they said they were going to do it - they have transferred an enormous amount of the tax bill from business to ordinary taxpaying workers and their families in Jersey. They set out to do that and they have done that. What this amendment does is focus just for a short while on that massive change. Zero/Ten produced a massive reduction of tax bills for the banking, for the finance sector by half down to zero for many in the non-finance sector, in terms of taxing business. It transferred that via the mechanism of G.S.T. and other mechanisms into your pocket, my pocket, my granny's pocket, her purse. That is effectively what has been done. This proposal makes a very tiny step in restoring some greater balance between who pays and who does not by moving approximately £3 million of tax from the ordinary working family back to those companies in the Island in order that they pay a fee in order to make their profit in the Island. It is that simple, and we are talking about £3 million.

[16:00]

Apparently, we are going to have a debate later as to whether that £3 million can be recouped, but that is for another day perhaps. Although I am certainly not convinced by that argument. Just in terms of the significance of what is being offered here, it is perhaps typical of the Senator that he goes for relatively modest goals, unlike my ambitions of old, and he is probably quite right to do so. Quite right to do so because his goals are eminently achievable. So he talks about, for example, the changes to the tax liability of the order of £390, £400 of that order, that 27 per cent works out to a significant sum but tens of pounds rather than hundreds. If we are to raise G.S.T. over the next day or 2- and we have yet to debate that issue - then my calculations suggest on the basis of household spending operated since 2004 household expenditure surveys, what we are talking about is single pensioners paying of the order of £280 to £300 a year in G.S.T., £5 a week. That is what we are taking out of their purses. A pensioner couple: it is of the order of £550 a year, a tenner a week that you will not have any more. A couple with children: it is of the order of £700 to £800 a year taken off that household. So in terms of how revolutionary or how evolutionary the change that Senator Le Gresley is proposing, in the perspective of if we do raise G.S.T. as we threaten to do so, it is small beer. We are giving a small amount of money back to those people who are taxpayers than we otherwise would. We may be about to take a whole chunk more off them, this amelioration is absolutely appropriate, it is well directed and it is certainly not excessive. Having said that, I wanted to go on to make one more point. For the life of me, I cannot think what it might be now, so I will stop there. This is appropriate, it is well-targeted. It does what we want it to do and in the perspective of the tax that we might be about to reimpose, whether or not we do so, it is moderate. This has my total and complete support.

#### **1.4.14 The Deputy of St. John:**

Let me say I am not sure at this moment which way I am going to vote. But I am aware that middle Jersey are hurting. Many people I know have approached me over the last 6 months and told me there is no relief or very little relief for middle Jersey. This amendment here, in fact, would go some way to helping middle Jersey. In fact, I am one of those people who would not benefit from it so I can say what I am thinking because I am a payer of 20 per cent, so I would not benefit, which is fine. But I am worried about the people who are those people just over the thresholds which, at

the moment, do not have any of these benefits given we are going to reintroduce a charge on our medical benefits, i.e. the medical prescription charge, which in my view should never have been removed. These people are going to be the ones that will be hit - middle Jersey - because they cannot get any assistance anywhere else, because they are just above the threshold. That is where I would like to put in the back of people's minds when they do vote - when they are voting with their conscience - it is yes, there is something in place for the low earners. It is those people above those thresholds that have had a certain standard of living, who have been hit hard over the last couple of years because they have got nowhere to turn. So I am speaking now on behalf of those people who fall outside of the thresholds and will be marginalised yet again and would be hit if this was not to be supported. But at the moment I want to hear what the Minister for Treasury and Resources or one of his Assistant Ministers might say, because I think the Minister for Treasury and Resources has already spoken, but one of his Assistants may get up to speak in relation to that.

**Deputy R.G. Le Hérisier:**

Can I ask the last speaker, what does he mean by "middle Jersey"?

**The Deputy of St. John:**

People who fall just outside of the area of help up to the £40,000 bracket or wherever. That is middle Jersey.

**1.4.15 Deputy I.J. Gorst:**

It has been an interesting debate and I recognise that it is a quite difficult area to go into. I think there has been a number of things said about previous increases in the threshold, and I think we have got to remember although there was no increase in 2010 the Assembly did at that point also decide not to increase any duties, so that was another burden that was lifted and people did not face that pressure. We have got to remember that we consider these issues in the round. One or 2 speakers - my friend at the front - talked about this proposal as being well targeted and not being a blunt instrument. I am afraid I cannot see that argument because this amount, as he rightly said - he used in his example £200 - does not just benefit those who are at the threshold level, but it benefits all those right throughout the tax system. He and I as well would benefit from that point. So I do not believe that it is well targeted in the way that he proposes it is. I do believe it is a blunt instrument and Deputy Green made a well made point with regard to his intervention. I think perhaps we are facing the difficulty which the Deputy of St. Mary alluded to, and this is where we will see differences of approach and opinion across the Assembly that I believe that some Members perhaps will be supporting this rather than supporting perhaps food exemptions and the approach to G.S.T. That of course is a decision for each Member to make. I for one do not believe that this is an appropriate change to make. I believe that the Minister for Treasury and Resources and the Council of Ministers quite carefully considered the 1.1 per cent increase in earnings, which means that all the issues that Deputy Southern were raising about fiscal drag do not apply because we know that most people's income - pensioner's income - was up-rated. We know of course this year it was not a large amount, it was just the 1.1 per cent for average earnings. We know that that means obviously those earning the average earnings was increased by 1.1 per cent and therefore in this instance what the Council of Ministers are proposing is, in fact, not fiscal drag but they have recognised that and are proposing this increase to offset those issues. Ultimately, what this amendment does is reduce income by around ... as the Senator said, it is not clear whether it is 2.8 or 3.1, but in effect around £3 million. I just want to also reiterate the points that in previous years there have been more generous increases, 2.5 per cent in 2007, 6.5 per cent in 2008, 5 per cent in 2009 and it is in that round and in the light of those increases that I believe that 1.1 per cent is appropriate, and that if Members want to target help to the lower income then the way to do that, in my opinion, is via income support. This is not targeted - I do not believe it is - I believe there are other ways of targeting benefits to those low income, and this is not one of them. But I do

recognise that it is quite a difficult area and we have a number of other choices before us today, before we see the final shape of the budget. But I will not be supporting this.

**1.4.16 Deputy J.G. Reed of St. Ouen:**

In some ways I am pleased to follow my fellow Minister, Deputy Gorst, because I do know and respect his views on food exemptions. But I perhaps would like to ask Senator Le Gresley when he sums up to make some form of comparison because it has been suggested that raising exemption for thresholds is a blunt instrument and it does not target those that need support. But when you think of food exemptions as a possible alternative one would suggest that that equally is a very, very blunt instrument in that everybody, whether they are in the 20 Means 20 bracket or downwards, will benefit from those exemptions. Perhaps the Senator in his summing up can deal with that issue and make that comparison.

**1.4.17 Senator A.J.H. Maclean:**

I think Members will agree that Senator Le Gresley gave an excellent speech. It was not excellent just because it was short, it was excellent because it was well researched and indeed it was very compelling. I thought that if you take it in isolation it was even more compelling in terms of what it seeks to address, and that is ensuring that those less well off in society, and indeed those that the Deputy of St. John was referring to as middle Jersey... I think he is not referring just to areas around St. John when he is referring to middle Jersey. But in all seriousness, I think that it is right that we are carefully focused on the needs of the less well off and indeed those that are in the more middle income realms. But I think the important thing that we need to recall and remember, and focus on as Members of this Assembly were making this decision, is that we cannot treat this particular amendment in isolation. The budget proposals themselves are a package, and as a package they have been carefully balance. It has been difficult for the Council of Ministers to arrive at the package we have arrived at, in order to balance budgets over the set period. Even having achieved that, on the assumption that all the proposals in the budget are broadly supported, it still leaves States budgets very, very tight. There is very little room for manoeuvre and I would just say to Members that having already supported - and I understand the reasons why - Deputy Vallois in taking contingencies out, by supporting now this particular amendment it leaves even less flexibility should indeed finances not be balanced. I know that Senator Le Gresley has suggested balancing this particular proposal with the I.S.E. fees but those are already included within budget considerations, and I really do not think that it is going to necessarily deliver what perhaps he thinks it is going to in terms of solving the disconnect between the increase from 1.1 per cent, which it proposed in this package, and indeed the 3.1 per cent that he suggests. One or 2 Members have already said that the increases, although not in 2010, for the tax exemption thresholds over recent years have increased quite considerably, and I think all in all, the tax thresholds are and can be viewed as relatively generous and I think because of that, and the fact that the Council of Ministers have included 1.1 per cent increase as part of this overall package, we have to focus on the package, the broad package of the tax proposals contained within the budget and not be seduced as it would be very easy to be, by this quite attractive proposition brought forward and very well presented by Senator Le Gresley. For those reasons I cannot support it and I do encourage Members to also reject this particular amendment.

[16:15]

**The Greffier of the States (in the Chair):**

Does any other Member wish to speak? Very well, I call on Senator Le Gresley to reply.

**1.4.18 Senator F. du H. Le Gresley:**

I have made copious notes during this debate and I thank everybody who has spoken. I probably will not address everybody's comments but for those who support the proposition I am very grateful. There seems to be an underlying theme where we see the Council of Ministers and the



Assistant Ministers trying to convince us that the historical increases in tax thresholds has been very generous and therefore, as we are tightening our belts, we cannot look to increase income tax exemption limits in 2011. That will be for Members to decide. I agree that it is unfortunate that my amendment is split and that we are debating the first part of it without being able to give you the research that I have done on the I.S.E. figures, and I am afraid you will have to trust me that I have done my research and I am pleased that many Members have complimented me on my research, so you will have to trust me when I say I have equally researched the second part and third part of my proposition. Yes, the first speaker was the Assistant Minister for Treasury and Resources, who I believe had already written his speech before he heard mine and therefore was struggling. He said that increases in income tax exemption limits to 3.1 per cent would damage Jersey's economy and recovery. I find that an absolutely amazing comment really, and I am not going to dwell on it any further. I think some people quite understandably are expecting me to explain why increasing the tax exemption threshold is not a blunt instrument, and I will come back to that at the end of my summing up. Deputy Le Claire was supportive and he thought that my 3.1 per cent was very fair given that I had given evidence that it could have been 4.1 per cent. He got a little bit confused about what I was proposing with I.S.E. fees but I think he was corrected later. I do not know the history unfortunately of the States debating increases or exemptions from income tax prior to 2007. I take it that when Deputy Martin said there had been a lot of freezing of limits historically I take it that that is correct and that, in a sense, we are only just catching up at the moment. But I think the very important point to be made, which is one that I should have picked up on myself, but quite correctly there are some people at the moment who are in receipt of income support and they are still taxpayers, and by increasing income tax thresholds they will have more money in their pockets and I think that is a very important point. Senator Ferguson on my left unfortunately tried to perhaps reiterate a point she had made in previous debates that only, I think she said 20 per cent of people in Jersey pay tax at 20 per cent. I have to remind people, and this really goes back to the point about increasing income tax thresholds, we have now the system of 20 Means 20. We did not have that system 4 years ago when we were looking at increasing the income tax threshold. It has made a big difference to high earners for who these tax exemption limits are not applicable if you are on 20 Means 20. Basically you lose all your allowances effectively now - next year is the last year, and you pay your tax at 20 Means 20, and that is how it works. What I also want to say is we have to remember that the marginal rate is 27 per cent. If you do not increase tax exemption limits, for those people every pound they earn over the tax exemption limit they pay at 27p in the pound. They do not pay it at 20p in the pound but at 27p in the pound. So I would like to, on that very point, remind people that during the Minister for Treasury and Resources' presentation of the budget, he was at great pains to tell us the new arrangements for 1(1)(k)s. He told us that on their worldwide income they will be paying 20 per cent, not 27 per cent, but 20 per cent on the first £625,000 and a meagre 1 per cent thereafter. So I am sorry, but are we going to look after Jersey residents or not? Deputy Green, quite understandably, he has his amendment. We know about the proposal to zero-rate food and domestic fuel, and it is a shame that we are having to debate my amendment so soon in the process of the budget debate, but that is where we are, as they say. Will it help the low paid? Well, yes, it would help the low paid in the sense that the thresholds will move up, but it is not necessarily targeted at the very low paid because that is where income support G.S.T. bonus, et cetera, will be helping people. I was quite shocked when the Minister for Treasury and Resources spoke because he said the original proposal was to freeze limits, so there we go. We were not even going to get the 1.1 per cent. That is what he told us. He also... and I now understand why he said this, he does not believe that the second or third part of my amendment to do with the I.S.E. fees is feasible because some of these companies will decide not to register as an I.S.E. and will just pay G.S.T. in the normal way. However, again this is a contradiction of what he said in the budget speech, because he told us that he hoped by further negotiation with the financial services industry in the next 12 months to deliver a further £2 million. Yes, that is what he said, I wrote it down at the time. He said he wanted to move the total figure from £8 million to £10 million. If that is not £2 million, I am sorry but my maths ... that

is £2 million. Deputy Southern, as I expected, was supportive and he has analysed to a great extent some of the ... but he did question the Minister for Treasury and Resources about the rise in the I.S.E. fees and I think that I could only reiterate that I cannot go into that debate now, but I have some information which I hope will convince people that there is a strong case for transferring money from the finance industry to the people of Jersey. The finance industry have had an easy ride in this budget and it is time that the Members stood up and said we must help, as the Deputy of St. John said, middle Jersey. The Chief Minister criticised increasing income tax thresholds as a blunt tool. He was Minister for Treasury and Resources for a number of years and I believe that he supported increasing income tax thresholds in those days, so I do not know why he has changed his views. He says that the budget is a very balanced package, and I do not dispute that, but that does not mean that this States Assembly has not the right to make some fine adjustments. We were told, as Back-Benchers, that if we wanted to change the budget we had to find savings elsewhere. I have done that. The Minister has confirmed that he can find £2 million of the 3.1 that I am looking for, so I do not really see we have a big issue there. The Deputy of St. Mary wanted me to explain about how the increase in income tax thresholds affects 55 per cent of the taxpayers. I hope I have explained that, but with 20 Means 20 it does make a difference. The tax threshold is irrelevant. They are paying 20 Means 20 on their income. Deputy Tadier also referred to middle Jersey and said it is time we were doing something to help this group, and I totally agree. Deputy Le Fondré said I had nearly seduced him. I am not quite sure how I did that. He said I had done it before, but again I do not remember that. Senator Routier: have you noticed that all the Council of Ministers and their Assistants are all putting in their bit? He repeated that I was spraying benefits up the income ladder. Well, so be it. I think I am nearly there. Deputy Gorst: now we know ... he has shown his colours, we know that Deputy Gorst is in favour of food exemptions; that is fine. He managed to change the mind of the Minister for Treasury and Resources and get him to bring an amendment to save the tax revenue. That is fine, but we are now debating income tax exemption limits. We have to put aside what may happen later in the week. We have to make a decision on my amendment. Senator Maclean also spoke and said my speech was very compelling, which I am pleased to hear, and he is worried about I.S.E. fees as well. We would understand why he is worried because we know he is a big supporter of the finance industry, hence we cut tourism budgets and we give more money to Jersey Finance. So we understand where he is coming from. He is fighting for the finance industry, but I am fighting for middle Jersey, for low income earners, particularly pensioners, and I maintain the amendment.

**The Greffier of the States (in the Chair):**

The appel, yes. Very well, the vote is therefore for or against the first part of the second amendment relating to income tax exemption limits. If Members are in their seats I will ask the Greffier to open the voting.

<b>POUR: 22</b>		<b>CONTRE: 27</b>		<b>ABSTAIN: 0</b>
Senator A. Breckon		Senator T.A. Le Sueur		
Senator F.du H. Le Gresley		Senator P.F. Routier		
Connétable of St. Helier		Senator P.F.C. Ozouf		
Connétable of St. John		Senator T.J. Le Main		
Connétable of St. Lawrence		Senator B.E. Shenton		
Deputy of St. Martin		Senator S.C. Ferguson		
Deputy R.G. Le Hérisier (S)		Senator A.J.H. Maclean		
Deputy J.B. Fox (H)		Senator B.I. Le Marquand		
Deputy J.A. Martin (H)		Connétable of St. Ouen		
Deputy G.P. Southern (H)		Connétable of Trinity		
Deputy of St. Ouen		Connétable of Grouville		
Deputy of Grouville		Connétable of St. Brelade		
Deputy J.A. Hilton (H)		Connétable of St. Martin		
Deputy P.V.F. Le Claire (H)		Connétable of St. Saviour		

Deputy S. Pitman (H)		Connétable of St. Clement		
Deputy K.C. Lewis (S)		Connétable of St. Peter		
Deputy of St. John		Connétable of St. Mary		
Deputy M. Tadier (B)		Deputy R.C. Duhamel (S)		
Deputy of St. Mary		Deputy J.A.N. Le Fondré (L)		
Deputy T.M. Pitman (H)		Deputy of Trinity		
Deputy M.R. Higgins (H)		Deputy I.J. Gorst (C)		
Deputy D.J. De Sousa (H)		Deputy A.E. Jeune (B)		
		Deputy A.T. Dupré (C)		
		Deputy E.J. Noel (L)		
		Deputy T.A. Vallois (S)		
		Deputy A.K.F. Green (H)		
		Deputy J.M. Maçon (S)		

**Deputy G.P. Southern:**

May I ask if there were any votes not cast? The Chair seems to be looking around quizzically about ...

**The Greffier of the States (in the Chair):**

It is not something you can ask but I was only looking around because at the last minute there were some votes cast that had not been cast.

**1.5 Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010): amendment (P.157.2010 Amd.)**

**The Greffier of the States (in the Chair):**

We come now to the amendment relating to Goods and Services Tax and the first amendment is the first part of the first amendment in the name of Deputy Southern. I will ask the Greffier to read that amendment.

**The Deputy Greffier of the States:**

Page 2, paragraph (b) - after the words “as set out in the Budget Statement” insert the words “except that, in Summary Table B ‘States Income 2011’ on page 74 the estimate of total income for 2011 shall be decreased by £15 million by maintaining the rate of Goods and Services Tax at 3 per cent until 31 May 2012”.

**1.5.1 Deputy G.P. Southern:**

With all due respect to those who have already presented amendments to the budget so far, and with those to come, I am tempted to say - and I will say - we have had the preliminary bouts, now we are up for the big one. This is the decision about whether we wish to increase the rate of G.S.T. now by 66 per cent or not, whether we are prepared to wait awhile, because this amendment merely gives us breathing space. It is all very well for the Minister for Treasury and Resources to play macho and say: “The time has come for tough decisions, and I am prepared to make tough decisions.” Finance Ministers around the world are doing exactly the same and they are out-staring each other over who can make the biggest cuts.

[16:30]

Spectacularly in the lead on that front is the Irish so-called Government, which really is slashing and burning left, right and centre, reducing benefits, reducing pay, increasing taxes and where has that got them? Why, it has got them deeper and deeper in debt, as the song used to go. That is no way to grow an economy, as the Irish case has absolutely proven. It is no good the Minister for

Treasury and Resources saying: "Of course we are going to grow the economy sooner or later. In the meantime we are raising taxes and reducing services." Front line services, as I mentioned before. So this is the real tough decision and I must mention briefly, before I carry on, the second 2 parts of this proposition, because it is important to note that the total proposition is revenue neutral. I am not - as I have done in the past with the budget - saying: "Just blow a hole in it!" Okay, this is revenue-neutral and briefly, because it is part of the whole, I will just mention that we have over half a billion pounds in the Strategic Reserve. The Minister for Treasury and Resources every now and then pats himself and his predecessors on the back for having had the foresight to build up the Strategic Reserve to the extent it has: £550 million in it of which £50 million was interest in 2009. Now, what I am proposing here to balance the first part of this proposition is to spend something like £26 million of that interest. Not of the Reserve - we are not allowed to do that - but of the interest. It is perfectly acceptable, 4.7 per cent of the Reserve, when the Reserve made return rate of 9.8 per cent in 2009. So this is not money that is going to disappear and they have had new management of the Reserve Fund appointed, so we have some keen people in there. As interest rates recover - as we are assured by the Minister for Treasury and Resources that they are due to in the coming year - there is absolutely no reason why this Fund will not grow further again. So lest anybody be in any doubt, this is revenue-neutral and perfectly feasible with a relatively small amount of the interest on the Strategic Reserve ... and no, I will not give way. Deputy Le Hérisier, you will have your turn, but not for some time if I have my way. The first question that needs to be asked and the one that has not been answered in any way, shape or form, is the one I have been asking the Minister for Treasury and Resources and the Chief Minister it feels like since for ever, but certainly since the beginning of the year: "Have you any hard evidence yet that we are out of recession?" I have asked it month after month: "That the recovery is occurring? When will the recovery occur?" The answer he has is nothing whatsoever. Often it is silence. I look for example at the latest piece of information that came in only this morning about retail sales in quarter 3 and it says: "The volume of retail sales in predominantly food stores was 4 per cent higher than the corresponding quarter in 2009."

**Senator P.F.C. Ozouf:**

Sir, I would just point out that those are embargoed figures until midnight, I believe.

**The Greffier of the States (in the Chair):**

The Deputy is perfectly at liberty to quote them, Senator, it is a budget debate.

**Deputy G.P. Southern:**

Thank you, Sir, I was going to go around it if I could. But that had declined on a quarterly basis since the last quarter. The volume of retail sales in the predominantly non-food stores is absolutely flat. Flat-lining. So no real signs of recovery there and if one looks at the graph it goes along, flat lines. It has been flat-lining for 2 years and it is carrying on flat-lining. Who knows what will happen over Christmas, maybe there will be a sudden rush but that is likely to be a peak which then settles back. The recovery of the retail sector, the recovery of the building sector; not apparent yet. Slight hopes among the finance sector that this next coming quarter will be better than the last year. Well, I should hope so too because profits in the finance sector went through the floor, down to only £809 million and it would be hoped that something better is just around the corner. But no hard and fast evidence of recovery there either and, as Deputy Higgins keeps reminding us, recovery in the finance sector always lags behind the other sectors. Whenever we get a finance-led recession it stays low longer. Harder to get that recovery, and we are so dependent on finance that there is no sign, despite the Minister for Treasury and Resources crossing his fingers and whistling in the dark, there is no evidence of recovery. So what do you do when there is no evidence of recovery? You try and boost the economy. Universal. Public spending should be maintained in order to keep the economy going at all. You do not, when you are in recession, increase taxes. You do not do both together and propose large scale cuts in public services and an increase in your

most regressive tax, both measures which will affect negatively those at the lowest end of society, and yet that is what is being proposed. Now, we can have an argument until the cows come home about whether the deficit we currently face is structural or cyclical or what the balance is between the 2. We can, of course, refer to our advisers - the Fiscal Policy Panel in their latest report - who suggest that income tax is expected to fall as a consequence of the economic downturn and the introduction in 2009 of the Zero/Ten corporate tax system taking effect. The effect of Zero/Ten in 2010 has been estimated at about £80 million with the remaining £50 million being due to the economic downturn. So we have an economic downturn accounting for £50 million, Zero/Ten the fundamental cause of £80 million. We are all aware that the answer we were told to allow us to go to Zero/Ten - reducing massively the amount of income tax that we got from business - was going to be compensated by the introduction of G.S.T., 20 Means 20 measures for £10 million: £50 million, £10 million and I.T.I.S. £5 million, around about £65 million worth of additional income. The rest was going to come about through economic growth. Ambitious words back in 2007, we were reliant on economic growth. We were in boom times, we were confident then. That growth never occurred and here we are now with a substantial figure missing from our revenues. £50 million, though, due to the economic downturn, due to a cyclical nature in the economy and the Minister for Treasury and Resources has to say that because he is going for growth. We will grow eventually. He expects that growth in 2011, others are more sceptical. The Fiscal Policy Panel say, and he notes their comments when they say ... apologies, I thought he had ... I have to dig it out. I will return to that later. When they say that we can expect a lengthy position in the recession: "Do not expect a sudden upsurge soon." Perhaps somebody might look at that.

**The Greffier of the States (in the Chair):**

Are you looking, Deputy, at the comments from the Council of Ministers on your amendment? Page 3 seems to focus ...

**Deputy G.P. Southern:**

Page 3.

**The Greffier of the States (in the Chair):**

The Council's comments.

**Deputy G.P. Southern:**

No, that is not the quote I was looking for but I cannot find it so we will leave it for the moment. "Things are very tight" the Fiscal Policy Panel says. Things are very tight. What we notice elsewhere is that many governments around the world equally are expecting things to stay tight for certainly a substantial length of time. Yes, the full quote I was looking for was growth forecasts: "The panel expects that G.V.A. will contract at about 2 to 4 per cent in 2010, which is a little weaker than the panel's previous forecast. Under the central scenario, which includes the effect on real income to the rise in G.S.T., subdued growth between 0 and 2 per cent is likely in 2011, although this is very dependent on the future path of interest rates and global financial markets and economic conditions. Significant downside risks, therefore, remain." Look forward to some tough times in 2011 still. They certainly are not forecasting tremendous recovery in 2011, as indeed - as I suggested earlier in the day - are the British Council of Chambers of Commerce, who have revised their forecast for 2011 downwards from 2.2 percent to 1.9 per cent on the back of the proposed increase in V.A.T. in the U.K. Now, I suggest that the proposed increase in G.S.T., which is significantly greater proportionally than what is happening in the U.K., will also have a downward negative effect upon the economy in 2011. We notice still, in the U.S. (United States), for example, they are still employing quantitative easing to keep their economy ticking over. It is at the bottom. They do not expect a recovery. They are still using quantitative easing - the equivalent, if you like, of our fiscal stimulus - in order to keep their economy going.

[16:45]

Now, in their comments, the Minister for Treasury and Resources and the Council of Ministers are very selective. On page 4 they selectively quote the Fiscal Policy Panel stating that: "Although the States' financial position is extremely tight, the panel does not recommend using Strategic Reserve funds or borrowing at this stage." One would think: "Well, that is a pretty damning little selection. We should not be going anywhere near the Strategic Reserve." However, we can. Immediately after that statement they say: "However, should the States go down either of these routes for whatever reason it will require tighter surpluses that the borrowed funds could be paid back." If the States is to stay within the letter of the fiscal framework, any money withdrawn from the Strategic Reserve should be considered borrowing, just as funds from the financial markets would be, and the intention should be that this is paid back in future years. So we do not recommend it, but we explore the possibility and if you do go there - and remember it is a political as well as an economic decision, it is a political decision - if you do decide to borrow from the Strategic Reserve then you must pay it back eventually. I do not have a problem with that. That is perfectly logical, it seems to me, to borrow in times of hardship to pay back when we are through the recession and in recovery. Perfectly possible, perfectly acceptable. We are talking, remember, about 4.7 per cent of the Reserve. So I do not think that the Fiscal Policy Panel have ruled that out completely, so Members should consider that in the terms that the Fiscal Policy Panel suggest. Has that sheet that I supplied been distributed? I did not get one. Now we come to the least valid, I believe, of all the statements that the Minister for Treasury and Resources has made this morning and on other occasions. What he says is that the most convenient way of raising additional revenue is to increase the rate of G.S.T. and he says that will have the least impact upon the economy, and he has consulted widely on what options he has and he says that is what the public have told him to do. But he has not shown us the base results from his consultation and we know that the results as presented were very mixed. But he goes a stage beyond that, he then starts to suggest that G.S.T. is not the worst type of tax for ordinary working people in the Island. He says it is not as regressive as people make out. He quotes the I.F.S. (Institute for Fiscal Studies) and he quotes some graphs that he has produced to suggest that G.S.T. is not regressive. If Members will turn to page 6 of the Council of Ministers' comments they will see 2 graphs placed side by side, one which represents G.S.T. against quintiles as a percentage of income and Members can see the downwards slope. It is about twice the impact on low income households, on their income, as it is on the highest quintile on their income, by about 2:1. However, he says, what we ought to do is compare it with expenditure and then we get a slightly flatter regression. Still regressive. On the sheet I have circulated Members will notice, if we take the overall impact of a variety of taxation mechanisms, you can see on the right hand side you have got the U.K. position against quintiles, you have direct taxes going directly upwards, progressive taxation. You have indirect taxes going downwards, regressive. G.S.T., or V.A.T. in the U.K., going from 10 per cent for the low earners to 5 per cent, again that 2:1 ratio, that is what G.S.T. does.

**Senator S.C. Ferguson:**

A point of clarification. I wonder of the Deputy will be kind enough to tell us (a) what the source of this information is, and (b) if it is for the U.K. then obviously it is distorted by the fact that food is exempt and, therefore, not included?

**Deputy G.P. Southern:**

It is and the fact is that our G.S.T. at the moment does include food and is, therefore, more regressive than the U.K. tax, and these figures have come straight from the *Taxes and Benefits 2007 to 2008* publication from the Department of Work and Pensions in the U.K.. So they are lifted directly, that graph is directly from that publication. Further, taking the I.F.S. measures that the Minister uses to back up his argument that our tax could be called as nearly progressive or proportional, we have V.A.T. figures from the U.K. again which our G.S.T. will mirror by deciles, so broken down into smaller units, and the poorest 10 per cent then are paying substantially more proportion of their total income than are all the rest of those deciles. So the top 10 per cent pay

markedly less as a proportion of their income than does the bottom 10 per cent of the population. On the sheet I have produced, even if you take the bottom decile out, the bottom 10 per cent out, and only look at the 9 groups left, you still have a regressive tax. Yet somehow the I.F.S. has, I believe, forsaken its integrity, its reputation as a scientific and properly researched body in terms of its economic research, and has come up with one paper that the Minister for Treasury and Resources relies on to say that G.S.T. is not really regressive. One paper which manages to make a convoluted argument that says: "Hang on, the wealthy save some of their money, which is why the impact on their income is less. But what we should do is say that eventually that money gets spent so, therefore, we should up their contribution because they are going to spend it sooner or later." Not necessarily in the U.K. economy, it might be coming our way into a fund over here, it may be going elsewhere. Similarly they say: "Yes, but the bottom 10 per cent of the population, they borrow and they spend. They spend their savings when times are bad so their contribution also is changed." This argument has been widely dismissed - widely dismissed - by most informed commentators and the Minister for Treasury and Resources really cannot rely on saying G.S.T. is okay, it is not regressive. It is regressive and it will impact upon those at the bottom end of our society at a time when we are cutting their services. So, I am not a deficit-denier: we have a deficit. I am saying if we do not wish to make that deficit worse we should not be imposing tax rises on our economy at present because that is likely to make it worse. What we should do is wait until we are sure that we are out of recession and in recovery. If we are to make those moves and increase our revenue then we must do it when we are in recovery, not when we are in recession. The dangers of doing that are marked. We can afford to wait. It means spending just under 5 per cent of the interest in the Strategic Reserve, and that is what a wise Chamber, that is what a wise person would do. It would hold fire, give itself that breathing space. As the Minister for Treasury and Resources has said, if in 18 months or 2 years we are still in the same position, I would be looking at spending some of the Strategic Reserve. Yes, he has said that. He shakes his head; I wonder if he is going to deny it. I think the time for spending that money is now, the time for giving breathing space is now. Let us wait until we know that we are out of the recession into recovery. That is the safe time which we might - we might - raise G.S.T. or other forms of taxation, regressive taxation perhaps, in order to meet the deficit. The time is not now. The time now is very risky. I urge Members to support my amendment.

## **1.6 Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010): amendment (P.157.2010 Amd.) - Amendment**

### **The Bailiff:**

Is the amendment seconded? [**Seconded**] Very well, then there are amendments to the amendment and the first one is that lodged by the Connétable of St. Helier and, therefore, I will ask the Greffier to read that amendment.

### **The Deputy Greffier of the States:**

On page 3, paragraph 1, before the words "May 31st 2012" substitute the words "December 31st 2011".

#### **1.6.1 Connétable A.S. Crowcroft of St. Helier:**

I am grateful to Deputy Southern for doing quite a lot of the spade work for my amendment and I do not intend to go over the same ground. Members will be aware that by the end of next year we will have spent £158 million of public money as part of fiscal stimulus, or stimulating the economy. Although the comments by the Council of Ministers attempt to distinguish between the Stabilisation Fund that yielded the money and the Strategic Reserve, my personal view is that the difference between £158 million from the Stabilisation Fund and £15 million from the Strategic Reserve will be lost on most members of the public: a rose by any other name. Indeed, looking at the comments from the Council of Ministers - which they have had a lot to do so I guess I can understand it, the school teacher in me will be a little more forgiving than I would otherwise have

been - the comments are not really very good because there are essentially 5 paragraphs which say more or less the same thing. The first, second, third, fifth and seventh paragraph all attempt to say that this is not the same thing as fiscal stimulus. What I am proposing, and indeed what Deputy Southern is proposing ... there are 2 other paragraphs which I will come to in a minute but if I could just turn to those comments and just deal with them. The first, second, third, fifth and last paragraph of the comment they say that the Fiscal Policy Panel does not recommend using the Strategic Reserve or borrowing at this stage, and I am arguing that we have extensively used public money, and that is what it is at the end of the day, to stimulate the economy. The next paragraph says that this £15million - if the amendment is approved - will never be returned to the Strategic Reserve. Well, why ever not? Surely when the States are in good times we will do our best to not only replace the £15 million that I am arguing should be spent next year, or not taken I should say next year from the public, but we will also attempt to return some of that £158 million to the Stabilisation Fund for the next cycle of difficulty in the economy. Finally, in the last paragraph it says: "Using the Strategic Reserve in the manner proposed by the Connétable is unsustainable." I do not follow that. It seems to me that it would be unsustainable if I was suggesting we did it every year, but that is not the point.

[17:00]

What I am suggesting is that just as we agreed to spend significant amounts of public money to stimulate the economy during the recession, now is a good time to spend a fraction of that amount on stimulating the economy next year. To borrow the 3 Ts of fiscal stimulus - targeted, temporary and timely - I believe the proposal I have here is exactly that. Now, the fourth paragraph of the comments makes the second point in the comments and it makes a rather sweeping assertion. It says that: "G.S.T. is not set to rise until June next year by which time the economy is expected to be growing again." We are talking about in 6 months' time and we are being told confidently by the Council of Ministers that the economy will be growing again in 6 months' time; therefore, it will be okay to impose this 66 per cent increase in G.S.T. on the public. Well, we are not far away from June and I am not an economist but I would respectfully suggest that is somewhat optimistic. I am not a pessimist but I think that does not seem to me to be backed up and I think it is an assertion that is unsustainable, to borrow one of their words. But what really takes the biscuit from this piece of work is the third argument that the Council of Ministers bring to bear on my amendment, and this is in the penultimate paragraph of their comments. They say: "The fact that high street retailers face fierce competition from the internet cannot be used to justify a temporary postponement of an increase in G.S.T." Well, why ever not, I would argue, surely that is very targeted use of dealing with what is, by all accounts, becoming a real problem out there in retail. Then it goes on to say: "Moreover, taking the right decisions now to return States finances to a sound footing and allow a return to economic growth will benefit local retailers and other business sectors." Now, if you take the spin out of that, what that paragraph is saying is putting up G.S.T. in June next year will benefit local retailers. I ask Members to try to work out how that can possibly be true. Now, it may be the case that some people out there will find the States delaying the rise in G.S.T. for 6 months massively destabilising and damaging. I do not take that view. I think that the retail community in particular will take heart from a decision by the States to defer the rise until the end of the calendar year. They will have a clear year in which to attempt to get out of recession and do business in an extremely hostile environment. Now, I do not say these things based on my own experience as a shopper. Like the Minister for Treasury and Resources I have done some research and I have done some consultation and I am going to read Members a couple of comments that I have had back from people out there who are trading, and also from Chamber of Commerce representatives. I am not going to name people or organisations, to spare their blushes and because it is not in order. But I hope that if Members wish to know where I got these comments, I am very happy for them to come and ask me and I will tell them. The first commentator says: "I would like to see any tax increases deferred until the proposed savings have actually been delivered. We were tricked last time into backing the tax increases on the promise of savings which were never delivered. Last



time also the income forecast proved to be too conservative, but worked in getting the tax increases through. What trust can we have in the current ones?" The person goes on to say: "Retailers in particular think all these increases plus the duty changes, parking charges increases, could be the straw that broke the camel's back. The industry is already struggling with major structural changes such as the internet." Another commentator also from the Chamber said this to me, referring to the fact that tourism and hospitality are getting the 6-month deferral, which of course is a point I make in my proposition: "It would be reasonable and fair to have all businesses going up at the same time. Setting a date for the implementation of the increase well ahead of the event offers certainty for both consumers and retailers and indeed might encourage more consumer spending in 2011 than we would otherwise have enjoyed and which the economy could certainly do with. A delay in implementation would give Government a chance to truly demonstrate that they really are on top of the cost reduction exercise which has been talked about a lot but of which few people are convinced will happen. The easy option is to put up G.S.T. first." This writer concludes: "You already know that I am increasingly concerned about empty shops in town. While Queen Street and King Street are not too bad, I am sure I saw some tumbleweed drifting along Colomberie this morning. Recovery is about getting businesses going, not shutting it down." The proprietor of a major department store told me this, the benefits of my proposal: "Independent retailers retain better profit margins and profitability, assuming that they were going to absorb the increases. Better value for money to residents purchasing goods in a depressed market, less risk to businesses operating on the edge, i.e. close to bankruptcy and possible redundancies. Great marketing tool for Jersey Tourism to promote the Island's great value, particularly as air travel tax has increased and holidays abroad are more expensive." Finally, a well established jeweller gave me the following points: "An increase in G.S.T. will make our prices less competitive. The costs and work involved in re-pricing goods is immense. It will be another blow to the Jersey retailer who is already struggling against internet competition. It demonstrates that the States have no desire to support the retail sector whatsoever." That is if we do not approve this delay. "The increase to 5 per cent actually represents a two-thirds increase in the tax. Most people have not considered it in these terms. The States tell us that they need to increase the tax to make good the shortfall in States revenues. You can be sure they will not reduce the tax when States revenues return to adequate levels. Further increases in G.S.T. will already be seen as a soft option for our high spending public sector. The only good thing about the introduction of G.S.T. at 3 per cent was the clear message that it was a simple tax and it was applied to everything. The desire now to increase it to 5 per cent will lead to an enormous debate." That is very true and we are of course at the threshold of that. "An enormous debate where there will be many demands for the variable rates to be applied. Without doubt, this will create even more work for all concerned." Finally: "Our view is that G.S.T. is acceptable at 3 per cent and should be applied to all things, as now it is relatively simple to run and we are used to it. The States should accept the income it provides and look to making greater savings of their own before making us pay for their inefficiency and high spending." Well, those are some of the comments I have had from the retail sector. No doubt the Council of Ministers will have scores of happy retailers lining up to say that they want to pay G.S.T. at 5 per cent or even at 4 per cent from June next year. Why 6 months' delay, I will be asked. Well, first of all, that makes half as much call on the savings than Deputy Southern's proposition and I am not going to try and argue, as the Deputy did, that this will be revenue-neutral. I think this is public money, we have not taken it yet, but it is money we are not taking from the public which I think is a justified use to stimulate the economy. I think, secondly, the 6-month delay gives us the concept of a clear year without a rise in G.S.T. I personally find there is something rather odd about putting it up on 1st June. Like a lot of people, I think in years, I think in calendar years. I am getting ready for the end of the year and starting soon I will be wishing people a happy New Year and so on. I would much rather 2011 saw G.S.T. frozen because I think that sends out a very good message to the community, whereas freezing it for another 6 months does not. It is, of course, giving the States the opportunity of having a clear full year to make significant savings and prove to the public when they go back at the end of the year - 1st January 2012 - that they have shaken out their pockets and

they really do need to increase it to 5 per cent or whatever. A comment which I make in my proposition which has not been picked up by the Council of Ministers in their comments - I wonder why - is that the 6-month delay (and, as I say, I have referred to this in my proposition) it does give a chance for the political timetable to work. We have the first general election in the autumn of next year. The next States and indeed the next Council of Ministers may include Members who have a mandate to raise tax or to lower it and that, I am afraid, is not the case at the moment. The Minister for Treasury and Resources - when he summed up what I thought was an extremely good opening to this budget, and well deserving of the foot stamping right across the house - said that we are now emerging from the deepest global recession since the 1930s, the recovery is fragile. We have been able to spend from our reserves to insulate Islanders from the downturn, and I cannot put it better than that. I think the recession is enormous. If you speak to retailers out there, particularly retailers that are feeling the effects of the internet, that is absolutely true and there are many, despite the buoyancy of St. Helier's retail core ... and one must not minimise that, our empty shop figure is at 10 per cent and 27 per cent is the average in the U.K. We are doing very well, our retailers are fantastic, but they need a break and what I am asking for, particularly on behalf of the retailers today, is that Members agree to see that G.S.T. freeze go through to the end of the year. Finally, I think Members should think seriously before they reject this amendment in the context of the debate we are currently starting. I think they should think about what kind of choices and decisions lie further down the track, because if this is not approved I do not think Deputy Southern's full year stands much chance of being approved either, and we will then be talking about 4 per cent, 5 per cent, we will be involved in exemptions and so on. This may well be Members' best chance to keep G.S.T. at a low rate and to keep it simple and to avoid that spiral. I think the message we send out this year, as I said at the beginning, is not one of damaging the economy, but certainly to retailers, to businesses and to the people of Jersey, particularly pensioners on fixed incomes and others for whom G.S.T. going up is a real problem, that we are not going to let G.S.T. begin its unstoppable rise towards a double figures sales tax, because I believe that is what will happen once we go away from 3 per cent. So I would argue that this amendment is a compromise between the full year that Deputy Southern is asking for and the rise to 5 per cent from June. I would argue that it is modest in its requirements for fiscal stimulus, if I can borrow that phrase, and I commend it to the States.

#### **The Bailiff:**

Is the amendment seconded? **[Seconded]**

#### **1.6.2 Deputy E.J. Noel:**

The Constable is correct, it is true that by the end of 2011 we will have spent some £158 million of our savings that were specifically put aside to see us through an economic downturn, and that money was put into the Stabilisation Fund. The Constable's view on the use of the Strategic Reserve is not in line with States agreed policy and ignores the sound advice from the F.P.P. in that they do not recommend us using the Strategic Reserve, or to borrow for consumption at this stage. In fact, one member of the F.P.P. suggested it was like a household raiding their pension fund to pay for day-to-day household expenditure instead of just readjusting one's spending patterns, i.e. living within our means. The F.P.P., when asked by Deputy Southern at last week's meeting, stated that the Strategic Reserve was not for the purposes he suggested, nor that of the Constable. The risk of us using the Strategic Reserve is that we will never return those monies drawn down and it will leave it permanently lower. Much of the monies in the Strategic Reserve are invested in the common investment fund that, unlike the suggestion by Deputy Southern, does not produce interest. The gains in that are capital gains. The F.P.P. have stated in their annual report which they released last week that the fiscal consolidation proposed in this budget is broadly appropriate given the panel's latest assessment of the economic outlook.

[17:15]

A return to economic growth alone will not bridge our structural gap. Indeed, we have already allowed for modest 1 per cent growth in 2011 and 2 per cent in 2012 and 2013. So we need a combination of savings, growth and modest tax increases to get us back to a balanced position. The Constable is not correct in his analysis concerning the high street retailers. Indeed, as import limits currently sit at £12, it will result in a more level playing field being in place for our local retailers. By that I mean that currently individuals can import goods to the value of £400 prior to paying G.S.T. Without increasing the £12 limit this will drop to £240, thus allowing local retailers to remain competitive against the internet. There is a very valid reason to give hoteliers further time to implement an increase in G.S.T. They have already published and committed their prices for 2011, hence when G.S.T. was originally introduced they are giving a further 6 months to bring in those increases. Like the Constable, I too have spoken to a local jeweller and he has told me that he has just had one of the best years he has ever had. Which one is right? Or is it a case of who is the better retailer? To delay G.S.T. for 6 months, or even 12 months as suggested Deputy Southern, is not sustainable. Nor is it consistent with States agreed policy for our fiscal framework. If one was sick and had to go to the hospital, when the consultant tells you that you need to lose some weight and not just tighten your belt and that you also need to take some medicine to get back to a good state of health so you can look forward to a brighter future, does one ignore such advice? Does one say: "Okay, but I do not want to diet or exercise just yet, and I do not like the taste of the medicine so I will just take a chance and delay and hope that I will not affect my long-term health." No, I listen to the sound advice and take the appropriate action. [Laughter] The Connétable and Deputy Southern may like to gamble with our Island's fiscal health, but I do not.

### **1.6.3 Deputy P.V.F. Le Claire:**

The Assistant Minister for Health has just spoken about if you get sick you can go to the doctor. I hope he was not referring to me by the remark about needing to lose weight, although I know certainly that I do need to. But I also think he needs to look long and hard at his own department which has recently benefited some millions of pounds from the Social Security Department. I am minded to speak to Members in a very plain way, because most people will see this as a very plain issue. Ordinary people in Jersey give the States money but they are taxed. The States have in one pocket their hand and in that pocket they have £500 million which is being managed by financial advisers - more than £500 million - and it is in there for a rainy day. Now, most people in Jersey have all seen the floods over the last week and do not know when the States are going to recognise what a rainy day is. But certainly if we see a recession that has not been equalled since 1930, I would imagine that is probably about as wet as it needs to get for the States to take their hand out of their pockets which has the £500 million or more in that the ordinary people gave them before the ordinary people are required to put more money in the States other pocket. The States are standing there with their hand open and saying: "I am sorry, we have not spent the money wisely this year, or last year, or the year before, or the year before that, or the year before that and now we need to introduce new taxes, reduce exemptions, thresholds and by the way, we need to introduce a tax called G.S.T. which for moral reasons we will keep pegged for 3 years." Then after that we are going to come back and we are going to say: "We need hundreds of millions of pounds in the public sector to figure out what it is we need to do to fix it so, therefore, you have to give us more money." Put more money in this hand while all the time keeping our other hand - very unparliamentarily demonstrating there - in their pocket with the £500 million in, which is the public's money. I think the Constable of St. Helier and Deputy Southern are bringing forward a moral, reasoned argument that the States should support. To peg it at 3 per cent for 6 months while there is an election and a mandate for Members from the public as to whether or not this fiscal policy is one they wish is the right thing to do. It is the morally right thing to do. To continue to stand up and espouse the virtues of highly paid outside consultants who are telling us what to do with our economy, while people in Jersey are really, really hurting on the streets - including the businesses - and looking at the States with hundreds of millions of pounds in their pockets is absolutely disgraceful. So I will be supporting the Constable.

#### 1.6.4 Deputy J.A. Martin:

It is a pleasure to follow Deputy Le Claire and from the outset I will say I am supporting the Constable. I would just go back to the opening comments of the Minister for Treasury and Resources. The Constable seems to agree with him that we are coming... or we are in the worst recession since 1935. Well, I spoke to my mum and dad yesterday who were in their very young teens in 1935 and that will give you some idea of what age they were. I do not think anybody here knows what a true recession is. I mean when you are absolutely starving, children are dying with rickets and everything like that. So let us just get this in a little bit of perspective, please. Also the Minister for Treasury and Resources, for Deputy Le Hérissier's sake, did say and I add into it, he said: "Interest rates will be going up and this will be good for the banks." Good for the banks, not for the people, it will be good for the banks. It is always good if you have money in the bank, it is not good if you have a mortgage or you have a loan, so let us get that in perspective, or if you are a business that has a high overdraft, or a small retailer. The Minister for Treasury and Resources always makes that face but he knows when he knows I am right and he is wrong **[Laughter]** so I just agree that I have hit the nerve. I will not give way. He will speaking many times, many times. I really, really want to emphasise, and I will emphasise this at the end of what I have to say ... and I know we have 5 minutes and I will not speak for too long. The Constable said: "Think of where we are." We are asking for a freeze for 6 months from what the Minister for Treasury and Resources and all the Ministers and whoever they have cajoled into saying keep it at 3 per cent, give some stability. But also he is totally right about having a mandate. How many times people have stood on a platform and they were going to exempt food, but that brings me on to the people who today will not support this freeze, but because the Minister for Treasury and Resources somewhere down the line has said: "You can have exemptions if you have 6 per cent", well that is going to help the other people, the other retailers who are not food, is it not? You would see shops going out of business quicker than the town with the cobwebs rolling down the street. I have to also pick up with what Senator Ozouf said in his opening speech about now, do not forget, we are only here because this was not forecast when we said we were going to go to Zero/Ten. But in the 2007 debate when the then Minister for Treasury and Resources introduced the actual law - we debated it in 2004, it is not on Hansard - he said: "This journey commenced back in 2004 with the adoption of the States of P.106 to agree to move to a Zero/Ten tax regime and P.44/2005 to agree the overall fiscal strategy for dealing with the move to Zero/Ten." Those Members who were there in the House at the time may recall that some people suggested I was being premature in raising this issue so early. So be under no illusion, it was at zero then. A guy called Fod something, or something Fod **[Laughter]** and you know who he was, he was the F.P.P. then and everything they said we did. The only thing they did say - and Fod said it once - do not go down, do not get into the race to the bottom because nobody will win, and we are here. I could go over transcripts and the amounts of questions in this House to this Chief Minister, this Minister for Treasury and Resources, the old Chief Minister, the old Minister for Treasury and Resources: "What is the black hole?" "Well, it could be £50 million, it could be £100 million, we do not know." So which is which? Do we know what is what? But, no, we have decided, and how many times have we said introduce ... and I was always against it, but we have it now and we have it simple and most people who have contacted me, like this Constable, who are small retailers, not the happy jeweller ... I mean, hopefully probably the Prince of Wales came over and bought his wedding ring or something there. There are not many happy jewellers in King Street. Not like there was 20 years ago, it was full of jewellers. Deputy Noel said speaking to different people; of course they are speaking to different people. The Constable, myself and Deputy Noel have different political philosophy. This is where also I came back to a question I asked the other day, who is advising us? Do they not have a political philosophy? Of course they do, if you have 3 other economists and you ask them the same question, like possibly ... I do not know why Oxera were sacked, maybe they were coming up with the wrong answers. I do not know, I leave that for them. But that was Senator Le Sueur when he introduced it, and the best one was Deputy Fox when he was talking about why he was going to

support G.S.T. but he could not support exemptions because he said every time the Treasury needs to raise G.S.T. morally they will raise it by 3 per cent and bring in £45,000. That is why I cannot, and that is why everyone else could not support food exemptions. You will get Senator Routier ... I do not know which way he is going to go today, I think he has supported food exemptions.

**Deputy M.R. Higgins:**

He said he would but he did not.

**Deputy J.A. Martin:**

He said he would but he did not. Well, there we are. **[Laughter]** But in the last debate on Senator Le Gresley's, he said we were shoving the exemptions up the pole. Well, I am sorry ... ladder, well, I can have a pole, he can have a ladder. I am very sorry, Sir. **[Laughter]** It is going up the pole but coming down the greasy pole if you are at the bottom. I am telling you now, 6 per cent - this is their get out - do not be fooled, please do not be fooled. This debate they want to introduce ... and they are fine, in June they have another 3 years, and it is political as well but it is political philosophy. Do you think that we should be putting up G.S.T. in June of next year? No, I do not think so and because it might make it right that we have food exemptions that they will get away with it. The other comments, the comments here about ... again from F.P.P., says they do not really like it because it will be another £28 million on top of the £158 million that would have already been drawn from the Stabilisation Fund. That money has not all been spent. That money has not all been spent. It may have been earmarked but there are projects that are not going to happen and this idea that if we borrow £15 million from the Stabilisation Fund it will never be put back, well, I am telling you now I would sack the lot of you who are investing the money. Does it never grow? When we have good years does it not grow? It is absolutely absurd to say that we are not going to put this money back. Absolutely absurd. You have 2 chances today and I am going to go with the Constable because obviously if the Constable's do not get through we are going to have lots to debate. People who never, ever supported ... and even the Minister for Treasury and Resources... yes, he was persuaded to bring exemptions on food. I have had retailers ... and they are small retailers, we have had the big ones say: "We do not mind, you can put it up and we can deal with it." Of course they can on their computers. You are talking about the corner shops, you are talking about the small retailers.

[17:30]

Shoes will not be exempt, children's shoes, anything like that, what people need. TVs - not all the time - but bedding, everything else that you have to go out and buy will be at what the Minister for Treasury and Resources wants it, or it will be 5 or 6 per cent with exemptions. It is not a good way to do business, it is not a good way to force your ideas through in the last 2 to 3 months of a government, and that is when this tax will be introduced, June 2011. The Constable is being reasonable. Please do not believe everything you read because I am telling you now, we are not thankfully in the worst recession since 1935, we are in a very good position and the Minister said that we are in a better position than a lot of people. Yes, as he did say, we have to balance budgets. All we are asking, I am going back to their mantra, keep it simple, keep it for another 6 months and if you do not support the Constable today or tomorrow - it will be tomorrow now because I am sure I am not the last one to speak - you really have lost a very, very big chance. If we cannot get the Constable's through - 6 months, £15 million - which probably is lying around now ... we have already won Deputy Vallois' to say do not put so much in the 'we're up and dip into it' fund, which is £12 million over 2 years, nearly there. We are nearly there. So I am sorry, it is political, I listen and I do go to the Minister for Treasury and Resources, I go to all the meetings of the F.P.P. and they seem very reasonable people. So did Oxera and so did everyone else, but they do not elect me and nobody elected them. Nobody elected them to tell me how to vote. **[Approbation]** Sorry, I have to support the Constable of St. Helier and I plead with everyone who never supported food exemptions before, do not think you are moral and you are going to help any retailer out there? If

you do not support the Constable you are not going to go on to support Deputy Southern, but you can live with yourselves because you are going to exempt food. It is a mockery of your own politics.

**Deputy J.B. Fox of St. Helier:**

Can I just have a point of clarification? I said £45 million, not £45,000, slight difference.

**ADJOURNMENT**

**The Bailiff:**

The adjournment is proposed. Just before that, can I raise 2 matters with Members? First of all, the Deputy of St. John has lodged P.181 - Esplanade Quarter: deferment of works - and I understand you wish to withdraw the previous proposition to the same effect?

**The Deputy of St. John:**

Yes, correct.

**The Bailiff:**

Secondly, I owe the Constable of St. Helier an apology. He was re-elected recently and I omitted to congratulate him at the beginning of the sitting. **[Approbation]** So Members clearly congratulate the Constable. Very well, the Assembly adjourns then until 9.30 a.m. tomorrow morning.