

STATES OF JERSEY

OFFICIAL REPORT

WEDNESDAY, 7th NOVEMBER 2012

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[9:30]

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

PUBLIC BUSINESS – resumption

1. Medium-Term Financial Plan 2013 - 2015 (P.69/2012): fifth amendment (P.69/2012 Amd.(5)) - resumption

The Bailiff:

Very well. So we return to the debate on the amendment.

Connétable J.M. Refault of St. Peter:

Sir, if I may, I have just had a message from Deputy Pryke, the Deputy of Trinity, to say she has an outpatient appointment at the General Hospital. Could I ask for her to be excusé?

The Bailiff:

Right, the Deputy is marked défaut.

The Connétable of St. Peter?

I wonder if that could be raised and changed to excusé?

The Bailiff:

Does the Assembly agree to excuse the Deputy of Trinity? Then she is excused. Sorry, just before we reconvene, I am able to inform Members that Dr. Jonathan Renouf is in the public gallery. He is one of the members of the Electoral Commission who have been working so hard to prepare their report. **[Approbation]** One other matter before we reconvene, I received an inquiry from Senator Breckon yesterday as to the position of Members whose spouse or cohabitee is a States employee in relation to the amendment. In my view, as has been held previously, such a person does have an interest but it is not a direct financial interest. The only matter before the Assembly is what should be in the accounts. It does not directly impact or affect the wages of an employee. That will be a matter for negotiation by the States Employment Board in the ordinary course. It is not a direct financial interest so nobody has to withdraw but, in my opinion, it is an interest sufficient that it must be declared. So anyone who has a spouse or cohabitee who is an employee of the States should declare that interest but he or she does not have to withdraw.

Senator A. Breckon:

Sir, can I do that now? I do not wish to speak in this debate but I would like to declare that interest.

The Bailiff:

Very well, so Senator Breckon has declared an interest.

Deputy J.H. Young of St. Brelade:

Sir, may I declare that my wife is employed through the States as well?

The Bailiff:

Yes, Deputy Young. Does any other Member wish to speak?

Deputy R.G. Bryans of St. Helier:

Could I also declare that my wife is an employee of the States as well? Thank you.

The Bailiff:

Yes, Deputy Bryans. Anyone else?

Deputy R.C. Duhamel of St. Saviour:

Likewise, Sir.

The Bailiff:

Deputy Duhamel.

Deputy P.J.D. Ryan of St. John:

Sir, I also have family members that work for the public sector.

The Bailiff:

Well, the Standing Order applies to spouses and cohabitants. Very well, no one else. We return to the debate on the amendment. The amendment has been proposed and seconded. Does any Member wish to speak?

1.1 Senator I.J. Gorst:

Yes, for a change, I do not feel that I needed to make that declaration because my wife, as of a couple of months ago, is no longer an employee of the States. Needless to say, that makes my time, or will do in future, slightly easier on the States Employment Board business because it means I do not need to bob in and out of that meeting whenever that particular sector of States pay is discussed. Of course, the 2012 settlement has not yet been reached with many sectors, particularly the one that she was employed in. I am not quite sure where to begin this morning. I have thought long and hard about some of the things that the mover of this proposition spoke about yesterday and I will try to perhaps address some of them. If I start with his opening comments, which I do not believe were directly related to his amendment but were a general comment upon independent non-party consensus government. Perhaps Members are becoming tired of hearing me say this ...

Deputy G.P. Southern of St. Helier:

If I may, I have no recollection of talking about independent government in my speech. Hansard might prove me wrong but I have no recollection of that whatsoever. It is not where I started at all. I think he is making it up.

Senator I.J. Gorst:

It is kind of the Deputy to suggest say, Sir ...

The Bailiff:

Deputy, you are not supposed to ...

Deputy G.P. Southern:

Sorry, I will withdraw that, Sir. I was a bit over the top but I was not saying it.

The Bailiff:

Yes, you are allowed to say that.

Senator I.J. Gorst:

Of course, he did not use those terms. He talked in light of opposition to the M.T.F.P. (Medium-Term Financial Plan) and opposition to the policies that the Council of Ministers are proposing and as I was about to say before I gave way **[Laughter]** I am sure Members are tired of hearing me say I am proud of the way that this Council of Ministers builds consensus and works with Members to try to deliver in the interests of all sectors of our community and in the interests of all Members. I do not believe that that is something that we should bemoan. I believe that it is independent consensual non-party politics and government working at its best, so I disagree with the Deputy in

regard to that and I hope that long may it continue because I believe that that is what our community want. They want us to be working together to deliver the services that they need and desire in the best interests of all members of our community and not necessarily to be personalising and objecting to things but rather to be working together to find optimal solutions. As Chairman of the States Employment Board, I am the first to admit that the current pay round and the negotiations have been difficult and I have said that likewise on a number of occasions. The States Employment Board worked to the mandate that this Assembly gave them and we make no apology for that. We have had protracted negotiations with our staff and we believe that the offer on the table is a fair offer and we hope that in due course, our employees and their representatives will accept that. We have moved from the strict mandate that this Assembly gave us and we have worked with Treasury and Resources to find extra money to ensure that money is available, albeit as the Deputy acknowledges, non-consolidated in 2012, consolidated and non-consolidated in 2013 and 4 per cent in the year after that. We have moved some considerable distance. We have listened to the concerns of our employees and we believe that the final offer that we have made is a fair one, acknowledging that it has been difficult to get here. But perhaps we need to revisit a little history. The States needed to close its deficit and this Assembly, together with the previous Council of Ministers, agreed that one of the ways that it was going to do that was to cut expenditure by £65 million. Would it have been right - and I believe that this Assembly decided that it was not - to simply to reduce the cost of services and thereby perhaps see services cut? Would it have been right to restrain pay in its entirety to make even greater savings in that regard? No, this Assembly decided that the appropriate way was to balance out those elements so that right across, departments were asked to make savings and that ultimately meant that the States Employment Board also was asked to restrain pay to go and play its part in making those savings. I do not believe that that situation has changed. I do not believe that the desire of this Assembly in that regard has changed either. Be in no doubt that I, as Chairman of the States Employment Board, and the States Employment Board, do value our workforce. What we are working to is a sustainable future for the public sector. We had to balance pay restraint with possible reductions in numbers and so we decided that it was better to try and restrain pay and create this sustainable future than look to redundancies.

[9:45]

That is the hard fact of the decisions and the deliberations that we had to go through and that we had to consider. Before us is a Medium-Term Financial Plan which also plays its part in that balance. The Assembly is being asked to invest in health, invest in housing, invest in service delivery, all areas which are as important and are important to the wellbeing of our staff in the delivery of services to know that they are able to deliver the best services that they can across the service that we provide. Members will also know that one of the Strategic Plan aims is reform and modernisation of government and the public sector. Why is that important as one of our strategic aims? Because it comes back down to that word “sustainability” and providing the best possible service that we can. In that reform work, we are looking at a change of culture. We are looking at how we can deliver services differently and we are looking at modernisation of terms and conditions and the workforce. So I believe, the States Employment Board, and the Council of Ministers believe that that is the appropriate course of action, being balanced, being fair, restraining pay but at the same time working towards new service delivery, working towards a different culture in our workforce and working towards reforming terms and conditions, some of which have been in place for many, many years and can hardly be seen to be appropriate for the modern times and certainly, if are kept in place, will mean that our public sector workforce is not sustainable in the medium and long term. This Medium-Term Financial Plan is about setting appropriate budgets which can be sustained over the medium and long term and that is the desire also of the States Employment Board. We have hundreds and hundreds of members of staff who day-in day-out are

serving this community hour after hour and I want to congratulate them and I want to praise them. They are nurses in the hospital, they are teachers in schools, they are policemen on the beat and yes, they are civil servants sat behind desks. They are serving this community to the very best of their ability and we should be proud of them and I am. **[Approbation]** I make no apology for making those statements. They, I believe, recognise the difficulty of the economic circumstances within which this Assembly has to make decisions about spending and to simply reiterate, we had to balance that difficult budget that this Assembly rightly gave us to work within. We had to balance sustainability of the workforce and small, restrained pay increases against the potential for redundancy. I cannot support the Deputy's amendment because, in my view, it does not recognise any of that balance, any of the difficulty that we find ourselves in as a community, with balancing our books and any of the need to share that difficulty right across our services. It would spend an extra £10 million in 2013, an extra £8.7 million in 2014 and an extra £8.7 million in 2015. I do not believe that that is the right approach. I believe that we should stick to the mandate that has previously been agreed by this Assembly and has been negotiated with staff and balance the need to stimulate our economy with ensuring we have a sustainable public sector into the future and I believe that that is the approach that the States Employment Board are adopting and I believe it is the right one. It is the one that the Council of Ministers supports and I hope that today it will be the one that this Assembly supports and that we will not undo all that good work and that we will not support the Deputy's amendment today.

1.1.1 Deputy G.C.L. Baudains of St. Clement:

I have to say listening to Deputy Southern yesterday evening, I did agree with much of what he said. I think that most of it was true. However, as custodians of the public purse, I believe it would be wrong for this Assembly to show its hand in wage issues. Deciding an appropriate remuneration for civil servants is a job for the States Employment Board, not a job for this Assembly. If that does subsequently mean that we have an unbalanced budget then, as far as I am concerned, so be it. But in so saying, I would like to make it clear to our Civil Service, much as the Chief Minister has just done, that while, in fact, I will not be supporting Deputy Southern's amendment, that does not mean to say that I am opposed to an appropriate salary settlement in due course. It will ultimately be resolved but not by making offers in this Assembly.

1.1.2 Deputy A.K.F. Green of St. Helier:

I am pleased to follow Deputy Baudains because, in my view, this is the role of the States Employment Board, to negotiate the terms and conditions of the staff, and I have to say that the staff have been incredibly professional if not delighted at the offers that have been made. They have been incredibly professional in coming to the table, talking to our officers and going back with ideas and, in fact, one group is balloting at the moment. If there is £28 million slushing around, and I do not think there is because we have to have a balanced budget, but if there is £28 million over the next 3 years slushing around, I would rather see it going to creating more jobs for the unemployed rather than just putting it in the general pot to be spent. I would also like to just add thanks to a group of staff that I know the Chief Minister did not mean to miss out but often get missed. We mentioned the police and the nurses and the civil servants but those at the coalface - the cleaners, the chefs, the porters, all those who work very hard **[Approbation]** and often get forgotten - they are the people that have that interface with the patients, with the public every day. They do a good job. We need to resource them adequately and that is why we must have a balanced budget so that we can give them the materials as well as the staff to deliver the services that they know they can deliver well. Wage negotiations should be done by the S.E.B. (States Employment Board). I criticised the last S.E.B. and the last Chief Minister in particular, for trying to do it in public, trying to do it through the *Jersey Evening Post*, the staff reading in the paper

about pay increases. We are doing this one properly. We are doing it professionally. The staff are working with us and that is the reason why we should not support this amendment.

1.1.3 Deputy J.G. Reed of St. Ouen:

I think Deputy Southern is absolutely right in bringing this particular matter to the attention of the States because it is one of the big issues that we are required to address. Sadly, it is an issue that I have heard mentioned over the last 10 years that I have been in the States and yet we still do not seem to be able to resolve it. We hear about 24 pay groups and, in fact, yesterday I think we heard about the inability of an I.T. (Information Technology) system to be able to manage it and yet we have still got 24 pay groups. We have got a proposal that the States signed up to save £14 million over a 3-year period. The reality is we are some way off being able to deliver that saving. In fact, the latest pay offer suggests that it could be as much as half if we take into account the sums of money that are being added in regarding the unconsolidated contributions that will be made. But that is not the end of the story because we have also been spending millions in voluntary redundancy payments. On the same hand, in the Medium-Term Financial Plan, we see significant increases in staff numbers, not just front line staff, but in administration, management and so on. So the question is how are we going to handle and manage the pay bill that makes up a significant part of our overall expenditure? It is a challenge that we need to face and encourage the States Employment Board and, indeed, the Council of Ministers to deal with in fairness to the staff as much as the public. We have got to have some certainty about the way that we are providing for our staff. We also see in the Medium-Term Financial Plan and, in fact, in the previous 2012 Business Plan, quite significant sums of money, millions, that are being used to deal with certain terms and conditions, whether it is nurses, whether it is teachers and even police officers or prison officers I think is another area. So although on the one hand we keep suggesting we are saving £14 million, the reality is that we are not. The reality is that for various reasons, we are having to pay more for our staff. We are having to increase the numbers of our staff which, in effect, will increase the overall pay bill. So let us not be blinkered into believing that magical figures and numbers can provide a saving when they cannot. In fact, Deputy Southern has also pointed that out because although we are focused on the £14 million saving over the period of 2011 to 2013, what is ignored is what happens next. What happens next, whether it is Deputy Southern's amendment or, indeed, the pay offer is 4 per cent increase on an increased number of staff, the reality is our pay bill will increase. Our staff numbers are increasing. Now, we need to really either agree that we need all of these staff and there is good reason to put forward a case that we do and accept that we need to pay them the appropriate salary or we ignore the fact and try and pretend that we can somehow save money when, in fact, it is increasing significantly. I cannot support and will not support Deputy Southern's amendment but I do congratulate him for bringing this matter to the Assembly because it is an important issue and it must be dealt with.

1.1.4 Deputy M.R. Higgins:

Over the last few months, I have been watching the U.S. (United States) elections culminating in a marathon last night watching the results coming in. The one thing that the election has brought home to me is how polarised American society is. It is split down the middle. They are split down the middle between, well, we could say 2 political groupings in the main. We have got the Republicans and the Democrats: the Republicans who believe in small government, low taxes, especially for the rich, who believe in rolling back welfare programmes and Medicare and Medicaid, who believe in deregulation; and then you have got the others who believe there should be elements of a welfare state to look after those at the bottom and who also believe that big business does need to be regulated and that free markets do not really exist because look at the banks. When they go wrong, they expect a bailout from the State. So if they want to take the risks, let them go down. The point is that American society is divided and I believe our society is

divided, the same as I believe this House is divided in terms of political views. I can look around the benches here and I can identify the views of the different people in terms of a particular stance: "I want small government, I want low taxes, I do not want to spend money on this, and I do not want to spend money on that" and the same can be said of regulation and deregulation. So the same divisions American society has got we have got here and out in the community as well, we are equally divided. We are divided between those who have got a job and those who have not got a job, between those who have had a pay rise and those who have not got one and there is a degree of envy here. Someone gets a pay rise, we all feel they should not get it because we feel that: "I am not getting one" and therefore that type of attitude pervades. I get so despairing with politics in this Island and in the United States and elsewhere because I believe that the problems in the world today are largely the fault of the politicians.

[10:00]

If you look at what is happening in Europe at the present time, it is because Angela Merkel has got an election next year and German public opinion is: "Do not bail out the Greeks, do not do this and do not do that." If you look in the United States, again President Obama has been elected but in January, we are going to see a major crisis which can affect every one of us, the so-called "fiscal cliff" and that is where the U.S. Government has either got to cut spending or raise taxes or come to a compromise and it is going to be a big battle between Democrats and Republicans again. I read the other day, for example, they are already stopping the U.S. military from travelling unless it is absolutely necessary to keep costs down. The point is that the U.S. is going to have problems and it could affect us as well. We tend to think ... I was listening to the radio - I am expanding a little bit more - to the public saying: "Oh, the American election does not make any difference to us." It makes a considerable difference to us. What is going on in Europe affects us because we have an open economy and we are relying on markets outside. However, we are doing damage to our economy in the Island at the present time through our cutbacks. Now, I am going to have a little rant at the moment at the Chamber of Commerce. I have been listening to their representative speaking over the last year or so. First of all, it was: "We have got to slash Government spending. The Government is spending too much money." When the recession takes hold, we need to have more money going into the economy. We have got to get the shops working again. Now, what I am trying to say is we are holding back public sector workers in terms of their salaries. They are facing a reduction in their incomes in real terms, they are falling behind. At the same time, we rely on those public sector workers. We have a shortage of nurses at the moment and yet we talk about having the best healthcare, we are going to put an awful lot of money into health. Unless you pay them, you are not going to get them. We want the best education we can have. We talked about language assistants and so on because we know that our future depends on our children and their qualifications and their skills because that is what we rely on in this Island, the skills and knowledge of the people that we have and yet we are not prepared to pay for teachers. It is not a question of just the professional ones in the public service but it is also we rely on the sewage workers. We would all be up in arms if sewage was going down the streets. So the point I am trying to make is that we are holding back the public sector for I think the wrong reasons. Basically, we cut back spending in the public sector, which means there is going to be less spending in the shops, and therefore the shops are going to start making people redundant. The private sector is cutting back on wages. Now, many of them can afford it, some cannot, I accept that, and only those firms that can afford it ... you have to reward your workers. If you do not treat people with respect and pay them for the work that they are doing and take into account their living standards, then you are going to have discontent. I do not believe in funding the public sector because they are balloting for strike action but that will be the consequence of what we do. I am aware of the fact that unions are balloting their people and people are upset and when you push people to the brink, you will get a response that you do not like and it will end up causing us no end of hassle. I

wish I had amended the proposition in the sense that I do not believe that everybody in the public sector should get a rise. I certainly do not believe the chief officers should, those earning over £100,000, and we know from States reports how many they are but there are an awful lot of people lower down in the scale who do deserve a reward for their efforts and those people, if you want to inject money into the economy, the lowest paid of our public sector would be going out and spending it in the community because they need it to survive. So what I am going to say here is that I am quite concerned about the policies we are adopting in this Island about cut, cut, cut, for the sake of cutting. There are many areas where we need to be spending additional money and I also believe too that if I look at my own economic beliefs, I am a Keynesian as Senator Ferguson knows very well and Keynesians believe that in a recession, you inject money into the economy, you try to stimulate the economy, you try to alleviate the worst of the recession but when the good times come, you claw it back again. So in other words, you are taking out the surpluses later and you are trying to have a more even flow throughout the economy. So I probably will be ... it is a forlorn effort. I know anybody who votes for this knows they are on it for a loser but I am going to vote for it because I want to show my respect for the public sector and what they are trying to do.

1.1.5 Senator S.C. Ferguson:

Yes, as Deputy Higgins will know, I must just take exception to his analysis of the sort of general U.S. political scene/economic scene. I would just suggest to Members they consider a real life case study which is much closer to home. If you look at the case of Ireland versus Iceland, now Ireland is not quite a basket case but it is having a very tough time. They bailed out the banks. They were unable to let the currency devalue because they are in the Euro. They have got incredible debts with the Europeans and they are struggling. Iceland is recovering very nicely. They let the banks go, they let the currency sink, their tourism is picking up obviously and really the economy is starting to recover quite nicely so I just ask people to keep that in mind. I would also take people back a step. The Fiscal Policy Panel hinted at this. We may well have a structural imbalance between income and expenditure and what this boils down to is do we increase tax to pay for government or do we restrain government to let people do what they want with their money instead of spending it for them? In other words, do we pull back the “Nanny State” and frankly that is the choice facing us. This is a very laudable amendment, looking after the workers and so on, but is that really the best way of looking after the workers? Surely the best way of looking after the workers is to make sure that we do have a modicum of services - we must have services - but we are not taking all their spare money to spend on their behalf. I ask Members to think about that.

1.1.6 Deputy J.M. Le Bailly of St. Mary:

Deputy Southern mentioned “cloud cuckoo land”. I am sure the Deputy is an authority on the subject. **[Laughter]** The Deputy fails to accept that the recession has had a profound effect on most people’s lifestyle. We have to make realistic savings. That includes minimising any public sector pay rise and, as States Members, I encourage all of us to lead by example by not accepting the recommended pay increase offered to us, at least until the public sector is settled. **[Approbation]** Change of working practices in the public sector who are becoming more efficient will make savings which will then enable salaries to increase. Gone are the days of automatic pay rises. They have to be earned, as in the private sector. The more you put in, the more you get out. That is how the private sector survives. The Deputy mentioned the divide between public sector and private sector pay. If it is so rosy in the private sector, fine, apply for private sector jobs. Lose the most valuable attribute of the public sector, job security. Job security is the most important aspect of any employment. It appears to the Deputy that this is not appreciated which is surprising, having spent a large part of his life under the States umbrella with a guaranteed salary. The States need to operate as an efficient business. The sooner that happens, the sooner the reward. We are trying to achieve that. I shall not support this amendment.

1.1.7 Connétable D.W. Mezbourian of St. Lawrence:

I want to speak briefly only. Deputy Higgins said that Members know if they vote for this, they are on a loser but the Deputy of St. Ouen has said that Deputy Southern has done the right thing in bringing this amendment because it allows us all to think again about what we want for the public sector. I do not believe that we are on a loser because we decide within this Assembly how we want our public sector workers to be treated. That not only refers to the pay that they take home at the end of the month but it refers to the terms and conditions of their employment and the current States Employment Board is working closely to improve those terms and conditions for many States employees. There are a lot of them that are outdated, outmoded and unfair and fairness and equity must be our priority for all States employees, be they manual workers, be they civil servants, be they chief officers. That is what behind the scenes we are working towards and I believe that we are near to achieving our aims, albeit it is not an overnight matter. It is taking time. Someone mentioned earlier that the terms and conditions, I think it may have been the Deputy of St. Mary, when they have been overhauled, reviewed and implemented with the agreement of States employees, they will lead to better working conditions and surely that is what we want ultimately. We want good performance by our employees and we want the best conditions that we can have for them. That to me is common sense. So to come back to what Deputy Higgins said, we know we are on a loser if we vote for this. It is our decision what we want for our employees and it is up to each and every one of us today to decide whether we want to change the mandate that has previously been given to the States Employment Board. If that is the case, we vote with Deputy Southern. If Members believe that the mandate that the States Employment Board has at the moment is the correct one for the future for the benefit of all our States employees, then we will vote against it. There should be no losers with this amendment because we are doing our best for States employees. They cannot lose. They are not going to lose because when the terms and conditions have been reviewed and new ones implemented, there will be far more equity among all States employees. I think the Assembly will gather I am not going to support the Deputy's amendment. However, it is right that it has been brought to the House because it allows us all to decide what we want for the public sector.

1.1.8 Deputy J.M. Maçon of St. Saviour:

I am conscious that often it is said, though I do not always agree with it, that sometimes Members of this Assembly are out of touch with what is going on in the real world and I listened very carefully to the comments of the Deputy of St. Mary, and while I do not want to turn this into a public sector versus private sector debate, the impression which came across seems to suggest that everything in the private sector is meritocratic. Now I worked long enough within the private sector to know that pay awards and pay rises and promotions were not done always on a meritocratic basis and many "pet people" are rewarded and are advanced within that sector and I just want to put that on record for people to know that that is known in this Assembly. It depends on the employer; it depends on the organisation, but please do not think that if something is in the private sector, it is all done on a wonderfully meritocratic basis. That is simply not the case. I just want to pick up the point on this particular amendment. It is looking at what has already been said about the stimulus and how that works. I did try a couple of years ago and I was resoundingly defeated.

[10:15]

I did try to bring an amendment that those under the minimum wage should be able to negotiate for a pay increase because it does make economic sense that those on lower pay do provide more of an economic incentive for stimulus with giving them more disposable income and that is referenced if you want to go back a couple of years to the Fiscal Policy Panel's report, which is evidenced there is the case which they do make. But there is one overarching point which I do want to make and I

know finally under this Chief Minister - and it is to the credit of this Chief Minister and the States Employment Board - there is a view which I have long held, I know there are another couple of people that do hold this view that we will not resolve the issue of pay on a full-time post within the States until we have a proper functioning Human Resources Department, and I have long held that view. I do remember a couple of years ago during a certain by-election in the Senatorial election, I asked the candidates what they thought a human resources policy was. Certain candidates did point out that it was a stupid question and that it was completely erroneous but when we are spending over half the States budget on employment and on policies governing employment, in my opinion, it is pertinent to know what States Members' attitudes towards different human resources policies are. But as I say, we will not get to the crux of that until we have a properly functioning Human Resources Department and I am glad to say that while that is being worked on, I do want just to say that perhaps the emphasis on that does need to be improved. I turn to this particular amendment. I agree with Deputy Higgins that the way that it is formulated, given that it potentially could apply to everyone, is not necessarily the best way forward economically speaking and while I will wait for the closing comments of Deputy Southern, I just wanted to spell out that those points that I have made out need to be put on the record.

1.1.9 Deputy R.G. Le Hérisier of St. Saviour:

Again, I have had my feet taken out from under me by Deputy Maçon; I was going to make a similar point to him. But if I may briefly refer to Deputy Higgins' speech, which I thought was excellent, I thought it was good. It was placed in context and he brought us into the real world even if he drew the wrong conclusion. **[Laughter]** The wrong conclusion: he said: "I am a Keynesian and therefore I agree with more public spending" but the issue at the moment is that, as I understand it, Keynesian survives when it is counter-reciprocal and what is happening with economies, particularly in Europe at the moment, is we are sucking demand out of them and we are not injecting money into them. Similarly, he suggested: "Give more money to the public service and they will create that demand." That is not Keynesianism. You inject money into infrastructure. The classic one, of course, in places like Ireland was building more roads and so forth and I am not sure it was ever the intention that by giving pay rises to the public sector, you provide the demand which **[Aside]** ... it certainly is injecting money into the economy but I am not sure that the population of Jersey would accept that that is the route that should be chosen. The reason that I hold that view is for the reasons that Deputy Maçon alluded to. I think there is a real feeling among the public, not to do with the bottom end of the public sector but to do with the top, that it is for various reasons not of the making of the people there. It is a dysfunctional public sector; we appoint an awful lot of senior managers at very high salaries and we appear not to have accountability, for example, in the public service. We appear in the system not to have political accountability and they are quite right and we know how long it has taken to resolve that issue, if we ever do indeed resolve it, but we have hope that it will be resolved. I think the public wants more assurance that we have wrestled with the basic issues. Yes, there are the headline issues like massive pay outs to the departing Chief Executive of the States but they also feel that there is quite bluntly a dysfunctionality, that we are not getting to terms with accountability in the service, that we appoint people allegedly on the business model which finds great favour in St. Mary but that it is not necessarily working. That is something I believe and that is why I cannot accept this frozen-in-aspic approach which I know why it has been put forward, that if we give everyone the same pay rise, we will instantly improve morale. I think there will be an improvement but I think the industrial psychologist will tell you it is a temporary improvement, it is not a permanent improvement. I would much prefer that we get a full review of terms and conditions and while Deputy Southern has raised some interesting and some legitimate views about the people commissioned to do that, I would also hope that that review of terms and conditions involves the staff themselves. It is not something that yet again is going to be laid on people by people who

come in their golden chariot from another jurisdiction and say: “This is the way forward.” We certainly need their expertise, we certainly need their input, but we do not need it to be a top-down imposed kind of solution. So I think Deputy Southern has got to consider the point that it is a struggle and British trade unions have struggled with it for years and have been, in some cases, brought screaming into the 20th, maybe the 21st century. It is a whole new way of working that has to be considered and that is a real psychological shock to traditional trade unions who are used to set piece confrontations, who are used to value being expressed only in percentage increases per year and so forth. I, like Deputy Maçon, want to see that revolution in human resources. We have had more Human Resource Directors than hot breakfasts in the States in recent years and it has destabilised the system, of that there is no doubt, and I sincerely and strongly hope that the present incumbent can see these things through with the political support because, as Deputy Maçon said, we have to take more interest, not in the term of micro-management of which we are so often and rightly accused but we have to take more interest to ensure that the right policies are in place and that we have a holistic view which is not based simply on old-fashioned set piece confrontational industrial relations.

1.1.10 Senator P.F.C. Ozouf:

Overnight, I am sure that a number of Members were following the United States election and President Obama this morning at about 6.10 a.m. said in one of his, I think, passionate speeches that he believed the best is yet to come for the United States. I think I heard somewhere else that yesterday but [Aside] and there have not been any common speechwriters I have to say, but we did say it first. The United States is a great nation and whatever the euphoria and optimism, there are, of course, enormous problems. This is a fiscal cliff that the re-elected President, Congress and the Senate are going to have to deal with. We have seen in politics that we all like to promise. We all are here to do the right thing for our community. We all want to say to people that as a result of what we are going to do, there is a better future. I noted yesterday that President Hollande of France effectively reneged on a presidential promise that he made. He increased V.A.T. (Value Added Tax) and cut corporate taxes and there are enormous problems in the French economy. In my opening remarks yesterday, I repeated the fact that I truly believe that this Assembly has a really positive and beneficial approach to dealing with public finances. We do not leave legacies for subsequent Assemblies to deal with. We tackle problems and I promised that I would not increase G.S.T. (Goods and Services Tax) when I was originally elected but the facts changed and we had to take corrective action and I regret it but I do not regret the fact that I did make the decision to do it. Now, Deputy Southern is saying to us he, like Deputy Higgins, is on certainly the Keynesian view of the world. He is suggesting to us that we need to do everything, we need to invest in our public services and we need to invest in public sector pay and by the way, as he has previously said, we should not be increasing consumption tax like President Hollande did yesterday interestingly and suddenly we are going to be able to balance our books. This Assembly has to be realistic, as it has always been, and this debate is clearly; there have been a number of very powerful, very thoughtful, very caring interventions about the reality that we find ourselves in. We have to put an M.T.F.P. which is sustainable and affordable and I say to Deputy Southern, he cannot have everything. A Member earlier - I do not know who it was, I think it was Deputy Higgins - spoke about nurses. I would remind Deputy Higgins that in this M.T.F.P. is a substantial investment in nurses' pay and conditions that has been previously agreed. This was an area where there was a problem and I am not on ... my Assistant Minister sits on S.E.B., there is an issue which has been tackled and we are resolving it in terms of pay and conditions of nurses and it is affordable. Deputy Southern cannot have everything. He cannot have investment in services and more public sector pay in the period of time that he is talking about. He spoke that as a result of his amendment not being passed that there would be extreme difficulties in terms of public relations with our public sector workers and he criticised me for saying that the Council of Ministers wanted

to build an environment in which there was respect and confidence in terms of our relations with the public sector. I hope that as a result of the decisions in this M.T.F.P., investment in services, preparing for the future of the economy, preparing to make sure that we can deliver economic growth in our digital areas of the economy, in our traditional industries and financial services, I hope there are going to be future years where we are going to be able to share the profits and the proceeds of economic growth with our public sector workers and the rest of our Island community but I am afraid in the next 2 years, we have some choices and we cannot have it all. H.R; I agree with Deputy Maçon. He was right 2 or 3 years ago when he stood for election when he said there were real issues about the way we reward, recognise, hold to account, public sector workers in various different ... there are thousands of workers in our public sector who work diligently, not for the money, but for the real sense of giving and serving and looking after people. But do we reward those public sector workers when they go that extra mile? No, we have outdated H.R. practices. My colleague, the Minister for Home Affairs, talks regularly about increments. Do we want a world in which simply people get more salary because there has been time served? There is a great deal of work that needs to be done in reforming which the Chief Minister and S.E.B. are absolutely doing in terms of reforming our public sector arrangements. We need to be motivating, yes, sometimes with additional remuneration. There is a whole series of terms and conditions that need to be sorted and I am confident that they are being done. The pay offer: I am not directly involved but I liaise regularly with my Assistant Minister, the pay offer that is being put forward does recognise that in that third year of a 4 per cent pay increase that there is going to be new and better terms and conditions, fairer, more appropriate, more recognising of good performance terms and conditions in the future. At the end of the day, we have to put an M.T.F.P. to this final vote that is affordable and I regret to say that there is a fundamental problem with this amendment, the biggest amendment in terms of its financial cost. This amendment is not sensible and not affordable and not sustainable in terms of its viability. If it were to be accepted, then inevitably we would have to rethink ... I do not know how we would do it procedurally, but we would have to rethink some of the growth that is going to be available in other areas and I do not say that as a threat because it is not but that is the reality of it.

[10:30]

I finally would say to Deputy Southern when he speaks about fiscal stimulus and benefit, if he is going to use the argument seriously in his summing up, I ask him to reconsider it. He was, I thought, clutching at straws, certainly with his comments in respect to the Treasurer which I am very sorry that he did not withdraw. I think that was an unfair comment in relation to bringing in a very senior civil servant who Members of this Assembly will know has worked tirelessly and fairly [**Approbation**] in relation to the way that she has served every single Member in terms of whatever their political persuasion in helping them craft their amendment. I do hope that he is not, in his summing up, going to really submit to this Assembly that a public sector pay increase is the best way to deliver a fiscal stimulus. I do not always agree with Deputy Le Hérisier, but he is absolutely right. If you want to do fiscal stimulus, you do it by building capacity and investing in infrastructure and doing exactly the kind of things that we do. I have to remind Deputy Southern that the F.P.P. (Fiscal Policy Panel), and I think I am right in recalling the fact that he asked whether or not the fiscal stimulus approach should be used for putting public sector pay, but I am quite sure, because I have asked them if he was not there whether or not a public sector pay injection would be the best way of fiscal stimulus. I am afraid Deputy Southern cannot use that argument. It would be lovely if we had money to put in it in terms of public sector increase. The fact is that this Assembly is faced with difficult choices, and at a time when we have high unemployment, when we are seeing pay freezes, pay reductions, lack of the payment of bonuses in the private sector, we cannot accept this amendment.

Deputy J.M. Maçon:

Sir, if I can just ask for a point of clarification on the Minister's speech. He used a very good tactic in that he said: "And I have asked the F.P.P. this ...", but he did not then reply what their response was. If he could just clarify that point?

Senator P.F.C. Ozouf:

I do apologise to the Deputy Maçon. Quite frankly, the advice was that if you want to do fiscal stimulus, then you do it by temporary, targeted and timely means. Targeted is certainly not if you want to get money into the economy, then probably you give it to the people on the lowest pay because then they spend it. If you want to do it in a timely way, you need to do it straight away and 2014 and 2015 is certainly not timely. Temporary means that it is one-off and this is not. So it does not fit the 3Ts criteria.

1.1.11 Deputy M. Tadier of St. Brelade:

We have been told that the best way for fiscal stimulus is not to give money to the workers who will go out into the economy and spend it because they need to but it will be to build an infrastructure by building homes which people can afford to buy and then when the developers have made their profit, they can leave the Island with their swag bags and they can leave the cliffs at Portelet and they can leave the gateway of our Island in St. Helier littered with unaffordable, grotesque, glass and concrete buildings which the ordinary workers will not be able to afford because they have not had their cost of living pay rise year on year and they are becoming impoverished. Meanwhile, we have to get people in to buy these buildings, who are not necessarily from the Island, and the vicious cycle continues and continues. The Chief Minister said that the workers recognise that we are in difficult times. I believe that is true but I believe that they also recognise that the reason we are in difficult times is not of their making. They recognise that this is twofold due to the greed of international bankers playing high-risk investment roulette with other people's money, often facilitated by offshore jurisdictions like Jersey, through which those investments are channelled. They also recognise and they believe in some cases that the reason that Jersey is potentially heading for bankruptcy is because of the moribund policies of Jersey money men in Government, which year on year continue to transfer the tax burden away from wealthy companies and individuals, which are the most able to pay, and on to the shoulders of those families, pensioners and workers who are the least able to pay. It may not be pleasant to hear, but this is political reality. This is social, economic fact for those living out there. We talk about people not living in the real world, but of course it is not correct to talk about the real world, there are just different worlds for different people. Until we have lived in somebody's shoes and in their world and faced their poverty, we should not be sitting here making pity statements, which I will address in a moment. So all this is done under the pretext of remaining competitive, but who is looking out for the ordinary man, woman and child to make sure that their standard of living remains competitive? The Chief Minister and I think it was the Minister for Treasury and Resources, they all talk about sustainability and the need for change, but one thing never changes and is never addressed and that is the Government's support for a high net worth industry but an increasingly precarious industry that appears to be retracting. Nonetheless, government policy seems obsessed with looking after the interests of those who do not live in Jersey but who use Jersey as a port of convenience for their zero tax rate and the so-called tax neutrality. But this zero rate does not only apply to financial units who rely on the rate of so-called tax neutrality, but also has the perverse effect of meaning that non-resident, non-finance companies now do not pay either. The Minister for Treasury and Resources has realised that he is powerless to change anything in getting tax from these companies and both unwilling to do it. It is impossible. It is like making gold from lead, unless we have a fundamental departure from our economic model, which this Government will not be willing to do because they do not have the vision and I believe, like the ostrich, they have their head in the sand. Ostriches, incidentally do not put their heads in the sand,

they just lay them very flat to the ground. It is a myth but it is one that has entered popular idiomatic culture. So what we do is we let those who could pay more and I believe would pay more, pay minimal tax while the vast majority suffers. Again, this is the political and social reality of our Island. Just go out there and talk to your constituents and they will tell you, by and large, not the ones that come to the Parish Hall for these Electoral Commission meetings, but the real people who do not come to the Electoral Commission meetings **[Laughter]** who stay at home, at Communicare, or wherever because they live in the urban areas and they are not going to go down a big hill on a cold and potentially wet night to go and sit about some strange highfaluting systems while they are, in many cases, struggling to pay their own bills at home. **[Interruption]** I will not **[Laughter]** ... I must admit; I am a masochist. So if we are not going to give our States workers a meaningful cost of living pay adjustment - and I do not think we are - what are we going to do about the things that we can control in relation to the cost of living? What about the utility bills? We have just heard that the J.E.C. (Jersey Electricity Company), which is a successful, profitable company, are putting their bills up by 9.5 per cent. As I have said, this is a profitable majority States-owned successful monopoly. We are not planning to give our employees a cost of living adjustment, but we are expecting all of our workers and indeed all residents to pay a 9.5 per cent increase on their bills, which we will get some claw-back as the shareholder ... indirect taxation. We allow landlords, including ourselves as social landlords, to increase the rent by R.P.I. (Retail Price Index) every year, which last year was 5 per cent. However, the workers do not get a 5 per cent increase in their wages. Why do we allow such perversities, which can only have a negative impact on our own constituents and which, incidentally, increase the budget requirement for income support? We cannot compare the private sectors and the public sectors. Private sectors work on different models; they work on a profit basis, essentially in some cases on a pyramid scheme principle, where those who put in the most work, do not get the most out. Those at the top who arguably put in the least work get the most out. So the more you put in, the more you get out. Try telling that to some of our manual workers who work long hours in physically hard jobs who cannot purchase their own homes because of this model that we have created. We do not have affordable homes so they pay dead money in rent to landlords and when they retire, perhaps before they are 65 because their bodies are worn out from the arduous work, they cannot keep going anymore. Maybe like the 78 year-old lady that I went to see last Friday in Belle Vue. She spent many years looking after her polio-ridden husband, saving the State money because she did not want to be a burden on the States and in the process, crippled her own body due to the repeated lifting and moving of her husband, only to have the Government last week turn around and say that they are completely removing her mobility component, which she relies on to get around in the Island. She cannot even walk to the bus stop. What is to stop this happening to my manual worker? You get out what you put in, Deputy of St. Mary. They put in more each year and get less back each year and that is the political and actual reality for them. So, Ministers, do not come out with these pithy expressions that workers understand that we are in hard times and that the pay offer on the table is fair, because it is not and they recognise that. It is pitiful, derisory and it is a disgrace. In the face of ever-increasing inflation, in some cases, inflation which we can control where they relate to States-owned companies and to mechanisms which the Government control and we are doing nothing to address these issues. So I do not think that this will get through today and incidentally, I do not favour percentage increases for States workers. I favour fixed sum increases, particularly during difficult times because £500 means a lot more to somebody on a low income than it does to perhaps somebody on £250,000 or £300,000. So I think we do need to get our priorities right. We do have to commend Deputy Southern, because he has understood many of the political and daily realities that his constituents and our constituents face. Although it may not be politically expedient at this moment to give this money in such a way, we really do have to change the way we look at negotiations with our workers. We have to stop taking them, I think in some cases, for granted. We have to accept that we need to be working with them to make their

cost of living come down in any way that we can and make sure that they do not see an erosion in their standards of living.

1.1.12 The Very Reverend R.F. Key, B.A., The Dean of Jersey:

I am not going to make any economic comments, of course, but it does seem to me that we are discussing things here which have very strong ethical dimensions and I do want to point those out to Members. There are 2 guiding principles; the first is that the labourer is worthy of his hire and the second is that if a man will not work as opposed to cannot work, let him not eat. In other words, both exploitation and idleness are ruled out. It seems to me that we need less polemic from both sides of the debate and of industry in public and private sector. We need to hear less that could be distilled into the public sector as some kind of necessary evil when actually it is an important part of the community. **[Approbation]** It seems to me also we need not to hear from what we might think of the other side that were only going to have a silo mentality and that pay and terms and conditions must always be discussed in separate rooms, on separate tables ... that will not work either. Historically, both employers and unions have been responsible for making sure that the poorest stay poor. When I was at university, which I know is shortly after Noah parked the Ark now, differentials were always the huge thing. That if you put up the pay of the lowest, then the next class up would want that same percentage increase. As the old leader Jack Jones used to say, 10 per cent of nowt is nowt. So as Deputy Tadier reminded us, if you simply do percentage increases, you make the gaps larger, not bringing them together. It does seem to me that we need much less confrontation, and you may think I am dreaming but I think it is true. My dad used to be a senior trade unionist in the Mount Pleasant sorting office in London after the war and when there was a "crisis", he told me ... or rather, his friends told me because he had sadly died, that what Fred used to say was: "Put the kettle on, I will be down in a minute." It seems to me that if we are going to build consensus we need less talk of "them" and more talk of "we together" and less confrontation and more kettles. For until we realise that this is an "us", then we are always going to be losing out and having sterile out-of-date discussions. **[Approbation]**

The Bailiff:

Does any other Member wish to speak? Then I call upon Deputy Southern to reply.

[10:45]

1.1.13 Deputy G.P. Southern:

That is just over an hour ... an hour and 5 minutes. I just mention that because last night the Minister for Treasury and Resources thought that we could deal with this in half an hour, which I found at the time a bit of a wind-up. I realise now it was a wind-up because he was perfectly aware at the time that there were meetings going on to discuss the Electoral Commission, et cetera, and that nobody was going to vote to stay on any longer. But, point well made; yet he scored the point last night. Today is a different day. Last night we heard that public sector workers have fallen over 8 per cent behind inflation in the last 5 years. We heard that the offer, as constituted now, from the States Employment Board will bring them another 2.6 per cent behind probable inflation in the next 3 years. That is a total of over 11 per cent, effectively reduced their spending power. No wonder we are still in a recession because our public sector (large employer 6,000 workers), have lost over 11 per cent of the value of their wages. That is the reality. In terms of what has been said today, many good points have been made but the reality is that these negotiations, which are still going on, supposedly, have stopped. There has been a failure to agree. Three unions at least, probably 4, are at this moment balloting as to what action to take. That is the reality and it is all very well for the Chief Minister to use the phrases of working together in the interests of all sectors, talking about valuing the workforce and giving them a sustainable future. The reality is, without some sort of recompense, without some pay award to do some of the things to catch up, there is no respect, there

is no working together and this is certainly not in the interests of all. The Chief Minister, although Members may not have noticed it, then made the threat, which may work for some workers, but not for many. He said: "We have to take a pay cut or face redundancy. We are faced with a choice between a pay cut and redundancies." That is the reality. Now, that may have worked in the past, certainly with some sectors, but that is not a reality for our teachers, for our doctors, for our nurses. They know what their position is and they know they are essential to the delivery of services and if there are to be further redundancies, then public services will be seriously cut. He talked also ...

Senator I.J. Gorst:

Sir ...

Deputy G.P. Southern:

No ... I will be the gent then.

Senator I.J. Gorst:

The Deputy did credit me with a word which I did not use. I used the words "pay restraint", not a "pay cut".

Deputy G.P. Southern:

I do apologise, yes. Serious pay restraint instead of redundancies. That was the reality. He also talked about ... we have been doing an awful lot of work on reform, modernisation and sustainability in terms and conditions in order to save £14 million. Saving. That change in terms and conditions, which he calls an improvement, is more likely than not to be a reduction in terms and conditions. We have seen it all over the U.K. Terms and conditions being reduced left, right and centre in every local authority area in the U.K. Why? Because Central Government has cut their funding. We face that choice too. We are cutting. That is the reality. The reality is also that those potential savings, those changes to terms and conditions have not been tabled. Nobody has seen what is proposed to be the way forward that Members of the representative bodies are supposed to accept not having seen a single change in any concrete terms whatsoever. So they are being asked to take, effectively, a pay cut ... over 11 per cent in this period, and to accept changes to terms and conditions that they do not know. Deputy Higgins mentioned the fact that America is becoming increasingly a polarised society and indeed I believe that is happening here. If we continue with this policy of pay restraint - severe pay restraint I would put it, reducing the spending power of our public sector - we too will have an increasingly polarised and split society. What is worse, when we talk about sustainability, is it sustainable? Is it indeed ... what is the word that Senator Ozouf used? Is it indeed affordable that we should wreck relations with our public sector workforce? Because that is the reality. That is what we are in danger of doing and the Minister may shake his head, as he was last night and say: "No", but that is the reality. We are about to wreck industrial relations with our public sector on this Island. He also said about the Fiscal Policy Panel and Deputy Maçon was correct. Two or 3 years ago, they did issue a report that said one way of providing some stimulus is to get money into the economy via wage packets and that does provide a stimulus. That question was asked when the Fiscal Policy Panel was here by representatives of the public sector unions and they asked (still the head shakes): "Would a pay rise provide some fiscal stimulus and stimulate the economy?" They did not ask whether it was the best way, they said: "Would it provide a boost for the economy?" The answer was: "Yes, it would." Of course, the next sentence said: "Not what we are recommending because it is not the best way." Not the best way but nonetheless it would. If we want to get some stimulus in the economy, one of the ways of doing it is to pay our public sector a little more. That is the reality. That is the reality. It is also true that when that pay rise is made, that there is an immediate return in taxation because at marginal rates, you are either paying 20 per cent or 27 per cent on that pay rise, not on the whole of your income, but on your pay rise, and that is a quarter, probably, of that pay rise back in tax. So

it is not all money down the drain. Increasingly we were asked to show respect to our work force and the reality is that we have not got a happy work force. We have not got a work force which considers they are respected, absolutely not. That is the reality. The Deputy of St. Mary had a very good line but then went on to talk about realistic savings and the realistic savings are not the ones in this budget. This is on a wing and a prayer. We have got some numbers on a piece of paper that talk about £14 million of terms and conditions savings and restraint in pay award that is, quite frankly, not going to be achieved. The Minister says he has to bring a balanced budget and this makes the budget completely unbalanced and he would have to ... goodness, I do not know what he would have to do in order to rebalance it. The reality is he will be rebalancing this budget anyway, because those figures in that Medium-Term Financial Plan are just figures plucked out of the sky. They will not be achieved, that is the reality. They will not be achieved. The Deputy of St. Mary also made the point that the States should behave as a business. Oh dear. We heard that one again. The States is about government; it is not a business. We are not talking Jersey PLC, we are talking about looking after people on this Island, not a business. He also failed to mention that the private sector, while all this restraint on public sector pay has been going on, in the private sector pay awards are around the 3 per cent mark and that is admitted even in the Council of Ministers own documentation. We heard earlier about J.E.C. putting up their prices again, more pressure on workers and more pressures to meet their bills and J.E.C. workers themselves got a 3 per cent award. Three per cent with substantial improvements in their terms and conditions, so 3 per cent plus is what the going rate for J.E.C. is despite the fact that they have to be increasing their price of electricity by a significant amount - 9.5 per cent. Senator Ferguson mentioned Ireland and Iceland and I thought at the time, well the only Iceland that I know of [**Laughter**] is the shop, and yes, Iceland is doing very well because pockets have been squeezed - public sector and private sector equally - and they are known as a budget shop, so they are doing very well indeed because the squeeze is on and we are part of that squeeze, that restraint. I live and learn something every day when I come into the States. I learned today that ostriches do not put their head in the sand; they just put their heads on the ground and listen carefully. If only our Ministers would do that, listen carefully, from whatever position they might get themselves into. So I return to Senator Ozouf's speech. I remind him of the term he used yesterday about: "I want to work. I look forward to working with a happy, respected public sector work force" and I suggest that he wakes up out of his dream and realises what is actually going to happen. We were told we have had some very difficult negotiations. We are going to have some more very, very difficult times ahead because public sector workers, quite frankly, are not going to sit and wait until 2014 to receive anything like a decent pay rise. He then said, and he does this all the time, Deputy Southern wants things all ways. He does not want to raise taxes, he does not want to do this, he wants to deliver public services, he wants to pay the public sector workers. Right. This from a Minister who has spent 2 years trying to work out a way to get zero-rated companies to pay their way on this Island. People can come to this Island and trade for free. He spent 2 years trying to do that and has failed. If we got money from zero-rated companies in one way or another, then perhaps we would be able to afford a pay rise. So this is the Minister who wants things every which way. He wants everything at once and yet he will not even consider a higher rate of tax for those better off. He cannot deliver any revenue from the zero-rated companies. He has the low spend, low tax mentality that, as Deputy Tadier said, has been long broken. He wants everything for nothing. The reality is the situation we face today is we need a radical overhaul of the overarching economic policies we are following and that, Minister, will not consider it. He talks about affordable again. Is it affordable to wreck the relations between ourselves as employers and the public sector? I do not think so. We do indeed need a reduction in the "them and us" mentality. We do indeed need less confrontation and less co-operation but the reality is, we have not got there yet and for the last 2 years, relations have been going steadily downhill. The public sector realises that it is not being treated with respect. Not only is it unhappy, it is angry and they say it is time for change. I will just read you a little passage

which illustrates the mood among the nurses at the moment and I have got permission to read this from their newsletter:

[11:00]

“The pay offer 2012-14. Despite recognition by the employer, that nurses need to be made a special case this year, we are no further on the final offer from the States Employment Board. Here it is, 1 per cent non-consolidated for 2012, 1 per cent non-consolidated and 1 per cent consolidated for 2013, 4 per cent consolidated for 2014, with a commitment to reach agreement on the modernisation agenda. The question is: does this demonstrate any commitment to address the recognised disparity of nurses pay. The S.E.B. views this last offer as a considerable move on their part. Unsurprisingly, you do not agree. Non-consolidated is a one-off payment. It is taxable. It will not go towards your pension. How can a non-consolidated pay offer be considered reasonable or acceptable for nurses when our average age is 47?” They are all looking towards retirement. Many of them are close to retirement and they get a non-consolidated pay offer, which does not go towards their retirement. It is, frankly, an insult: “Despite our requests, the employer will not discuss the modernisation agenda with us. Such meetings that have taken place have been very limited.” No public sector worker out there has a real concrete idea of what this modernisation means because it has not been tabled. It has not been discussed in any concrete way whatsoever with any representative. That is the reality: “How can we be expected to commit towards something we know nothing about?” That is the question they ask: “This offer was rejected by staff side based on your feedback during our members meetings and the pay survey carried out in 2012.” There they say (these are nurses remember): “We ask 2 questions: what would be the minimum pay offer which you would be willing to accept for 2012? The majority answered a minimum of 4 per cent.” That is the nurses: “What action would you be prepared to take if this was not honoured? The majority of you said that you are willing to take industrial action up to and including strike. We are consulting with our legal team with respect to this issue.” These are the nurses, traditionally the most conservative of the pay groups that detest the thought of strike action, but here we have a majority in Jersey saying: “We will be prepared to consider strike action.” That is the depth to which our industrial relations have sunk. That is the reality. The Constable of St. Lawrence made a very good point when she made the point that to vote for this proposition is not to lose anything. We are here to vote, as the Chief Minister said, with our conscience. As we vote with our conscience, I want you to think about the civil servants with whom you work, who put in all the hours that are sent in order to achieve their end. I, myself, got an email from a public civil servant last night at 7.18 p.m. On a completely different issue, I did not expect the answer until this morning even though I put a bit of pressure on him, but there he was 7.18 p.m. still on the job. When you come to vote, think about those hard-working teachers and in many schools they have done their statutory 43.6 hours of contact ... they have done that by the middle of Wednesday afternoon and that does not include the weekend work they do, that is a different figure all together. Think of the dedication of the nurses in our hospital. When there is difficulty getting a bank nurse in to cover the next shift, do they say: “Right, I have done my shift. I am off” or are they there for an extra 2 hours at the end of a shift making sure that care is delivered? Every one of you, I believe, probably has someone in your family, your friends, your neighbours who are a public sector worker. When you vote on this proposition, think of them. I call for the appel.

The Bailiff:

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

Connétable P.J. Rondel of St. John:

Sir, my light is not flashing.

The Bailiff:

Greffier, is it showing him voting? Apparently, it is showing that you have voted. Do you want to say which way you are voting?

The Connétable of St. John:

No.

The Bailiff:

You are recorded as having voted at the moment and we will therefore see what happens. Very well, have all Members had an opportunity of voting? The Greffier will close the voting.

POUR: 5	CONTRE: 41	ABSTAIN: 2
Connétable of St. John	Senator P.F. Routier	Senator A. Breckon
Deputy G.P. Southern (H)	Senator P.F.C. Ozouf	Connétable of St. Lawrence
Deputy S. Pitman (H)	Senator S.C. Ferguson	
Deputy M. Tadier (B)	Senator A.J.H. Maclean	
Deputy M.R. Higgins (H)	Senator B.I. Le Marquand	
	Senator F.du H. Le Gresley	
	Senator I.J. Gorst	
	Senator L.J. Farnham	
	Connétable of St. Helier	
	Connétable of Trinity	
	Connétable of Grouville	
	Connétable of St. Clement	
	Connétable of St. Peter	
	Connétable of St. Mary	
	Connétable of St. Ouen	
	Connétable of St. Martin	
	Connétable of St. Saviour	
	Deputy R.C. Duhamel (S)	
	Deputy R.G. Le Hérisier (S)	
	Deputy J.A. Martin (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.S.P.A. Power (B)	
	Deputy K.C. Lewis (S)	
	Deputy E.J. Noel (L)	
	Deputy T.A. Vallois (S)	
	Deputy A.K.F. Green (H)	
	Deputy J.M. Maçon (S)	
	Deputy G.C.L. Baudains (C)	
	Deputy of St. John	
	Deputy J.P.G. Baker (H)	
	Deputy J.H. Young (B)	
	Deputy S.J. Pinel (C)	
	Deputy of St. Mary	
	Deputy of St. Martin	
	Deputy R.G. Bryans (H)	
	Deputy of St. Peter	

1.2 Medium-Term Financial Plan 2013 - 2015 (P.69/2012): ninth amendment (P.69/2012 Amd.(9))

The Bailiff:

Very well, so we move on to the next matter which is the ninth amendment, parts 1 and 2, lodged by the Corporate Services Scrutiny Panel. Therefore I would ask the Greffier to read parts 1 and 2 of the amendment.

The Greffier of the States:

1. Page 2, paragraph (c)(i) - after the words "Summary Table B" insert the words - "except that for the financial years 2014 and 2015 the revenue expenditure of the States funded bodies listed in the table below shall be decreased by the amounts shown: Chief Minister for 2014, £1.7 million and for 2015, £1.67 million; Economic Development, £350,000 for 2014 and £350,000 for 2015; Education, Sport and Culture, £1.49 million for 2014 and £2.26 million for 2015. Home Affairs, £250,000 for 2014 and 2015; Social Security, £900,000 for 2014 and £1.2 million for 2015; Transport and Technical Services, £1 million for 2014 and £2 million for 2015. 2. Page 2, paragraph (c). After subparagraph (c)(iii), insert a new subparagraph (c)(iv) as follows: "(iv) the amounts of £5,690,000 and £7,730,000 that, in the budgets for 2014 and 2015 respectively, may be appropriated for growth expenditure."

1.2.1 Senator S.C. Ferguson (Chairman, Corporate Services Scrutiny Panel):

What does the Public Finance Law specify for the Medium-Term Financial Plan? Among other things, it says it should include States income, net States expenditure from the Consolidated Fund and so on. It also says there should be the appropriation of an amount to contingency expenditure and the allocation of a maximum amount that in the budget for the year may be appropriated to growth expenditure. If we talk about the preparation and lodging of the draft budget, that says: "Once the Annual Financial Statement, required by Article 32 has been prepared, the Minister must, in advance of the budget and after consultation with the Council of Ministers inform the States of the amount, if any, he or she intends to propose in the budget should be allocated to growth expenditure for the following financial year." So the Medium-Term Financial Plan indicates the amount of growth expenditure available, which is then ratified and allocated in the annual budget debate, as it says in the law. As the Minister for Treasury and Resources said in his speech when we debated the Medium-Term Financial Plan amendment to the Public Finances Law, there will be an annual central allocation for growth and an annual central allocation for contingency and an annual allocation for capital. Now, this amendment has arisen out of a combined Scrutiny review of the Medium-Term Financial Plan. Members will recall that there were a number of recommendations in the final report. Some of these were procedural and matters of discipline, such as reporting back to this Assembly on the timely, temporary and targeted projects to be brought forward to next year or curbing the indiscriminate use of carry forwards to fund ongoing expenditure. I might add that this last tendency of the States is basic financial management in the private sector. But basically, you should never use short-term funding for long-term projects. I might add that if you always have nice cushy underspends then the odds are that your budgeting needs tightening up. Members will also recall that the Fiscal Policy Panel were concerned that it is too early to judge whether the stimulus that will be provided to the economy in 2014 and 2015, by capital expenditure, financed by one-off receipts will be warranted but contingency plans should be made as to what measures could be implemented to reduce the extent of the stimulus if economic conditions merit such approach. I rather think that this is using the

word “contingency” in the traditional way or, as Donald Rumsfeld would say: “It is to cope with unknown unknowns.” The F.P.P., if you will excuse me using the abbreviation, also said that the panel cannot rule out that there is an underlying structural imbalance between expenditure and revenue. The panel’s view is that further analysis is required by the Treasury and Resources Department to consider the nature of proposed capital expenditure, the way it is funded and what it implies for the underlying position of States finances. If this analysis suggests there is a structural deficit, then consideration should be given to its extent in nature, including a more detailed plan of action to rectify it. Now, in the question and answer session following the presentation of the report by the F.P.P., they were quite emphatic that caution was the watch word and again, as they say in their report: “The short term economic outlook has deteriorated, which means that future income tax revenues may not grow as quickly as assumed in the Medium-Term Financial Plan. It is more likely now that income tax revenue will be the lower part of the forecast range by 2015. Significant long term pressures remain on States finances, which require a prudent approach now and in coming years to prevent adding to future fiscal challenges.” Now, just this week we have Mrs. Merkel forecasting another 5 years of confusion in Europe. We have the uncertainty of the Far East where the new, I am not sure what you call it, Politburo of China is not including the reformers, it is including the hardliners. We have the uncertainty following the U.S. election.

[11:15]

All these on the international side, plus the fact that Jersey has, in previous years, usually lagged the U.K. by about 18 months in economic matters. This is definitely and economically not a time to be profligate with our spending. However, it is also not a time to be significantly increasing taxation, but that is an argument for December. The F.P.P. advised prudence and is concerned that there is this structural imbalance between income and expenditure. This is intuitively obvious. Next year, we will, hopefully, collect £647 million or thereabouts in taxes. We shall spend £626 million on revenue expenditure, plus £56 million on capital projects. Therefore our total expenditure will be around about £682 million. Some of this will be funded by asset sales, like the proposed sale of the Jersey Telecom prefs and, as Members will recall, the Stabilisation Fund is at zero and the difference is being made up from drawings from our assets and various funds, which are actually our savings. It is a bit like Mr. Micawber. I think he might have been a Jerseyman and he used to say, what was it? “Income 19 and 6 pence, expenses 20 shillings equals misery. Income of 20 shillings, expenses of 19 and 6, happiness.” It is for this reason, this imbalance, that my panel was concerned at the fact that the Medium-Term Financial Plan has allocated all the possible growth for 3 years in one fell swoop. The contingency funds for 2014 and 2015 appear to be about £6 million and £7 million respectively and that for 2013 will rely on there being sufficient carry forwards. There is no unallocated growth for 2014 and 2015. We have recommended a rolling Medium-Term Finance Plan, which would retain the certainty but would not give you the straitjacket that Deputy Le Hérisier is so worried about. We agree with him on that. As far as we are concerned, our amendment is talking about 0.8 per cent of annual expenditure. It is not really much of a safety margin but it does establish the habit and the discipline and it gives the States the opportunity to consider the allocations annually. The Minister for Treasury and Resources will no doubt remind us that there is a rainy day fund, there is a currency fund to fall back on, but the strategic reserve is the seed corn for the future in case of a real economic catastrophe. The currency fund is there to support our Jersey currency, vis-à-vis U.K. currency. The economic forecasts are still pretty dismal. As the F.P.P. said, the forecasts have been downgraded and our income is estimated to be at the lower end of the forecast range. This is definitely a time to be cautious and to have a reserve fund in one’s back pocket. Given this cautious approach, we felt that the States should not be fully committed for 2014 and 2015. We have not identified particular projects as targets to be cut. We know that come next week, the beginning of December, the Ministers can rearrange their budgets as they will. We just want to emphasise the prudent approach and to keep

growth funds in reserve. Growth funds which can be allocated as appropriate in the annual debates as it states in the law. This will provide more flexibility as recommended by our advisers. This particular set of advisers is the F.P.P. I repeat, we have only picked projects which did not appear to be funded in 2013. We have not cancelled spending on particular projects. We have merely ensured that there is effectively an unallocated growth pot in 2014 and 2015 should we need to change our priorities. Now, for newer Members there is a sport indulged in by the Executive whenever the thought of constraining or rearranging their spending plans is mentioned. It is called shroud-waving. It runs something like this; we need the money desperately for X, Y, Z and if we do not get it, *n* thousand children, or pensioners or Jersey cows, depending on the Ministry, will starve or die or fall off a cliff or whatever. Totally emotional and totally unnecessary and the States fall for it every time. Well, this time it is totally unnecessary. As I said at the beginning of the debate, according to the Corporate Management Board minutes of 5th September, all chief officers have been instructed to have a Plan B in case the States decides to cut spending. We are not cutting spending. We are just keeping a reserve in case priorities change; no problem. We are being prudent. We are keeping part of the growth in a growth pot to make sure that we have the flexibility recommended by the F.P.P. and, as I have said before, it is quite likely we will need this because the Jersey economy usually lags the U.K. economy by about 18 months. So even if the U.K. starts recovering now, we may not see real recovery before the middle of 2014 and the timing of the U.K. recovery is by no means certain. I point out that the total we are putting in the growth pot is £5.6 million in 2014 and £7.7 million in 2015. If you add them together, we are talking around about £13 million for 2 years, which is about 0.8 to 1 per cent of the total net revenue expenditure per year. To put it in context; is £6 million a year significant when the total budget for net revenue expenditure in 2015 is around about £700 million? I should remind Members that these expenditure figures are all net revenue expenditure. The gross revenue expenditure for 2013 is £755 million. The income paid direct to departments, which is netted off, is some £121 million. If you consider this, then our growth pot is positively miniscule. It just ensures that we revert to what the law, supported by the Minister for Treasury and Resources in the debate, requires us to do and gives us a small amount of leeway. As I have said, one of the procedures which concerned us when scrutinising the Medium-Term Financial Plan is the tendency for departments to start projects or activities using carry forwards, underspends or other short term funding, effectively using short-term funding for long-term activities. That was exactly what Northern Rock was doing and look what happened to them. We have been told that this is not good and that this will be changed under the new Medium-Term Financial Plan. We were therefore extremely surprised when the amendment, which we shall be getting to in a minute, states that there is no growth allocation available for annual consideration. But that is not what the law requires. We then discovered on page 4 of the amendment that the Council of Ministers state that some of the projects, which apparently do not occur until 2014 and 2015, have been started earlier and are currently being funded from base budgets or from carry forwards. If the projects are being funded from base budgets, we found it difficult to understand why growth money was needed. I mean, if I am spending money on something out of my basic salary why do I need a growth bid to carry on with that activity? I have already made provision for it in my base budget. If we consider carry forwards, why have I commenced that activity before I can be sure of the funds to carry it forward? Interesting that the Chief Executive, speaking to the Public Accounts Committee last week commented that he expected departments to reprioritise and stay within their budgets where possible and, as I have said, the Corporate Management Board has already been told to prepare for possible reductions in their budgets. The Chief Executive also said that the C.S.R. is now finished and there will be no more. But what happened to C.S.R. 2? What happened to the ongoing, constant review of expenditure? That is another story, which we shall take up at another time. If we go back a few years, the last time I was involved in an amendment to the Business Plan which reduced spending there were undertakings by the Chief Minister of the day and we withdrew the

amendment. We were singularly peeved to find out afterwards that the Corporate Management Board had already made provisions for the reductions, it was the politicians who were convinced that the world was going to come to an end, in which case, forgive me if I am not totally convinced by the relevant paragraphs in the comments on this proposition. The Minister has issued comments on the Fiscal Policy Panel's report. I regret it has come so late but I would make one or 2 comments. He had made great play of the fact, and I quote him here: "The I.M.F. also states that they may have been underestimating the size of fiscal multipliers, the extent to which changes in government-spending or taxation feed through into overall changes in economic activity." Considered economic opinion is that we should be very careful looking at this analysis, as Gavin Davis, the former Chief Economist for Goldman Sachs and at one stage a member of the Monetary Panel of the Bank of England remarked: "Much hinges on whether the authors of the report are right. Their methodology is certainly not watertight." Cross-sectional country studies are notoriously unreliable as demonstrated by Chris Giles in the *Financial Times*: "If we exclude Greece and Germany from the 28 countries in their study, then their result largely melts away. It is also sensitive to the time period chosen and does not appear to work for other periods. It is surely asking a lot to change the entire course of global economic policy on the basis of a result as flimsy as that." Then we get the comment: "Of particular interest for Jersey is that this means the positive impact of fiscal stimulus could be larger than previously thought but the problem there is that we have not done an economic study of the last fiscal stimulus. So how are we going to measure what the next one is?" The F.P.P.'s second recommendation was that capital allocations from 2014 and 2015 can be brought forward and the comment was that this is not accepted by the Treasury. Other aspects of expenditure will be reviewed to ensure that these projects are being completed and in as timely a manner as possible, but the F.P.P. is saying: "Stimulate now", and this is being kicked into quarter one of 2013 by the Treasury. It is curious. Finally, the Minister considers that the analysis carried out by the Corporate Services Scrutiny Panel and their adviser adopts too pessimistic a view to be considered as a central scenario. The F.P.P. have revised down their forecasts for 2012 and 2013 and we have not really had the implications of this acknowledged by the Treasury. The view expressed by my panel that income forecasts are still within the range published in the M.T.F.P. but below the central assumption seems to be misunderstood. Surely a growing mainstream view would be that a rapid recovery in Jersey into 2014 is now unlikely. Realistically, 2015 is too far out to make any serious forecasts. The result of this, the key message, is to be prudent in case the worst scenario happens. The economic outlook, without wanting to totally rain on everybody's parade, has been downgraded and I would suggest that my panel with this amendment are being cautious. In view of the international situation, I would suggest that caution is the watch word. I would, however, remind Members we are not reducing spending, we are not killing off projects; we are merely complying with the law and providing a modest amount of flexibility in 2014 and 2015. In the meantime, I would ask Members also to read the advice from our C.I.P.F.A. (Chartered Institute of Public Finance and Accountancy) adviser in the comments which we circulated yesterday, and he says: "The original amendment should not place any of the Council of Ministers' initiatives in jeopardy as a result of revised annual scrutiny envisaged by our original amendment." I commend the amendment to the Assembly.

The Bailiff:

Is the amendment seconded? **[Seconded]** Then there is an amendment lodged by the Council of Ministers and, as Members will know, there is an amendment to that amendment lodged by the Chief Minister. I think it would perhaps assist the Assembly if we could clarify whether this latter one is to be taken and the Chief Minister needs the leave of the Assembly for it to be debated today. Chief Minister, do you want to say anything?

Senator I.J. Gorst:

Sir, I wonder if we might take the amendment to the amendment first and then I will address the amendment to that amendment at that point, if that is okay.

The Bailiff:

I was just inquiring whether in fact, if we get the view of the Assembly now, and the Assembly may agree to take your Council's amendment as amended by yours. It is a matter for the Assembly.

Senator I.J. Gorst:

Okay, Sir. I would be grateful. The Council of Ministers, as I have said on a number of occasions, looked at all the amendments and considered them carefully and has, on the whole where it could, moved to take account of the concerns of Members not only along the service delivery and provision that we have gone through over the course of the last day, but also with this amendment from the Corporate Services Scrutiny Panel. We looked through to see if we were able to address some of the concerns around flexibility that Senator Ferguson has just spoken about and defer the need for the provision of certain services, which is why we came up with the amendment initially. That amendment was lodged, however, after further consideration with Ministers and with departments, we felt that perhaps we have been over-enthusiastic in trying to accommodate the Corporate Services Scrutiny Panel and that the Transport and Technical Services Department did require some certainty for the provision of service for the disposal of ash and therefore we are asking that at least the Assembly can consider that and then, in due course, consider that amended amendment. So in light of that, I would be grateful if the Assembly were able to allow this amendment to be considered.

The Bailiff:

Well, does the Assembly agree then that the Chief Minister's amendment to the amendment of the Council of Ministers may be debated today? All those in favour? Those against? Very well. So leave is granted.

1.3 Medium-Term Financial Plan 2013 - 2015 (P.69/2012): ninth amendment (P.69/2012 Amd.(9)) - amendment (P.69/2012 Amd.(9)Amd) - as amended

The Bailiff:

Now, as a matter of technicality, that latter one is an amendment by the Chief Minister and it seeks to amend the amendment of the Council of Ministers, but it is, Members may think, a technical difference. It is a matter for Members, but do Members wish the Council of Ministers to propose their amendment as amended by the Chief Minister's, as changing 2 figures, to what he really wants? All those in favour of taking it? Those against? Very well, so then I think we will ask the Greffier to read the amendment of the Council of Ministers as amended by the Chief Minister's amendment, and that is what will be before the Assembly.

The Greffier of the States:

Page 2 amendment 1: "For the table in the amendment, substitute the following table: ministerial departments, Chief Minister for 2014, £410,000 and £410,000 for 2015. Home Affairs, £50,000 for 2014 and 2015. Social Security, £750,000 for 2014 and £1 million for 2015. Transport and Technical Services, £1 million for 2014" and the figure of £2 million is deleted by the amendment. Page 2 amendment 2: "In the inserted new subparagraph (c)(iv), for the amount £5,690,000 substitute the amount £2,210,000 and for the amount £7,730,000 substitute the amount which now reads for the amendment £1,460,000."

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

I do sometimes enjoy these debates because sometimes I feel that I am in the middle somewhere between Deputy Higgins and Deputy Southern with their Keynesianism and Senator Ferguson with her very other interesting views on economics. I am going to speak to the amendment but I am going to refer to some of the remarks that she made in her proposal to the amendment as they are relevant to this, because some of the things that I am going to be saying in proposing this amendment are absolutely respectful and understanding, and indeed sympathetic, to what the Corporate Services and indeed the other Scrutiny Panels wanted to do. There were, if I may say, some more outlandish suggestions designed perhaps to provoke me or to perhaps provoke good argument, which were, frankly, I do not think, particularly helpful or relevant to this overall approach. The Council of Ministers is extremely mindful of the principle of the issue the Corporate Services raised in relation to the fact that we do want and we did want to ensure that the Assembly had the ability to allocate growth in subsequent years of the plan. As was explained in the opening remarks of this debate, the Council of Ministers faced really quite a very significant challenge. The fact that there were so many requests from departments for growth, the Treasury ... “blood out of a stone” is sometimes a description that is used; we have been extremely difficult to be convinced of accepting departmental growth requests. The fact that we have allocated growth earlier than anticipated is a reflection - and I will repeat it again - of the need to allocate service improvements as well as to respond to the economic situation. Senator Ferguson has said, not for the first time, that the F.P.P. and others have downgraded the economic situation for Jersey and the outlook for economic growth. They have not downgraded the income projection forecasts, and I repeat again that there is not a linear linkage between economic growth and income, but I would just respectfully remind the Assembly that they did not downgrade their income forecasts for the M.T.F.P. in 2013, 2014 and 2015. There is a wide tableau of economic views about what you should do; in fact, if you believe that the economic situation for Jersey is going to be worse in the short-term, the response from most mainstream economists... and I am not going to list all the ones that Senator Ferguson does, but I can perhaps refer to Lionel Barber in the *F.T. (Financial Times)*. I know that this may excite Senator Ferguson, but Paul Krugman certainly has views on economic matters. Certainly, with the activity, you should be... what is clear from the I.M.F. (International Monetary Fund), is that the fiscal stimulus and economic activity that governments have been asked to do to stimulate the economy have had a greater effect. Senator Ferguson does not accept that, but that is the advice from most mainstream economists. Why is all of this important? We wanted to put in place as much flexibility as we could and at the heart of this amendment is the fact that we are still suggesting that, having listened to the arguments, having reviewed the arguments of the F.P.P., we really believe that we can still put, as the original Council of Ministers amendment - I will come on to the amendment of the amendment - about £3.5 million and £4.2 million of additional growth on the table. So we really did give the Corporate Services Panel very careful consideration and we asked ourselves again, and the Treasury asked all departments, as to whether or not we really could hold back their growth for subsequent allocation. We challenged every single one of them and I know that most Members have got their white files. When we published this report, we did not only publish the conclusions of the Council of Ministers finally, we unpacked each of the iterations that the Council of Ministers went through in really struggling to see how we could meet those growth requests, meet that requirement to assist the economy and find a solution. So we have been entirely transparent in relation to what we do. There is almost a bit of a mixed message from the Corporate Services Panel: on the one side they are criticising us for allocating inappropriate carry-forward requests but what we have been doing is we have allocated carry-forward requests in order to kick-start future growth requirements that must happen. That is what we should be doing but we have said: “No, we can fund a growth request on a one-off, but it cannot be sustainable.” I am going to go into just a little bit of detail to make sure that Members absolutely understand. We asked all departments whether or not they could hold back for decisions next year on any of their projects, and I would ask Members, if I may, to turn to page 6 of the

Council of Ministers' list, to see just how a couple of examples of this went ahead. If I take, for example, the London office, which we are seeking to take out of Corporate Services removal, is absolutely fundamental to improving our relationship in the United Kingdom. Members understand, whether it is L.V.C.R. (Low Value Consignment Relief); whether or not it is the reciprocal health agreement; whether it is the cuts to the Ministry of Justice; or the ongoing difficulties that the U.K. (United Kingdom) has. I think Members will understand the real importance of improving our communications in Westminster and making sure that we have got access to the decision-makers in London to assist, both in terms of the continued service delivery, good relations to government, but also the promotion of Jersey, not only for financial services but our other example. So we said to the Chief Minister's Department: "We accept the need for this London office, we accept the fact that it is going to have to have a base budget allocation in future, but we really want you to find the way of kick-starting that and not getting any base funds until 2014." So that first item on page 6 is exactly that. That is the Chief Minister's Department, having been challenged by the Council of Ministers, challenged by the Treasury, in order to fund that office the first year from themselves. There are lots of other examples of that.

[11:45]

The law draftsmen; I do not think there is any Member of this Assembly that would not accept that the Law Drafting Department, because of the huge amount of law drafting that this Assembly is requiring - whether or not it is freedom of information; whether or not it is the reforms for the Housing Department; whether or not it is the legislative changes that are being made, and a whole variety of issues, quite apart from the Electoral Commission issues, all these issues - there is going to be a requirement to put additional law drafting, who do a fantastic job for this Assembly, but we needed to increase the capacity of law draftsmen. That is also an economic issue as well to get laws to boost economic growth earlier. Again, here was another example, where we challenged the Chief Minister's Department and said: "We understand the fact that there is a growth issue. You need to fund the first year from your own arrangements." That, on page 6, is a list of just the challenges that we did with one department in terms of asking them to do that. The unintended consequence, and it is an unintended consequence - and I am sympathetic to what Corporate Services says - of Corporate Services' amendment is that those projects that have been accepted as legitimate and necessary growth, if they do not get that allocation, if we do not confirm that funding in this M.T.F.P. debate, effectively, they are not going to be able to happen. How is the Chief Minister's Department going to find the £600,000 in order to fund that London office for 2014 and 2015? If they did not have that certainty, would they be able to engage the personnel in order to take rental of the modest accommodation that they are going to need in London? Would they be able to effectively just do it on the decision of one-year funding? I am afraid it is just simply an unintended consequence of what Corporate Services are saying, but I am afraid that it is not possible. As with the amended amendment to the Corporate Services says... I would ask Members just to run very quickly through that these are individually made and I think that I need to explain to the Assembly each and every one, very quickly, of exactly the ones that we are seeking to get confirmation of funding. I have explained the London representative office, I have explained the law draftsmen. Human resources: Deputy Maçon was absolutely right earlier when he was talking about the need to reform H.R. (Human Resources). We are requesting that the £170,000 improvement to H.R. that is necessary, referred to in the earlier debate, is confirmed. It is going to be funded by carry forwards in 2013 but it needs to be in base budget. How are we going to get that ongoing revenue? I will give way to Deputy Maçon, Sir.

Deputy J.M. Maçon:

The Minister for Treasury is most kind. The Chief Minister was driving me there and I will happily respond to that point in my speech.

Senator P.F.C. Ozouf:

That Human Resources allocation, we want to be able to make it permanent in order to deliver all of those issues that Deputy Maçon rightly raised earlier. In relation to the C.S.R. (Comprehensive Spending Review), Senator Ferguson made, I think, a little bit of a cheap shot, if I may say so. She said that there was not a commitment continued to C.S.R. We have done C.S.R. ...

Senator S.C. Ferguson:

Correction, Sir. I was merely quoting.

Senator P.F.C. Ozouf:

I think the implication was that we were not committed to do a C.S.R. Here is the exact allocation of resources in order to continue C.S.R. after 2013. Yes, we are not calling it "C.S.R." because we have made those early and easy budget reductions. If we are going to make further budget reductions, it is going to be by modernisation, by the use of technology, et cetera, and we want to permanently fund a modernisation C.S.R. office to ensure that the C.S.R. issues are delivered and to get those other C.S.R.s going forward. Again we have been tough; we have said: "No, you have got to fund it from your carry forwards next year, but we accept the fact that you need a base budget." The Economic Development Department is responsible to ensure that we get that economic growth, that we get the revenue in order to fund those public services that we are signing up to. Here the Economic Development Department is having an allocation for particularly the increase in the Jersey Finance grant. Last night, I spent until 11.00 p.m. with the financial services team at Jersey Finance and the McKinsey Team working through some of the challenges for financial services in the future. The challenges are enormous, there are enormous changes going on in terms of financial services and we are going to have to double our efforts again in order to get growth in the growing areas of the world. Senator Ferguson is right, there are problems in the U.S. there are problems in the eurozone; we need to go and get the growth in the areas of the world there is. This amendment, this request by the Council of Ministers is to secure that additional allocation of money which we have been so successful in getting United Arab Emirates business in Jersey, so successful in getting banks. We believe that there is more work to be done in other areas of the Gulf, in other areas such as Qatar and Saudi. This allocation ensures that Jersey Finance has that money in order to be able to put on a permanent basis ... and you cannot just put an office for one year; we want to put a permanent office. Again, E.D. (Economic Development) was asked to effectively consume their own smoke next year and get that money in the base budgets in the following year. The education issue is not just a discretionary one, and here, I think the Minister for Education, Sport and Culture would agree that he has been challenged quite vigorously at the Council of Ministers. We did really challenge the Minister for Education, Sport and Culture as to whether or not he could wait for an allocation of money for university grants. This is a simple one. Those numbers of pupils in higher education are already through the system and they are going to be subject to these additional university fees. There is no getting away from it; those fees and those expenses for universities are going to happen, and so it would be, quite frankly, unfair and unreasonable given the pressures that Education... we had a big debate yesterday about whether or not £25,000 would be taken. We are going to be saying: "If we support Corporate Services unamended, we are going to be saying that Education effectively has to consume £1.5 million of additional university costs." That is not realistic and the rest of it; well, 1.4 and 2.2. This is not a discretionary issue, this is university students that are going to be going through university, and I am afraid this Assembly has to accept that unless it is going to make further changes... and the Minister announced something yesterday: if he is going to be asked to make further changes in terms of budget reductions in terms of university fees, which I doubt whether any of the Assembly really wants to do, then, effectively, they need to give the certainty for Education in relation to that. My good friend, the Minister for Home Affairs, has been one of those Ministers who, like others,

has worked very hard in relation to his C.S.R. objectives, and I am afraid that this allocation of the £200,000 for vehicle equipment relations, are absolutely required. Similarly, and finally, this Assembly has debated on numerous occasions, and indeed scolded previous Council of Ministers for not progressing the issue of discrimination legislation. If the Council of Ministers' amendment is not accepted, effectively, there is no certainty that the discrimination legislation can be funded. I do not think that that is fair. The Minister for Social Security has accepted responsibility for progressing this issue and the discrimination legislation and the budget allocation that is required is designed in order to make that happen. So I sound as though I am passionate and I am doing the bidding for all of these Ministries, but I think and I hope that Members will see that each one of these issues is absolutely important and fundamental in order to inscribe into States budgets for 2014 and 2015. There is no shroud-waving, I do not believe that any of those examples that I have suggested could be rightfully regarded as shroud-waving; they are real, legitimate and required increases in expenditure which are only in 2014 and 2015 because we have done exactly what the Assembly said, which is: "Try and use carry-forwards where you best can in order to allocate." I am not sure that I have got many olive branches to offer Corporate Services, because I do understand that what the Assembly really wants is to have the ability to allocate more money. What I will do is I will commit to working, providing we get the C.S.R. office up and running, to see what additional savings on efficiency we can get in 2014 and 2015. The Treasury will be tough in relation to windfall income; there are departments that do get windfall income in the year; that is something that is not an automatic carry-forward allocation that people get. We have said that if departments manage their own budget and they decide to defer projects, we will give them their carry-forward. There are some departments that have a carry-forward which is outwith their control just because effectively there are less people coming forward with benefits or others, and we certainly do do that. We have explained a new transparent approach to carry-forwards. The combination of, yes it is reduced growth allocation, but we will try and strengthen that growth allocation by being transparent in relation to carry-forward requests and being tough on income. My final remarks need to be made to the amendment to the amendment, which is to the Minister for T.T.S. (Transport and Technical Services). Here again, the Council of Ministers ... again this is perhaps a window on the world of how tough the Council of Ministers is with colleagues; here, we did take out T.T.S.'s request and following representations by the Minister and the Chief Officer, it was very clear to us that we need to give T.T.S. the certainty in relation to dealing with this ash issue. The T.T.S. Department cannot progress this issue of certainty of funding, they cannot set up reasonable contracts over a reasonable period of time. If the Assembly wants to deal with ash, which I think this Assembly from a number of different quarters, has expressed the view to do; it is clearly something that the Minister in his own standing for the position said that he wanted to do. I am afraid the Assembly needs to give the ability to T.T.S. in order to have it. I am sorry to be difficult; I wish to absolutely respect what the Corporate Services wanted to do, but I do need to point out the unintended consequences of doing it. The Council of Ministers is showing, hopefully, the fact that it has found a third way. We have pulled back some money and we have given it back to the Assembly for decision-making and I hope that the Assembly will agree that our suggestion represents a fair and reasonable third way and fortified by the additional allocation, potentially of windfall money and contingencies, and an open approach to carry-forwards that the Assembly will have the decision-making ability over the next 2 years. I move the amendment.

The Bailiff:

Is that seconded? [**Seconded**] Deputy Young.

1.3.2 Deputy J.H. Young:

The Council of Ministers, and particularly the Minister for Treasury and Resources, have had a very trouble-free journey so far in the medium-term plan. I think for me this amendment is an

important one; it is not, in my view, about the detail of those particular projects which the Minister has presented to us, but it is about the principles and the way in which we deal with management of our financial affairs over the medium term and longer term, which is a change from the annual budgeting arrangement so far. I think, as a member of the Corporate Services Panel which produced this report, I do not think it is correct for the Minister for Treasury to present this amendment, to which we have an amendment to an amendment, which we are now discussing, as being opposed to fiscal stimulus money. That is absolutely not the case. As a member of that panel, no member of the panel, in my view, did not accept all of the arguments made about the benefit of fiscal stimulus, the economic advice, but it is the way in which we plan to put that into effect, the decisions that we made and the process that used to monitor it. That is why, for example, the Corporate Services Panel amendment deals only with 2014 and 2015. It does not suggest any change to the 2013 allocations. All the reservations about the medium-term plan are listed, and I am sure you have read them on pages 5 and 6 in the panel's report. We thought those things had been identified too late to do anything about them for 2013, and that would present the problems that the Minister for Treasury has outlined. So we sought to leave that alone. Our amendment deals only with all those matters which are shown as growth in 2014, which we consider would more properly have been dealt with within the provision in the law allowing for a separate growth allocation rather than being built at this stage into base budget permanently.

[12:00]

I think the issue then is one of prudence and I think the debate could run today into discussing all these merits of these individual projects, about the London office, about the education issues, about H.R. Department efficiencies. I hope we do not go that way; I think it is a much higher level. I think I am going to have to... and I hope I am allowed under the rules to do it, it is really impossible I think to properly oppose the Council of Ministers' amendment without explaining the point of what Corporate Services Panel sought to do, so if I may carry on. We were faced on the panel with a massive amount of detail and, having started work in August-time ... and obviously it was very easy to get lost in that. We made a decision to take a top-down macro-level review of the plans. Of course, we had on board 2 outstanding, excellent advisers: we had an adviser on the economic policy who was able to help us interpret that what we were being told by our own economic team, the Minister for Treasury and Resources, and also the Fiscal Policy Panel. We were able to guide our way through that and understand what is a complex subject, I think, very successfully. From the economic side there clearly came across right from the start that we are setting this plan at a time of massive economic uncertainty and the truth is nobody knows with any certainty what the economic outcomes are likely to be for those 3 years to 2015. So the issue was how certain can we be about the effects on our income levels? At the moment the situation looks very positive, but there are not just shadows but clouds on the horizon; we heard comments about the risks of failures in the European monetary arrangements and you cannot rule those out. So external shocks could impose a massive impact on our own financial plans. Of course, the other part of the advice was that our economic stimulus needs to be very well targeted, and we saw in our reports that none of the projects that we have got really give us this clarity, they do not really address those parameters of what is an effective fiscal stimulus. What the panel were seeking to do was to try and find a way that would be neutral, an amendment to the budget which would be neutral but would allow us to respond to change as time goes through and to make those decisions in this Assembly at a later date. Particularly this was also mirrored by our financial adviser, C.I.P.F.A., who said: "Excellent start to the plan, it is a step in the right direction" but they said it really needs much more flexibility, it has to be able to adapt. For example, really, we should be having a rolling plan where we can monitor it and we can make changes as we go. The notion that we produce a plan and that it is cast in stone, in this particular time, they expressed concerns about. These points are covered in the panel's report. Of course, we found inconsistencies in particular problems about capital

projects and also issues such as failure to distinguish between new and ongoing expenditure and failure to have sufficient clarity in those allocations, there were no business cases that we felt strong enough about, and so we thought: “Why has all of the growth money been allocated within the base budget permanent ongoing provisions in this plan?” and we said: “How can we respond to change? What if it goes wrong?” and we inquire and what we are told is basically you can only change it in the most dire emergency situations under the Public Finances Law. We got ourselves in a situation where the opportunity to change that plan is very restricted. With that, our amendment was borne in a desire to be prudent, to be neutral and offer this Assembly a real choice about how we plan for these vital projects, fiscal stimulus and change over the years; give the choice between managing that or just giving the rubber stamp, in which case I wonder why we are here. The Council of Ministers amendments, and particularly the amendment to the amendment, invites us to take a kind of discriminatory look at all these individual projects and try and form some sort of view over which is more important than the other. We could get into debate: “We have got a shortfall of funding of the team to deal with the procurement” and things like that: “What are the merits of that over the London office?” that is, I think, a very divisive thing. It is too early, we do not have the information to do this properly. That really should take place on another day, and so, as I said, our amendment therefore said we accept everything that is in there for 2013 but we would like the opportunity, as was originally intended in the law, for the States Assembly to make those decisions at a later date. So I think the amendment to the amendment or the amendment really misses the point; it undermines the real point of principle of the Corporate Services Panel proposal and that, I would like to think, is the main issue of debate today and the main decision that we have to make, a choice: prudence, being neutral, doing it in a different structure or just rubberstamping what we have got. I accept, we think we are aware - and you know I like to be open - there is a procedural issue here for the Council of Ministers, I accept, that if the amendment the Corporate Panel has proposed is adopted, whether it is amended or not, we understand that the Public Finances Law will not allow an opportunity automatically for the States to make decisions on the growth allocations for 2014 and 2015 until the budget time in 2013. Obviously, I stand to be corrected if we have got that wrong, but certainly it is my understanding of that case. But that, of course, is 12 months away and during that time then the whole intention of the amendment is that we have got time to look at the monitoring reports, update ourselves with the outcomes of the fiscal reports and to keep those decisions in our minds. I think if I am right, there is that inflexibility - and I am happy to withdraw that point if I have got it wrong - I still think there is the opportunity still for the Council of Ministers to consider in between now and then how they bring forward to the Assembly those decisions at the time when they have the revised information. I am sorry I have had to stray on to the main amendment, but you see, to sum up, I think the amendment is the wrong one; it complicates the thing, it takes away from the point of the Corporate Services Panel purpose. This is not a debate about ash, the London office or anything like that; this is about how we manage growth and financial plans and what is decided by this Assembly and when. Thank you. I oppose the amendment.

1.3.3 Deputy S.G. Luce of St. Martin:

As a member of the Corporate Services sub-panel looking at this whole Medium-Term Financial Plan proposition and the various amendments, I have probably studied the detail closer than I might have done otherwise and, while there is plenty of devil in that detail, it is the major issues, the overarching ideas and the sentiment behind this plan that concern me as a Back-Bencher the most. There is, however, much to commend in this first Medium-Term Financial Plan: the move away from constricting annual financial planning is well overdue. The detail we have been provided with has been excellent and, if you had a question to ask, you could be 99 per cent sure that the answer was there somewhere if you could find it. Barring that, the door was always open at the Treasury. Congratulations need to be handed out to the Treasurer, the Minister for Treasury and Resources

and the team [**Approbation**]; this is the right way to go. There is even more improvement to be made with extending the term of the next plan and adapting the plan to a rolling concept, but we are really moving in the right direction. It is, in my mind, a great shame that we find ourselves finally changing over to a longer term planning at the exact time that the global economic situation is so uncertain because, when it comes to financial matters, the one thing that we can be really sure about at the moment is the fact that we cannot be really sure about anything; well, death and taxes, maybe. But that brings me very neatly to my real concern: we are being asked in accepting this plan to agree the levels of income and expenditure for the next 3 years and, provided the numbers do not change, especially the income numbers, then we have a plan that we can work to. If, however, the income numbers prove to be lower than expected then we are back to the certainty of death and taxes that I spoke of just now because, whichever way you look at it and however you dress it up, to maintain income, if our predictions falls short we will need to increase taxes unless, of course, you are not worried about balancing the budget. It would be nice to say that if the projected income does not materialise we will just spend less to balance the budget, but this is not the private sector where you can move fast, act quickly and resolve problems, this is government where spending, once agreed, will, as sure as night follows day, be spent. “But we can save money” I can almost hear a few Ministers’ brains saying to themselves: “We have managed it with the C.S.R. and we can do it again” well, here we get to another problem. I am a simple ex-farmer from the country but if I stop spending £500 a year cutting hedges and start spending £300 a year renting new fields, I do not then pretend to myself that I have saved £500 just because I decide to call the new rent for the fields “growth.” I say it as it is, I say to myself: “I have saved £200 a year.” C.S.R. has not saved the money we tell ourselves because we have not got to our targets and because we have gone out and spent new growth money on something else. We have not genuinely cut our expenditure. We must continue to deliver real physical cuts in spending. The levels of predicted expenditure are not, in my view, sustainable in the long term, particularly if our predicated income falls away. Both the F.P.P. and our own Scrutiny advisers have told us, if we could not see it for ourselves, that the sources that we are proposing to use to fund growth in the next 3 years are not ongoing or recurring. Notwithstanding that, the sub-panel are not proposing to change the plan or the level of spending contained in it. We recognise that the proposals on the table today can work, we just want to lock-in some more safeguards and help ourselves a little to take the risk out of some of these spending plans. The original sub-panel amendment before us at the moment, or what there was before us previously, does not cut the budget, it just allocates the same amount of money in a different way; it allows us to adjust a larger but still small percentage in real terms, part of the spending, at the end of next year and probably for someone else to adjust the spending at the beginning of the next session. It gives the next session of government a real fighting chance, if they need it - and it is a big if - of balancing the budget if things have gone horribly wrong and not worked out as predicted. I find the amendment to the amendment leaves us very short of funds to use to adjust at only £3.6 million, when you consider the amendment from the sub-panel is £13 million. The changes that we are proposing give government next year and the following year 2 additional chances to balance the budget in a sensible and undramatic way, a way that might just avoid the need to face up to some really unpopular decisions in 18 months’ time.

[12:15]

I would ask Members to support the sub-panel and reject the amendment to the amendment proposed by the Council of Ministers.

1.3.4 Deputy T.A. Vallois of St. Saviour:

I think it is important firstly that I start off by thanking the Scrutiny Panel, the Chairman, the members and the offices that have contributed so much hard work to the Medium-Term Financial Plan. We started off in March trying to identify a good co-ordinated approach and we have got to, I

believe, a very good co-ordination between Ministers and Scrutiny in developing that, so I would like to say a big thank you to them for all their hard work. **[Approbation]** I would firstly like to say I remember back to when we debated the Medium-Term Financial Plan and the reason for bringing it through, and I thoroughly encouraged it and I thoroughly believe that it was the right thing to do, and I still do now. There was one particular issue under the Public Finance Law which was known as Article 11(8), and I am sure that the Minister would like to remind us how many times over the last term we were faced with Article 11(8) requests. How much was used under those Article 11(8) requests and why it was not budgeted for in the first place. I think it was mentioned many times, it has been in financial management reports, not just by P.A.C. not by just C. & A.G. (Comptroller and Auditor General), not just by Corporate Services over the years and in this Assembly, but if a project is to be done, it should be put in the base budget and ensured that that project can be delivered otherwise there is no value for money in providing that money to that department in the first place if it never gets achieved as an end result. I have to admit, financial management has improved compared to where it used to be, and continues to improve. P.A.C.'s focus over the remaining 2 years will be on corporate governance, which is a very important area for value for money. With regards to the component of the central growth allocation funding and removal of the 11(8) enforces a culture or requirement for better working across departments, or it should. But, most importantly, it also enforces and requires Ministers to improve their listening and challenging skills because it is not just Scrutiny that should be challenging officers or P.A.C. that should be challenging officers about obtaining value for money, it should be absolutely the Ministers. I am sure that that does go on and brings me to the reason as to why there was such a late amendment to an amendment with regards to the T.T.S. budget, and it concerned me in a way that there was not real challenge and real discussion within that particular reasoning for that growth funding which was coming forward. I do have to question why it is. I think I need a clearer understanding from the Council of Ministers how they have moved from, on page 12 of the original amendment: "However, on the basis that the strategy for the disposal of ash still needs to be finalised, the Council of Ministers can agree that this funding will be held centrally." They have moved to the point that they have been confronted with the officer and Minister for T.T.S. and have been convinced that it needs to be in there for that year. So how? Why? What challenge was given? Who challenged it? All those kinds of questions come to my mind. Reading the advisers' response on page 7 of the comments that came to us yesterday: "Amendment to amendment to amendment 2.5" which states in the last paragraph: "This would suggest that there is an intention to enter into a contractual relation well in advance of the planned activity taking place and without the detail being ventilated by chief officers and debated by Members. Without such transparency, this is counterintuitive to general best practice" and that does concern me. I hope that my concerns can be relieved. I understand the reasons for the Corporate Services Panel bringing the amendment. I did make a point to the Minister for Treasury and Resources at the briefing that we had with the Corporate Services Panel, that I believe it would be wrong to allocate growth funding, which I believe he has resolved, particularly with the housing area that I had, with regards to us as an Assembly, or even as a Council of Ministers, being able to challenge the fact that a policy has not yet been agreed or a change in the way that the Island should be going has not yet been agreed for a department, but yet we are allocating funding to that department beforehand, and that does concern me. I would like, I think, reassurance from the Minister for Treasury and Resources of all those questions I have asked and an understanding as to how it ensures the flexibility and why it is so difficult that what Corporate Services are trying to achieve in terms of their amendment stops a department asking for that money in the budget next year, what stops Ministers from challenging that and ensuring that they have spoken to other departments and making sure that the challenges have been made and ensuring that people are working together effectively and efficiently for the best interests of the Island.

1.3.5 Deputy J.M. Maçon:

As with Deputy Young, I feel it is very difficult to talk about the amendment to the amendment without referring and contrasting it to the main amendment. As my colleague, the Deputy of St. Martin did point out, when we were working on our report to the Medium-Term Financial Plan, what became very clear first of all to us was that the undertaking that was given to the States Members during that sixth debate, the history of how that Medium-Term Financial Plan, the law, came together and also the importance the economic forecast has and the implications on us as a States Assembly if those targets are not met. If I first of all explain a bit of the history about how the M.T.F.P. came together and why that is relevant. First of all, when it was an issue being discussed by the Minister for Treasury and Resources and the Treasurer of the States, they first of all said: "Right. We know what we will do, we will propose an in-committee debate" and for the newer Members, what does that particularly mean and what is the implication of that? A lot of the States Members at the time said: "No, we are not going to accept this at all because it means that we do not have the power as a States to elect the Members to be able to amend it, we do not have the power to influence it. We have to basically accept that the Council of Ministers, when they go off and do their own thing, make the right choices." That option was kicked out by States Members quite quickly, it was totally rejected. So the Council of Ministers at the time, being very clever, thought: "Right, well, how can we deal with this issue when we still get our 3 years that we want?" and in the debates what happened was the carrot dangled in the air for States Members was: "Well, although we will get you all set in the base budget, States Members will be able to amend the growth bid, we will give you that because you as States Members do have a right to be able to influence it." So when we came to the Medium-Term Financial Plan and we found that all the growth bids has been allocated ... I should make the point that during that debate I did not believe that was going to happen, I did not believe States Members were going to have the chance, so to be fair, I did have a bias in looking at this particular issue because I did not think it was going to happen. Lo and behold, what happens, the Council of Ministers go off, they produce their report, they have put in their growth bids and individual States Members will not have an opportunity on an annual basis, as we were led to believe in that debate - and it is on Hansard, you can go into it - that was not there. Our amendment first of all is pretty much giving power back to the States Members as they were led to believe during that debate. We thought, on a principle point, that was very important to do and that was part of the motivation for this particular amendment. So you have got that issue to begin with. It also meant that if the priorities changed from one year to the next, there was an opportunity to say: "Right. We need to rejig this because it is not quite working." Which take us on to the economic forecast. As we have seen already, while still in the range of the Medium-Term Financial Plan, the economic forecast has been downgraded by the F.P.P., so it is still within the range but there is not that much leeway. What is the implication of that? If you look at the figures, if you look at the income versus expenditure, by the time we get to the end of 2015, there is very little leeway in between, which means that the income that we get, based on, in particular, the economic forecast, is very important because what happens if we do not get the growth? What happens if we do not get the income? You have got the one issue of once the States as a body has said to each individual Minister: "As a States body we authorise you to spend X amount" they will have their base budgets, they will have their money spent. The issue is because we have moved to this 2-year term, that we lose some control in that way. The problem with that is if you do not get the income, Ministers and Ministries will quite rightly say: "Well, the States have approved that I can spend this much money" and then they will come back to this Assembly saying: "Right, we want this money." So what happens then? We have already talked about it, that gives pretty much 2 choices: (1) either the States run the deficit and knowing how well that idea went down through previous debates, and I look specifically at the Constables' benches, because I remember Deputy Southern's amendment when the Minister for Treasury and Resources wanted to increase G.S.T., it is not going to happen. Let us be realistic, the States will not tolerate that type of attitude, they will not want a deficit. So what is the other option? We do not make the

growth, what happens then? The only option left is taxation, and this is something that the Corporate Services Scrutiny Panel, when we were looking at it, were very conscious of and now we know that the Minister for Treasury and Resources in the past has said - and he has admitted to and apologised for this - that: "I do not want to increase taxation, that is not what I want to do. The situation has changed meaning I have to increase taxation." So in the budget, going forward to say: "Well, in the M.T.F.P. there are no proposed increases to taxation" we know from past experience and in my opinion, that is not really worth anything, because the Minister for Treasury and Resources has in the past, and quite rightly so, said: "Well, we have not made the announced slide in income, therefore, I am going to increase taxation" and, on balance, the majority of the Assembly has agreed with him. That is a matter of fact. Going back to why this amendment and why is this important, the Minister for Treasury and Resources talked about: "If we adopt this proposal, we will not be able to do the human resources thing, it will have an implication on higher education" but this is the point: if we do not get the income, we will not be able to do those things anyway unless we increase taxation, and that is the balance and that is what we have been considering throughout this M.T.F.P. What happens if we do not make those proposals? When it came to 2013, and we are not amending that, you have to consider what the F.P.P. said in their report. While the Minister for Treasury and Resources did make the comment about the growth and what they said, the point is during that presentation, yes, while there was a decline in economic growth, there was an increase of about £7 million in taxation that came in. The F.P.P. queried that and when we questioned them about it, they said: "We are still working on it; we do not quite understand why we are seeing less economic growth but more increases in taxation." The Minister for Treasury and Resources and the Council of Ministers have not been able to use this to say: "Yes, well, do not worry too much about the economic forecasts, do not worry too much about the growth figures, because the money is still coming in." We put that out to the States: "Are you happy with that argument, are you happy with that situation? Do you think that is a sustainable reliable position to carry on in?" When we did our amendment, we were not. We said: "We are worried about this; we think there is much more of a risk here than is being proposed by the Council of Ministers." So what to do about it.

[12:30]

What he said was, in keeping with the original law, not that we are going to stop the Council of Ministers from being able to do the spending on education, the things in H.R.: "Let us put this separately, let us not give it to the departments instantly so that if we do not meet the correct income levels, if you have a growth pot, if we do not have that money, we do not give it out because we do not have it" because of the issues that I have already referred to if you have already given the Ministers the budget, then quite rightly they will demand it. So that was the motivation behind lodging our particular amendment, to say: "There is a degree of risk out there, we cannot be certain about what is being proposed therefore we feel it appropriate that this mechanism, which was put in the law in the first place to allow these types of things to happen, that that is what we should do and that is what we should stick with." On some other points, the Minister for Treasury and Resources commented about Senator Ferguson's discussion of the C.S.R. Now, Senator Ferguson's point was not that the States are not doing C.S.R., her point was you had C.S.R. 1 and during that process C.S.R. 2 or an ongoing C.S.R. process was discussed. The point that Senator Ferguson was making is saying: "Well, what is happening with C.S.R. 2? Is the motivation there? Is it there within the minds of the chief officers when they are doing things?" Not saying that the States is not doing C.S.R. It may be a semantic misunderstanding, but I thought I would clarify that point, although I am sure Senator Ferguson will quite rightly speak for herself in due course. I do have to make this point: what this amendment shows is basically how, despite the Minister for Treasury and Resources during the M.T.F.P. debate having said there was going to be this process, the Council of Ministers has not followed that process and the reason why they are jumping and

having to accept and put in their amendment to our amendment is so that Members cannot turn around and say: “Well, you have indirectly misled the States because you said during the growth bids this was going to happen, this was the process you were going to follow, this is what Members would be able to do.” Basically, they forgot about it. They forgot that that was going to happen and it is only because we have launched our amendment that it has kicked some memory cells to go back into those debates and realise what was said. I am sure the Ministers may say no, but then you have to ask: “Well, then why did they not follow the process as outlined during that debate?” but I am sure in due course they will respond to that particular message. But I suggest it is that they forgot about it. Finally, as to why have we singled out 2014 and 2015, and the point is the F.P.P., when making their recommendation only went up to 2013, they did not discuss what would happen in 2014 and 2015. Quite arguably, you could say: “Well, that is not in their brief, they are there to do an annual report” but the point is, again, it is that murky out there, confidence in economies all around the world is shaky, various economies are being downgraded as we speak. Yes, there are some green shoots in some of them, we have to acknowledge that, but particularly in Europe, it is very shaky and again that influences why the Corporate Services said: “No, we need to be prudent here. There is a level of risk here and there is always the ...” and I do not like to put a shroud around, but there is always the spectre of extra taxation if the income levels are not met. You have got the implication then if the economy is not doing well and you are not getting the growth required, to introduce extra taxation into a system when you have not got enough demand anyway is not, in my opinion, a good economic road to go down because you have not got enough demand anyway and then you are taking extra demand out of the economy. So that is why we have concluded this particular amendment. Why this one and not what the Council of Ministers are proposing? It is pretty much the leeway aspect of it and also to keep with the principle that States Members were led to believe during that debate at the time. I thank Members for their attention.

[Approbation]

1.3.6 The Deputy of St. John:

The slot just before lunch is always a dangerous one for a Minister, or anybody, to speak in because people are sometimes thinking about lunch, so I will try to be as energetic as possible to try and get people’s attention because this is extremely important to the Education Department. There is a section in the Corporate Services amendment which will have some very detrimental effects on my department. The Minister for Treasury and Resources referred to the fact that there are already numbers in the higher education system and we therefore know that in 2014 and 2015 we will have these extra costs. That is not for discussion, they will happen for sure. We have only been able to cope with 2013 because we are able to use already-committed ring-fenced funds in what is a ring-fenced internal fund for higher education fee grants in the Education Department. I think that is important. We have put money for higher education into a ring-fenced fund within higher education for grants. But what the Minister for Treasury and Resources did not mention is that we already also know, as well as the numbers in the system, that there will be fee increases; we already know this, it is not a possibility, this has already happened and we are coping with it and we have given certainty to parents at the moment for children or for their young people that have started education in September 2012. So again we know that we are going to have these costs. Investment or sending our young people to university falls into the category of long-term investment, and that is rightly so, and it also has to be long term in its outlook because many parents plan their finances for sending their young people to university when they have a child, that it may be 14 or 15 years old; in other words, some 3 years in advance of the actual costs to them. I would like Members to think about the effect on the psychology for parents if I were to say to them, as Senator Ferguson has suggested, that we need to be keeping a reserve centrally unless priorities change. What does that say to parents that are sending potentially their children to university in 2 or 3 years’ time? So I would say to Members that accepting the amendment to the amendment, it does provide for the

establishment of the principle that is sought by the Corporate Services Panel, because then the Council of Ministers will be able to accept that Corporate Services amendment in its amended form, and we can all work together towards the resulting improvement in financial management in the future. These are early days, this is the first Medium-Term Financial Plan, and I would say that it is the right balance. There are some problems in the amendment as originally formulated, particularly, I would say, in the area of the Education Department. I would ask Members to think about this very carefully before they vote the amendment to the amendment down and I would say that, in fact, it is a suitable win-win for everybody at this point in time.

Senator S.C. Ferguson:

Yes, Sir, but it is going to take more than 5 minutes.

The Bailiff:

No, it is Senator Le Marquand ...

1.3.7 Senator B.I. Le Marquand:

The trouble with the high-level approach of the Corporate Services Scrutiny Panel is that it arbitrarily reduces the funding of individual departments in order to create a pot for future growth allocations. I understand the desire to create that pot but the process and the methodology is completely arbitrary. It is particularly arbitrary in the case of Home Affairs £200,000 for 2014/2015 because there is a similar provision in relation to Health and Social Services for vehicles, ambulances particularly, which is not affected. I am not suggesting that they should lose theirs because I do not think that we should lose out. The item of £200,000 for 2014 and 2015 is in relation to a new system for the replacement of vehicles. Historically, the system consisted in the small capital vote but the plan is to change that system so that what is happening is that departments are paying a rental fee, a leasing fee, in relation to vehicles which they have, in order to build up a pot of money for the future so that there does not need to be money shoved in every year from the small capital vote. Now, this is not genuine growth, this is the problem with the growth bid system, that departments have items in there which are not genuine growth because they are not new items, in a sense, but a new means of funding existing items. The target of the C.S.R. process for Home Affairs has proved to be very difficult within the timescale set. I was initially asked by my colleagues to find £1,614,000 of savings which were, in my view at that time, at best nebulous. I was unwilling to agree to this £1.614 million of nebulosity **[Laughter]** but instead ... I believe there is such a word; I have been using the word for some time and surprised to find I think it is in the dictionary.

Senator L.J. Farnham:

I wish I knew what it meant, but it sounds good.

Senator B.I. Le Marquand:

Anyway, if the word does not exist, it should, but I believe it does. **[Laughter]** But agreed instead to £614,000 of nebulosity. I did say, because I was confident my department would come up with savings, but in addition to this there had been some other proposals which have either failed completely or which we have not been able to deliver within the timescale. So, what did my officers do to counter this? They accelerated forward some of the savings so that they could start earlier, and they started to hold back on the timing of recruitment of officers in order to create a savings pot. So we built up a pot of money from savings to set up against the shortfall. When I discussed this with my Scrutiny Panel, and it has come through in the reports, there was still a £600,000 gap over the 3 years which we would need to find. We do not know where we are going to find it from but we were confident that we could find it. I also said that I would report back to the States as to how things developed, and I am pleased to say that, if we are working on the same

basis of calculation in general as we were when we came up with the £600,000, we now think we are down to a gap of £350,000. The problem is that if this arbitrary approach which has been taken in relation to matters is going to apply, and if I am going to still be able to provide the £200,000 for those 2 years which I am being asked to provide, then my gap goes back up to £750,000. That is completely and utterly arbitrary. Senator Ferguson has criticised departments for funding growth out of carry-forwards. This is not growth, this is just a new means of funding what we have done for a very long time. It is not real growth. But in my opinion, and I hope in the opinion of Members of this Assembly, for a department to do what we have done to anticipate the shortfall, the delays, to build up a fund in advance, is very good and prudent management. So I am making a case for the part of the amendment of the Council of Ministers, which includes these £200,000 sums for those 2 years, why we should keep them.

Deputy J.M. Maçon:

May I propose the adjournment, Sir?

LUNCHEON ADJOURNMENT PROPOSED

The Bailiff:

The adjournment is proposed, so the Assembly will reconvene at 2.15 p.m.

LUNCHEON ADJOURNMENT

[12:45]

[14:16]

The Bailiff:

Now we resume the debate on the amendment of the Council of Ministers to the amendment of the Corporate Services Panel. Does any other Member wish to speak?

1.3.8 Deputy K.C. Lewis of St. Saviour:

I will be brief. The main argument regarding the T.T.S. certainly is that the uncertainty over the funding treatment and disposal of ash between the 2014 and 2015 programme would lead to the requirement to build a new A.P.C. (Air Pollution Control) ash cell at an approximate cost of £1 million to £1.2 million in 2013 in case funding would not be available in future years. The concession to funding in 2015 from the Council of Ministers relates to timing only. 2014 could still be a problem for T.T.S. It costs approximately £1.2 million for a high specification A.P.C. cell and takes several months to build. T.T.S. could not be in a position where it did not have suitable storage or treatment identified for A.P.C. residue, and it is not possible to turn off production from the energy from the waste plant. A.P.C. should not be stored in a normal ash cell, as requirements for leachate monitoring and higher strength liners are greater than with I.B.A. (Incinerator Bottom Ash) cells. The effect of amendment 9 as unamended would therefore be to bring forward a funding requirement in advance of when it was proposed by the Council of Ministers. If there is uncertainty over the funding for 2014 and 2015, then the department would be forced to spend £1.2 million in 2013 in order to mitigate the risk of not getting funding in future years; instead, funds would be better spent treating A.P.C. residue as soon as possible in order to avoid having to build high-strength cells which could only be needed until the budget is available to commence export and treatment; in effect, giving the States a choice will result in increased short-term costs. A duly reasoned request for export of A.P.C. has been submitted and we should know by the end of this year whether we could go ahead. The preferred option would be to commence A.P.C. export and treatment as soon as possible subject to agreements and contract. If that is the case, we could trial this during 2013 using funds set aside for cell construction, but that would mean we would not be

able to construct a new A.P.C. cell. If we did not get the funding for 2014 then we might not be able to continue the export programme and have nowhere to store the A.P.C. residue from 2014. Thereby, I urge Members to support all the amendments.

1.3.9 Senator F. du H. Le Gresley:

There have been some excellent speeches this morning, particularly from the Chairman of the Corporate Services Scrutiny Panel and other members of that panel, and I have been very impressed with what I have heard. But, as always, there is a “but”. I understand where they are coming from and that is why in my particular case at Social Security I offered back the funding that we had set aside or had made provision for for supporting the residents who live in the private sector in relation to the Housing Transformation Programme, and that has remained as something we have, in a way, handed back to be held centrally. The other part that Scrutiny were suggesting I should give up is money for the new discrimination law. For those Members who were not in the Assembly when this was debated, I should remind people that we have been trying to produce a discrimination law for the best part of 10 years. Under my colleague, the Minister for Home Affairs, he has previously in budgets had money to introduce a discrimination law but that money has often disappeared into other more pressing needs. I cannot remember exactly what he used it for last time, but it certainly disappeared quite quickly and therefore the momentum was lost. I am certainly determined and we are at a stage where I am very hopeful we will lodge before the end of this session before Christmas our draft discrimination law with the first attribute or characteristic of race. I am very confident we will get there. So, really, to take away the funding for 2014/2015, which, if the law was approved by this Assembly, when the law would come into force having been to Privy Council for approval, is to me sending out the wrong message that already what was a States decision back in July 2011 to instruct the Minister for Social Security to bring forward this legislation by the end of 2012, to suggest that the funding for that is held centrally and maybe not allocated because of other priorities, is really going backwards yet again on a decision, as I say, which was really brought to the Assembly some 10 years ago. So I urge Members to allow me to keep that money. In summary, what I would say about what Scrutiny are doing today is quite rightly they are being cautious, and we all have to be cautious with regard to the future, but I think the Council of Ministers have recognised what Scrutiny were trying to achieve and we have gone really as far as we can in identifying monies such as the money for the private sector rental support, which can be held centrally, because we have not made those decisions yet. We have not decided on the Housing Transformation Programme because it has not been lodged, so I have no problem with that money being held centrally but I do believe that some of the other items, particularly for my colleague the Minister for Education, Sport and Culture... his money is already committed. So really we are doing ourselves a disservice in identifying some of those amounts. I urge Members to support the Council of Ministers’ amendment.

Deputy M.R. Higgins of St. Helier:

Sir, can I seek clarification from the speaker? He mentioned obviously the Home Affairs Department were originally doing the anti-discrimination law. Was any money forthcoming from Home Affairs when you took over the job? Have you not already been funded for 2010?

Senator F. du H. Le Gresley:

There was, I think, a little amount of money for the drafting of the legislation, not the implementation of the law which will, of course, require information to be provided by J.A.C.S. (Jersey Arbitration and Conciliation Service) to the public, the Judicial Greffe to provide extra support to the tribunal so that is what this new money is for.

1.3.10 Senator S.C. Ferguson:

Oh dear. I did warn the Assembly about the shroud-waving and we are having it in spades. Firstly, to dispel any doubts, it was the Chief Executive who stated that the C.S.R. was finished and there was no C.S.R. 2 plan, so do not blame me for that one. The Minister for Treasury and Resources, in his extremely eloquent speech, even if he has not heard of Hayek and Mises **[Laughter]**, seems to think we can have a downgraded economic forecast and still achieve our income forecasts. I find that highly unlikely. The Council of Ministers keep assuming that our amendment removes certainty, stability and affects flexibility and, as the Minister for Social Security has just said, we are taking away monies. Rubbish. I am sorry if that is unparliamentary, but that is absolute ... I could use other words, but I will stick to “rubbish.”

The Bailiff:

I think stick to “rubbish”. **[Laughter]**

Senator S.C. Ferguson:

We agree that the Medium-Term Financial Plan should promote stability, but at a macro level; it should cover the overall financial position rather than giving primacy to individual departments. On consideration, the Council of Ministers’ counter-amendment seeks to restore ring-fencing to departmental funding, in other words, back into silos. One of the things we recommended was a rolling M.T.F.P. The departments should continually refine their bids within the budget setting based on the latest intelligence and evidence, usually on costings. We are advised that there is no reason why the budget should be locked into Deputy Le Hérissier’s straightjacket as a consequence of the fixed 3-year M.T.F.P. The opportunity to reappraise the position within the 3-year cycle should be seen as a strength, particularly as costings will change as a result of the latest prevailing conditions. Our adviser says that, notwithstanding recent concessions made by the Treasury on adapting the M.T.F.P. on a rolling basis, this counter-amendment seems to suggest that no such adaptation is in practical contemplation. We cannot have a system whereby everything is fixed for 3 years as of now with no chance of altering it unless the Council of Ministers bring an alteration. I am sorry, that does not work. It is possible that certain projects might need to have a ring-fenced status. That does happen, to promote confidence or requirements in preparation for statutory or demand-led commitments. Our adviser comments that: “The Council of Ministers has employed a fully-considered approach in the identification of the critical workstreams that require a firm, committed advance decision.” I did say I was quoting our adviser. But he also says: “It would also be our consideration that the original amendment should not place any of these initiatives in jeopardy as a result of revised annual scrutiny envisaged by the amendment.” We have the question of value for money which has already been identified and mentioned by Deputy Vallois and, if I quote from the report that we had: “The significant extent of flexibility which departments have in the management of resources and our assertion that this may have promoted a weakness in embedding a value-for-money culture within departments, this being evidenced within the highly incremental budget process, difficulty in tracking underspends and the apparent ease within which underspends and contingencies can be utilised. In a period of significant uncertainty, it has been the practice of most public organisations throughout the world to adopt a more centralised and less flexible and more controlled approach to spending. While we are aware of certain improvements in financial performance reporting, it would be our position that the States of Jersey would benefit from more rigour being applied to ensuring that resources are spent for the specific purposes that they were intended and that costs are managed rather than budgets.”

[14:30]

You will recall that we can decide today on the M.T.F.P. and next week the departments can move monies round as they wish: “and our adviser was also concerned that a fixed commitment would fetter the States’ discretion in a way that would prejudice pre-contractual procurement negotiations

from taking place.” His final comment was: “This would suggest there is an intention to enter into a contractual relation well in advance of the planned activity taking place and without the detail being ventilated by chief officers and debated by Members. Without such transparency, this is counterintuitive to best practice. If there can be clearly-defined benefits of the ‘in advance’ approach then, in that case, there should be transparency relative to the procurement benefits of such an approach.” Members will also recall my comments in my original speech on the amendment, we were extremely careful to pick projects for which there was no funding listed in 2013. What this amendment has flushed out is the degree to which underspends and carry-forwards are still being utilised as a method of funding in the short-term or that activities were already being financed from the base budget. The Minister for Home Affairs has already explained to me that his growth bid is not really a growth bid, it is a forward planning bid and I wonder, perhaps the budget in December should include a glossary of terms used and their meaning in the Council of Ministers sense, because it is not the same as my dictionary. I will repeat again, our amendment is not a macho exercise in budget cutting. It is an exercise in prudence. It adds structure and discipline to our forward planning. On the other hand, the treatment of our amendment by the Council of Ministers has, I regret to say, reverted to the silo mentality. This counter-amendment not only reduces the growth funding pot but seeks to restore the ring-fencing of departmental funding. As our adviser says: “It would be our considered view that the original amendment should not place any of the Council of Minister’s initiatives in jeopardy as a result of revised scrutiny envisaged by the amendment.” 2014 and 2015 are too uncertain. We must be prudent, and this amendment reduces our amendment to absurdity. I ask Members to reject this amendment and I obviously will be asking them to agree the main amendment. Thank you.

1.3.11 The Deputy of St. Ouen:

On 19th July last year the States approved amendments to the Public Finances Law to enable the introduction of this, the first Medium-Term Financial Plan. It was proposed then that the current Annual Business Plan and budget are replaced with an initial major debate on a Medium-Term Financial Plan which will determine a tax and spending envelope for a period of years. Again, that is what we are doing today. However, it also acknowledged and agreed that in addition, annual budgets will be proposed over that period which provide the annual proposals for tax, funding and variations to expenditure within overall limits. The objective was to provide greater control of States spending, certainty for departments over a period of time, but also to retain sufficient flexibility to manage emerging pressures and changes in priorities within overall spending limits. The States Members were told that the Minister for Treasury and Resources would prepare an annual budget in each year of the period of the Medium-Term Financial Plan. It would propose the individual tax funding and any borrowing proposals for the budget year and any transfers between funds or reserves. It also said that the Minister would, in consultation with the Council of Ministers, set out proposals for allocations from the annual growth for the year agreed in the Medium-Term Financial Plan, the departments’ spending limits, capital projects and a simple contingency, with any balance to be returned to the Consolidated Fund. The growth allocation is proposed to recognise that priorities may change over the term of the Medium-Term Financial Plan and that emerging pressures may need to be addressed. It provides a flexibility for not only the Minister for Treasury and Resources after consultation with the Council of Ministers, but perhaps more importantly, this Assembly to consider and address such challenges annually but still remain within the overall Medium-Term Financial Plan spending limits. It will be agreed this week. Information also would be provided to support the individual departments’ cash limits for the budget year. Now we come to the various issues that certain Ministers have raised today. First of all, it is quite appropriate that those issues are indeed acknowledged today, that the funds are held centrally and that when we arrive at the budget to consider the 2014 year that those proposals, as with many others, and indeed perhaps emerging pressures that the Council of Ministers identify,

will be brought to this Assembly to determine how we deal with that matter. Currently it is the case that if we approve the Medium-Term Financial Plan as proposed by the Council of Ministers, that there will be no opportunity for this Assembly to address and deal with those matters and spending pressures that may arise. The Minister for Treasury and Resources will say: "Of course there is. You will be agreeing the capital programme." I have been here for 10 years and I can tell you something for nothing: the first thing that goes is the capital funding to meet revenue expenditure. And, I hasten to add, that is why we have the problem with our infrastructure that we have today and I look to the Minister for Health and Social Services and the issues that she has raised recently regarding our hospital. I have seen over a period of time figures of £55 million being allocated to a capital programme to be reduced year-on-year to £15 million; no wonder we have a problem. The Minister is now suggesting that that is the only way that this Assembly can deal with spending pressures, because all the growth and the majority of the contingency has been removed. I must admire the Minister for Treasury and Resources because he is a great champion of education, sport and culture and he mentioned earlier that the Education, Sport and Culture Department cannot wait for the money to support higher education, therefore we have got to agree it now. I would like to remind Members, both new and old, that last year and the previous 2 years I was the Minister for Education, Sport and Culture and in the 2012 Business Plan a total of £2 million was allocated to the department to support higher education. A potential budget shortfall of £1.2 million and £800,000 for a current budget shortfall, linked to H.E.F. (Higher Education Funding). Two million pounds was allocated to the department to deal with this particular issue, because everybody recognised it was important. I would also like to draw Members' attention to the very useful information that the Minister for Treasury and Resources kindly provided to States Members which is entitled "Medium-Term Financial Plan 2013 to 2015 - addendum." The pages are not numbered, but if you have it with you I would like you to turn to the last part of the savings proposals: "Comprehensive Spending Review, Department Savings Proposals" and you look at the Education, Sport and Culture Department, you will find one particular line which I would like you to think about. This is the savings; just remember that. It says: "Savings" not "Growth." support higher education, for which there is absolutely a need, and then the Council of Ministers, by sleight of hand, can take the money out a year later. **[Interruption]** I am not going to give way, Sir. The Minister will have plenty of time to respond. Speaking of the Minister for Treasury and Resources, I did look at the transcript to the debate which was related to the draft Public Finances (Amendment No. 3) (Jersey) Law, and in his opening speech the Minister for Treasury and Resources only a year ago said: "These new proposals allow for flexibility within total spending limits with the introduction of new central allocations for those contingencies in growth." Nothing else: "In growth." "The introduction of these should enable the States [us] to manage emerging pressures and of course changing political priorities within the overall preset spending envelope." He also then went on to say: "Throughout the consultation and drafting process, we have been extremely conscious of the need to ensure that there is some ability [some; and I will come back to that] for the States Assembly annually to deal with emerging spending or political pressures within a 3-year period." He went on: "I believe the introduction of the growth funding arrangements goes some way to meet Members' quite legitimate expectations that if political priorities do occur within a 3-year plan there should be some element of possibility of allocating new money to political priorities as they emerge." Later, in a response to Members' questions, the Minister for Treasury and Resources said: "In 2014 we have pencilled in for the first time and announced last week that £10 million recurring money should be available for growth. That is £10 million which we think is affordable within all the decisions that we are making against the backdrop of delivering the Comprehensive Spending Review." I would have thought that this is the right amount of money for this Assembly to have a proper good argument and a proper debate about political priority.

[14:45]

I have used these quotes to underline the fact that this Council of Ministers, together with the Minister for Treasury and Resources, seem to have chosen to remove the ability of this Assembly annually to deal with emerging spending or political pressures within a 3-year period, even though the Minister for Treasury and Resources and others assured the States that this would not be the case. Again, let us not forget that last year the Minister for Treasury and Resources announced that there was £41 million of underspend, partly made up of £13 million that was unspent contingency funding. Again, contingency funding, perhaps for the newer Members who are not aware, was designed to provide for unforeseen expenditure. Did the States have any ability to agree how that money was used and for what purpose? No. The whole £41 million, including the £13 million of contingency funding that was not required, was spent. We as a panel are simply asking for relatively small sums of money to be set aside and held centrally to allow this Assembly some flexibility (not a lot), some opportunity, should I say, to deal with political pressures as they arise. Otherwise, it is true of what many other Members have said, that what will happen is that because we are signing up to balanced budgets, if expenditure increases above that that is agreed, the only option and the only opportunity for this States Assembly will be at the budget time to agree tax increases of one shape or form. That is what we will be left with if we remove and we do not hold back centrally, some of this funding. It does not mean to say that the Ministers who do require the funding in 2014 and 2015 cannot properly come to this Assembly at budget time next year and bring forward their proposals as was promised and agreed within the amendments of the Public Finances Law, for this Assembly to support their proposals and deliver the growth required. Again, I come back to the fact that it is growth. We have heard a lot about: "It is carrying on business as usual." No, it is not. It has been identified for specific purposes that require that money. For any member of the public, generally if you have not got the money in your pocket you do not spend it until you know you have got it. What we are saying is that yes, we acknowledge that the departments need to have minimum budgets; they need to have that certainty. They have got that flexibility because even if the underspends fall back to normal levels, we could be talking of anywhere between £22 million and £30 million. That is the flexibility for the Council of Ministers to use when they want to deal with different issues, but they are required, and Ministers are required and departments are required, to prioritise. This is not a case of: "Just spend what you have got" and let us not forget that the Minister for Treasury and Resources has also said that this year the taxable income could be £7 million higher than anticipated. Do we see any proposal in this Medium-Term Financial Plan to put that £7 million aside, back into the Stabilisation Fund, for argument's sake? No; that will go into the pot and, like last year, that surplus will again be spent and legitimately able to be spent by the Council of Ministers if they so choose. I would like to end with the words of the Minister for Treasury and Resources, spoken when he was summing up the debate on the amendments to the Public Finances Law, again, as I said, just over a year ago: "I deeply regret the message that may go out that Members have been disenfranchised, because they have not. They have been empowered because they are going to be able to make decisions on the really important issue of the allocation of growth." Sadly, some may say that Members were right to have concerns, as I believe presently, and if the States Members do not support the panel's amendment we will have been disenfranchised by this Council of Ministers. I believe each and every Member should have the opportunity to influence, on an annual basis, the allocation of funding to those emerging pressures or priorities within the overall spending limits and I ask Members to recognise and acknowledge their right in being able to do so, and reject this amendment. Thank you.

1.3.12 Deputy M.R. Higgins:

I am pleased to follow the previous speaker, because my concern with what we have been hearing is to do with the level of accountability of Ministers and the role of this Assembly. We have seen, since Ministerial government came in, the concept of the corporation sole where the Minister is the

sole person deciding things, whereas under the old committee system more people were scrutinising what was going on. Now we have Ministers making the decisions based on the information they get from their civil servants. Unless Scrutiny pick it up or the Assembly scrutinises what is going on, the Minister just takes the advice and signs off the Ministerial order. We also know that Ministers are allowed to allocate their budgets as they like, so no matter what we say and what we say in this Chamber and everything else, when the bottom line comes down they have got their sum of money and they can move it around as they wish. Although we spend lots and lots of time in this Chamber debating individual items, it is a total and utter waste of time because they are going to do what they want anyway. We have also seen more and more decisions being made by Ministerial Decision. How many of us are keeping up with them all? How many times do they come back to the Assembly for the view of the Assembly? Less and less. We are also starting to create more and more bodies, whether they be shadow boards which then become full boards and are basically a privatisation of States enterprises which means you have less control. Look at the issues when it came to whether it be the J.E.C. or whether it be to do with Jersey Telecom; we cannot touch them. The only person who can speak is the shareholder, which is the Minister for Treasury and Resources. We have no real say. We can say what we like, no influence. Effectively, the States is becoming totally ineffective. Bit by bit the powers of this Assembly are being eroded and I think this amendment needs to be defeated by the Council of Ministers and I think we need to support what the Corporate Services Panel are doing, otherwise we are giving away more and more. In fact, I know some of you do not like being here anyway, and the thought of being here for 2 days, and the possibility of a third is totally outrageous for some of you, the point is we need to be here doing our job. In future, we will be here one day or even less, half a day, if these powers are constantly handed away. I am just saying to you, please take a stand once and for all and on this particular issue try and exercise some control over what they are doing with the money. Thank you.

1.3.13 Senator I.J. Gorst:

If you just bear with me while I get my shroud. I would like to start by thanking Deputy Maçon for his lunchtime services. I greatly appreciated that, and the reason I start with him is because I wanted to start with his comments before the lunchtime recess. Be absolutely clear, the Council of Ministers was aware of exactly what it was doing when it was allocating and saying: "These are services which need to be funded from growth money." It knew what the law said and it was asking and is asking today for the States generally to agree that, because these services are required. So we have not done it with our eyes closed; we have done it rightly in an open and proper fashion, and I believe the approach that we have taken is open, is transparent, and is appropriate. So I want to thank once again the Treasury and Resources Department for the many hours of work that they have put in providing this detailed information about how money is being saved and about how money is to be spent over the next 3 years within the law. I believe they are to be congratulated. We have provided, as a Council of Ministers, more information than ever before about what departments are doing, how they are spending their money, the pressures that they are under and the services that they believe need to be provided arising from the Strategic Plan which this Assembly overwhelmingly supported earlier this year. We make no apology for that; we believe it is absolutely the right approach to come forward to the Assembly with pressures, funding, and new services to be delivered in an open and transparent manner. It would have been unconscionable for us to have retained these monies in growth pots and not to have said what the pressures were, what services we believed needed to be delivered arising from the Strategic Plan, and where the pressures already were within departments, and not giving that information and providing that to this Assembly. We, I believe, have done exactly the right thing and we have done it to provide that openness, transparency, and clarity around where money might be spent. We do understand the principle that Members of the Corporate Services Scrutiny Panel have spoken about during the

course of the morning when they said they are concerned about flexibility in the M.T.F.P. They are concerned about growth projections. I think other Members and I think the Minister for Treasury and Resources very ably addressed those in his opening comments about this amendment. The Chairman of the Scrutiny Panel admitted in her own comments that, even with her advisers' downgrades, it was still within the bounds of the M.T.F.P. if not quite the central assumptions. Other members of the Scrutiny Panel suggested that Ministers were wrong - and this is a theme that the Chairman and Deputy Young visited - to talk about individual services that they are going to be providing to the public; we should simply look at the overall numbers and that was a sufficient way of dealing with this amendment and that was the appropriate way. I am afraid I do not accept that argument and I do not believe that it holds water from the perspective of the Scrutiny Panel either, because if you look in the M.T.F.P. the amount of growth that the Council of Ministers are asking to be allocated to provide services is beyond the amount of the amendment. Therefore I fail to see how it is that the panel can come forward with that argument when they themselves have obviously been through the growth bids on a line by line basis to reach the global sum. Therefore, that leads me to the conclusion that it is only right for this Assembly to understand that it is being asked to say yes or no to that line by line service provision because that is exactly how the Corporate Services Panel have arrived at their amendment, and they cannot have done it any other way, because they have not put in a removal of the full amount.

[15:00]

While I am talking about shroud-waving - and I am always open to accept criticism where it is appropriate - I feel that to a certain extent the Scrutiny Panel themselves have entered into an element of that activity by suggesting that if Members do not accept their amendment then we will see tax rises. This is a very carefully and appropriately crafted Medium-Term Financial Plan with flexibility included in it. We know that the future is uncertain, but there is flexibility to deal with that uncertainty. We have been open and transparent about the services that we wish to provide and where funding pressures are. It is absolutely the right thing for us to have done. We cannot escape this afternoon the argument: "Is it the right thing that we set up a London office? Are we satisfied with our representations and our relationship with the United Kingdom, or do we want to strengthen it?" To my mind, there is an overwhelming answer to that question, and that is we, as a jurisdiction, have no choice but to strengthen these relationships, to build those relationships and to be out there in London arguing our case and leading inward investment. Do we want to strengthen the Jersey finance offering in the Middle East? Other members of the Scrutiny Panel have said we cannot afford to keep these growth monies in the M.T.F.P. because we are worried that economic growth might not be what we are projecting, although that is another issue. I would say we cannot afford not to keep these in because if we do not we will not be growing our economy, we will not be getting inward investment from the city, from the United Kingdom and from the Middle East. We cannot look at it from the other way. We should be strengthening our operations. We should be getting and encouraging inward investment and I know that the Minister for Economic Development could talk for hours on that subject, so I shall not. Education: are we really saying that we are not prepared to meet the growing costs of university education? Are we really saying that we are asking the Minister for Education, Sport and Culture to have to cut the support that he is providing to our students at a very time when we see a growing disquiet with the current level of support? I do not believe we are. I do not believe that any Member wants to do that. Yes, the Scrutiny Panel... I am sorry, the Deputy did not seem to give way previously. I do not, therefore, believe that that is right. The Minister for Treasury and Resources, I have no doubt, will go on and answer the Deputy's individual concerns that he raised but I believe he, himself, knows from experience that they are 2 different issues. Are we saying - and I cannot accept this for a minute - that the modernisation of the Human Resources Department is fit for purpose or we should let it limp on for another year or 2 while we make a decision? I do not believe that that is the right

approach. We are not afraid of tackling issues and this M.T.F.P. is going to allow us to tackle issues because it will provide the funding and the resource to deal with the issues that we know are before us and I believe that this Assembly knows is before it and this Assembly knows need to be dealt with. The Chairman of the panel attributed a couple of remarks made by the Chief Executive Officer to P.A.C. (Public Accounts Committee), I believe, at the end of last week or at the rate we are going it was probably Friday, when he said that C.S.R. 1 was complete, as in the proposals are before us in the M.T.F.P. and that will see the completion of C.S.R. 1. He is quite right. We are not undertaking a Comprehensive Spending Review 2 in the same way that we undertook the first Comprehensive Spending Review. What we are doing is looking to modernise our service and create sustainability to limit the future growth of spending. We are trying to use - and I hesitate to use this word because the C.S.R. was absolutely necessary to face the issues that we faced at the time - a more intelligent, a more collegiate, a more combined approach from the bottom up to delivering savings and making a sustainable future for the public sector. Again, I believe that that is the right approach. She also spoke about contingency planning, I forget all these Latinisms, the Corporate Management Board anyway had been asked to undertake. I cannot think that there is one Member of this Assembly that would not expect the Council of Ministers to ask its officers to prepare for known circumstances in the future. That is absolutely right and that is what we have asked them to do. But we cannot use that and say that: "If that is the case, if you are doing contingency planning, you can accept this amendment because then you can go and do those other", what would, without a doubt, be very difficult if we were asking for short-term cuts like we had to go through in the C.S.R. process. I have mentioned this throughout the course of the last 2 days, the Council of Ministers where it is felt that Members had very strong reasoned arguments, we have tried to find other ways of providing the services that they are asking to be provided. In this instance, where the Corporate Services Panel has spoken about the principle of creating a bit more flexibility, looking to see if we needed to provide the services quite in the time that we have allocated, we have tried to meet them. I recognise that it is not quite half way and they have argued their case today but we have tried to meet them, we have tried to understand and accept their argument and their principle. We have gone back through our lists in a robust way. Do not forget we have been through 7 iterative processes to get to the amounts that we have got in the M.T.F.P. We have tried to be reasonable and, therefore, I think that some of the passion you might have felt in Ministers' speeches today was just hoping that the Corporate Services Panel perhaps could just see that we had understood what they were saying, we had understood the principle that they were articulating and perhaps they could just meet us at the halfway point and accept our amendment. I suppose that is why we have been speaking perhaps so passionately this afternoon because we have tried to be reasonable. That is exactly the approach that we have taken to all amendments. It is exactly the approach that we have taken to this amendment. It is for that reason that I ask Members to recognise that fact and to accept the Council of Ministers' amendment to the Corporate Services amendment for the very reasons that I have outlined. These are services which I believe need to be delivered, are to the benefit of our community and they are the right thing to be doing if we wish to secure our long-term future.

The Deputy of St. Ouen:

As a point of information there are 2 methods that I would like the Chief Minister to address. First of all, would he confirm that on page 3 of the amendment it clearly spells out...

The Bailiff:

I am sorry, Deputy, you cannot have a second speech.

The Deputy of St. Ouen:

No, Sir, I am asking for a point of information because he has misled the House. He has suggested that it is not clear as to how the panel selected the items to be held centrally for 2014 and 2015. It clearly spells out on page 3 of our amendment in very plain English and, secondly, he also...

Senator I.J. Gorst:

Yes, I would be delighted to answer that point, if I may. The Deputy makes exactly the point that I was raising. Members of the panel have suggested that we should simply look at a global amount, we should not be looking at a line-by-line basis. My point was that the panel themselves have looked at a line-by-line basis and now they are asking us not to do so.

The Deputy of St. Ouen:

It does not say that. It says quite clearly and I have to address...

The Bailiff:

Deputy, we cannot now have these sort of...

The Deputy of St. Ouen:

Please, Sir, but you have allowed the Chief Minister the opportunity to mislead this House.

The Bailiff:

No.

The Deputy of St. Ouen:

The whole point is that this amendment...

Senator B.I. Le Marquand:

Sir, I rise on a point of order.

The Bailiff:

One moment, please. Right, do you want to raise a point of order?

Senator B.I. Le Marquand:

A point of order, Sir. With regret, the Deputy of St. Ouen is a good friend, but I thought that the Chair had ruled out Members talking about people misleading the Assembly without saying it inadvertently or something of that nature. Sir, I have to raise that point.

The Bailiff:

That is absolutely right, Deputy. You cannot accuse another Member of misleading the House.

The Deputy of St. Ouen:

Sorry, Sir, but it clearly states...

The Bailiff:

But if you make it clear that he has inadvertently done it, Deputy.

The Deputy of St. Ouen:

The Minister suggests that we have been selective...

The Bailiff:

Just make it clear that you are not accusing him of deliberately misleading the Assembly.

The Deputy of St. Ouen:

Okay, I take that back. It is just that inadvertently the Chief Minister has made the suggestion that we have made some arbitrary selection. It clearly says that these are only schemes that will start in 2014 and 2015, that is the only selection process that we have gone through. We have not itemised and gone through line by line. We have simply taken the information provided by the Chief Minister and identified those areas of growth that will start in 2014 and 2015.

The Bailiff:

You have got your clarification, Deputy, and if anyone...

Senator I.J. Gorst:

Sir, I am not sure if you would like me to clarify further because in the...

The Bailiff:

No, I do not think so, I think... **[Laughter]**

Senator I.J. Gorst:

Okay, thank you, Sir. I am delighted not to.

The Bailiff:

I think that the clarification will be a misnomer for what has just occurred. Does any other Member wish to speak? Deputy Le Hérissier.

1.3.14 Deputy R.G. Le Hérissier:

Just a minor point to clarify and to assist Deputy Reed in a statement he made. I do take his point about matters like higher education funding but he gave the impression that the Education, Sport and Culture Department, after his stewardship, had engaged in a game of the Lord giveth and the Lord taketh, like he said savings were made and then money was paid back and so forth. I should add, he mentioned £1.5 million in savings. The reason that saving was made - it was almost a serendipitous kind of action - was that the Deputy was able to ring-fence savings by putting off an increase in higher education fees.

1.3.15 Deputy J.A. Martin of St. Helier:

I will be brief. I am slightly concerned at where we are and I do not know if the Council of Ministers, bringing this amendment to the amendment, has really helped us because I think it is a matter of principle. Deputy Maçon is nodding at me but he is probably not going to agree with the rest of what I say **[Laughter]** because I did listen to it. We went to a Medium-Term Financial Plan for 3 years and I will have to quote from the amendment. We are asking to hold this money back. Whatever money you decide, which is the amendment and I will possibly support the Council of Ministers' amendment, but I just think they have muddied the water, we are on this 3-year cycle now. But if you read the amendment the Corporate Services Panel want to go back to yearly decisions in the budget debate, which is a collection... we have a budget debate in a few weeks' time. This talks about some sort of certainty and bid growth and new monies. But I mean up here somewhere, strategic and policies, we have already discussed. I do not think anyone disagrees with the direction that we are going in and on over the next 3 years, I mean high level figures of £1.5 billion. We want to bring back a tiny percentage, according to the Deputy of St. Ouen, not to spend because we have not planned to spend it or we might not have it in his pocket. I thought this is what the plan was doing. We are planning to spend it. We are planning to collect the money. Deputy Higgins says it is a straitjacket. I bring it back down to fundamentals, did we want to go through a 3-year plan? Did we want to give certainties to departments? Yes.

[15:15]

Did we want to give new things that we are starting? They are not new, they are much more of the same. We have just found out that we have got another 10,000 people living in Jersey. We are going to need more education. We are going to need more Home Affairs. We are going to need more of this, this and this, especially housing, and I am looking at the Minister for Housing. Fundamentally, if the departments that the Treasury have gone back to and said: "We can live with this part of uncertainty" and it brings it down to about £3 million. As I say, on a base budget of over £1.5 billion over the next 3 years it is probably worth supporting. I am talking in bits and pieces and listening to, we need control, we want it to come back here, we want to discuss that. We cannot do it now in the M.T.F.P. because it is for 3 years or what was the Annual Business Plan, so we will do it in the budget about every year and then we will decide strategically where we spend this money. That is how I am reading this on the bottom line. I had a problem with this when it was sent in to us at the Société. I get where the Corporate Services Panel are coming from and I do not agree with them. I think you either fundamentally agree we have a Medium-Term Plan for 3 years and, as I say, unfortunately the Council of Ministers to me, with the Corporate Services Scrutiny Panel, they have muddied the waters because they say that we can do with half and cannot do with half. They thought that the panel might be happy with that, obviously they are not. To me it is fundamental which one you agree with and I do not think fiddling around every year on the budget to decide on growth bids is the way to go. I would probably like to not support either. I would not like to support the amendment and I would not want to support the amendment to the amendment either. I am still thinking about it and I will listen to how the Minister for Treasury and Resources... I think we are around to the Minister for Treasury and Resources summing up on this one. It has really confused me and I cannot see that this debate is in the right place. I am quite happy we have a Medium-Term Financial Plan. Figures are very high and we seem to be trying to tinker around, which there probably could be some very fundamental schemes that could have long-term effects if they are not implemented and then the growth is there for it. I am still thinking. I probably will not support anything.

1.3.16 Deputy G.P. Southern:

That sounds like a definite maybe from the Deputy of St. Helier. What I want to say is that, as I heard the Chief Minister saying, are we saying that we want to cut the education budget so they cannot fund our education properly? Surely we are not. Surely we will not want to do that. I looked around the room and I saw members of the Corporate Services Panel in front of me, when he started saying cuts, they are all shaking their heads like that. The Deputy of St. Ouen, Deputy Maçon, Deputy Young, et cetera, all shaking their heads. I am thinking, yes, they are not cuts, they are just putting the money into different pots. Then I was reminded of Deputy Higgins' statement very clearly that what we are doing with risk is that we are giving up all control in this House of either what we spend on or the budget. I do not believe that is the way to go. The fact is that what the Corporate Services want to produce is put in the money and delivering it in a different way, that is what my belief is. Then I also heard the Chief Minister start talking about how much better the cuts mark 2 are going to be than the cuts mark 1 was, using the word "sustainable", using the words "modernise" and I believe I heard "collegiate". Sustainable is a word we have been using in this House for the last 10 years at least. When I first heard it we had a debate on population growth, I think it was, and the use of the word was being bandied around, sustainable, sustainable, sustainable, left, right and centre, from people who had vastly different estimates of what population growth we could sustain. They are all convinced that while one mark was sustainable and another mark was sustainable, we had 53 Members then and I think we had 53 versions of sustainable. Again, I am getting this feeling sustainable means what you want it to mean and certainly has done in this debate. In particular, also, the use of the word "modernise". The modernise word first came into real currency through Tony Blair I believe and, once again, it meant a number of things to a various amount of people. Modernise, quite frankly, is a weasel word

which could mean anything and every time I hear it that is what I think, it is a weasel word. I think unless the Minister for Treasury and Resources can convince me otherwise, for once I think I will be voting along with Senator Ferguson, which quite shocked me, so we shall sit down before I fall down.

1.3.17 Deputy G.C.L. Baudains:

I will be brief. It does seem to me Ministers proposing that we need less flexibility than the Corporate Services Panel are asking for. When the Minister for Treasury and Resources sums up I wonder if he could advise us how that position squares with the comments of the Fiscal Policy Panel where they say that their assessment of the economic outlook for the Jersey economy has been downgraded for 2012 and 2013, that the panel cannot rule out that there is an underlying structural imbalance between expenditure and revenue and that the panel has had to make significant adjustments to the financial forecast presented in the Medium-Term Financial Plan.

1.3.18 Deputy A.E. Pryke of Trinity:

I will be brief but just picking up the points that Deputy Martin makes. I think she made some very good points. Going back to basics on the amendments by the Corporate Services Scrutiny Panel and you look on page 3 it gives the report about it but it says here: "This will allow the Assembly opportunities at the time in 2014/2015 annual budgets to consider how these growth allocations will be used" and very importantly in brackets: "If at all." Therefore, a lot of work has been done to get the Medium-Term Financial Plan to where it is. A lot of work by everyone concerned, the officers, all the front line staff of how we get here, all departments, all States Members and it was not just done on the back of fag packets. These schemes are important and the departments need to have some certainty on how they are going to go forward in 2014 and 2015. We are just tinkering at the edges. It is so important that we keep this Medium-Term Financial Plan as it is and so much work has been done. It is not like it comes back in 2014, if at all, that these projects might not be funded at all and that is certainly wrong.

The Bailiff:

Does any other Member wish to speak? I call upon Senator Ozouf to reply.

1.3.19 Senator P.F.C. Ozouf:

This is a really important amendment. We are depleted in numbers and I do hope that Members are going to return to the Chamber to listen to my concluding remarks. I have not got any shroud but I have got a large white folder and I am going to ask Members, if I may, to refer to some specific pages within it because I hope that it is going to help them to show just how much work and just how much positioning that we did in explanation of that. Before asking Members to turn to a specific page, I do just want to remind Members and there is criticism, I know that it is easy for, perhaps, people outside of the Council of Ministers who might not have been aware of some of the work to criticise. But I would just remind Members of the sections in this document which have shown and unpacked the decision-making through the process of the M.T.F.P. if those Members did not, because many Members did, go to the many briefings. Senator Ferguson has criticised, she criticises quite a lot. But can I just remind her and others, before they criticise about the individual choices that the Council of Ministers made and whether or not we are being really transparent, there is a section on looking ahead other pressures affecting the deficit from page 90. There is a section on looking ahead of budget measures and budget reductions, going through in detail all of the different issues that were in and out. There is a section on looking ahead at budget contingencies and growth allocations, going through exactly the iterations that we went through to try and deal with effectively trying to get a quart into a pint pot. There is a section on carry forwards, much criticism of carry forwards that we have heard time after time again. The Council of Ministers is secretive. Its allocating carry forwards is in an inappropriate way. There is a section in this report

documenting line by line every single decision made. I ask Members to turn to page 68 of their white files, and I will come back to that in a minute if they just want to glance through it. I will come back to that but I will just refer to some of the questions that have been raised. The Deputy of St. Martin, he is clearly earning a reputation in this Assembly as a thoughtful, hard-working - as many new Members are - Member of this Assembly and I understand his criticism. He is right when he said the original C.S.R. target was not delivered. He is correct and the reason for that is principally because we did not deliver on the full education numbers and we did not do the reductions in grants for schools. That is the reason why we did not deal with it, let us be clear about it. He was also right to say that we need to deliver more efficiencies in the longer term and I will come back to that point as well. I agree with Deputy Vallois and I am grateful and I am truly thankful for the work that Scrutiny has done. I am sorry that we are on opposite sides but we are trying to find a middle way. She was right to recognise the work that Scrutiny has done. She was also right to say that we did not have arrangements for contingencies in the past. She criticised, like many other Members did, when we brought forward 11(8) requests and that is why we have put contingencies in place and I have just got a point to make about that. I would like to thank the Ministers who have spoken with some degree of passion about the projects, that enormous work was done in order to try and safeguard their projects. To the Ministers for Home Affairs, Social Security, Education and the Chief Minister, I thank them for their remarks because this debate is about them and their services that they are trying to provide in their department. Senator Ferguson, I think I had 15 negative points from her and I will not go through them. She accused us of shroud-waving. I do not think that any of the projects that have been spoken about ... I do not think there is any Member that has stood up in this debate and said one of the things that the Council of Ministers is trying to reinstate should not happen. I think that is interesting because that is the consequence of this amendment. She compared our approach to Northern Rock. I do not mind having a good knockabout debate but, frankly, speaking about our Medium-Term Financial Plan and our financial plan in Northern Rock terms is, through the Chair to Senator Ferguson... I am not going to correct her.

Senator S.C. Ferguson:

Correction, Sir.

Senator P.F.C. Ozouf:

I also have to take exception to this issue that we have suddenly given up on a second C.S.R. We have done a C.S.R. and we have delivered her increased target over £50 million of £61 million worth of savings. The Chief Minister has said: "We plan to do more." One of the unintended consequences of a 3-year plan, which we have all said is a very good idea, is that it is quite difficult today to work out what those further budget reductions, which we hope were going to be able to deliver through efficiencies and technology and modernisation in 2014 and 2015 by underspending; it is quite difficult to say what they are there. Frankly, we are criticised if we do and we are criticised if we do not. If we put in particular issues of a C.S.R. saving there is no evidence to deliver. We are criticised, and we have heard some of that in the debate, and if we do not put anything in we get criticised at all. What we have actually said is we are determined to deliver a further efficiency and modernisation programme and that is going to give us some flexibility. I do not believe also that it is fair to say that there is a silo mentality at work at this Council of Ministers.

[15:30]

Perhaps that was true in the past but the fact is that Ministers and Assistant Ministers, together with the advice of Scrutiny, have worked together to reconcile problems and to find solutions to the problems that we face. Are there big problems? Absolutely. The reason why we have allocated

growth is because the economy is in a worse position and we have found that there are bigger service pressures that we thought were not as big in the past. The big elephant in the room - and she is not an elephant - is the Health and Social Services Department. That is the big issue that has effectively crowded out all of the other issues of growth. That is the real argument. That is the real issue. Are Members going to say that we should have pared down the health growth in order to put a bigger allocation for growth in year 2 and 3? That would be one way of doing it. I do not want to criticise a number of the people who have spoken against the Council of Ministers' amendment but those Members who wanted to make flexibility and wanted to get more growth... and I am very surprised at Deputy Southern. Deputy Southern is going with Senator Ferguson – apparently - who is saying that they want to make these budget reductions. The actual way of putting an increased growth allocation, if Members wanted to - with respect, having not one criticism of any of the line items that are being attempted to be maintained - the right way of amending that, with the benefit of hindsight, would have been to increase spending and put an increased growth allocation. That would have been, if I may say, the right way to approach it. I implore Deputy Southern, all of those issues which we are now compromising on, he cares about education, is he really saying that we are going to give education the uncertainty of the fact that there is not sufficient money in order to pay for those young people that are going through university? Yes, this is due to the fact that there are top-up fees and some increased numbers. The Deputy of St. Ouen is, frankly, unfair to criticise the current incumbent by saying that somehow the previous budget reductions were wrong. Education thought that there were going to be less children going through university. We now know that those numbers are higher and the Council of Ministers has responded properly and appropriately and put that growth in. I wonder if that is a fair criticism. I am not going to go into the other criticisms that Senator Ferguson made because I think that they are wrong. I will respond perhaps in the main debate to this ongoing litany of the fact that there is this inappropriate economic advice that is underpinning this plan in order to get certainty and economic growth back. I know Senator Ferguson has views about fiscal stimulus and, frankly, we are going to have to agree to differ. The Deputy of St. Ouen I have referred to in terms of his criticism of education. I do not think that that is fair. I think if he would be the Minister for Education, Sport and Culture he would be on his feet this afternoon saying: "Sir, I need this money. I need this money because these children are through education." It is interesting how tables are turned sometimes when you are in a different position but maybe he is not as close to the issues as he was in the past. I want to just address this issue of transparency and this argument of line by line. I ask Members to turn to page 68 because page 68 indicated and showed States Members and showed the public and all those people who have criticised the plan just what we were doing in order to fund projects; that we are going to have base-budget funding in 2014 and 2015 but they were going to be funded. I ask Members just to look at the colour coding. The colour coding says the yellow was going to be in base budgets as year one. The brown was going to be funded from contingencies or from carry forwards and was going to have base-budget allocations later. I have to say to Members we have not lacked in any degree of transparency in signalling the fact that these issues were going to happen. There is the London office, there it is. It is going to be funded from contingencies and then it was going to have an allocation for base budget. No Member can honestly say if they have read this, and I know there is a lot of information in here. No Member can honestly say that we were not completely clear the fact that we were going to put these allocations in future base budgets but we had asked the departments to find an alternative way of putting them in in another way and funding them in terms of carry forwards or contingency. I thank Deputy Martin for her wise words. She seems to be against the principle as a whole. I do implore Deputy Martin, if she would, can Deputy Martin please support the amendment as amended because we do risk losing everything if we do not and I do not think that is right? What we have done and we have shown that even though we believe that there was base budget arguments, we have gone and tried to help Scrutiny by putting some decisions back. We listened to Deputy Vallois and said: "No, there is a future decision in relation

to the housing transformation issue and we have put that.” There is uncertainty now for the Minister for Housing but the Council of Ministers accepted that. To Deputy Baudains’ question, if there is a structural imbalance - which we hope there is not and there will be if we are not successful in delivering economic growth and we will not be delivering economic growth if we do not get things like the additional office in London and the Middle East - then we are going to either have to do more cuts or we are going to have to go and get more growth in the future. But I am not going to be a Minister for Treasury and Resources in the next 2 years - if I am here - that is going to do anything else, apart from propose a balanced budget. I have stood in this place, I think for 9 years, arguing those issues. We have tried to find a middle way. We are absolutely understanding of Scrutiny’s position but I hope that Scrutiny will also understand the pressures that we are under, that we have had huge service pressures, huge demands from Health, huge demands about the economy and we have had to allocate a growth early. It is not perhaps ideal but nobody has come forward with a realistic alternative. I just repeat the fact that perhaps it would have been even more unpalatable if we would have done what perhaps Scrutiny really wants us to do which is to allocate a higher growth allocation and increase those real budgets but, no, we did not. We are trying to find a solution by funding everything, by doing some proper rigorous allocation of carry forwards and other available resources but we have been criticised to do it and so sometimes you just have to accept that you are going to get scolded either way. There were 7 iterations, they are clearly documented in the file. I am not going to say any more about that. Some Members are concerned about flexibility and I just want to repeat to Members, finally, despite the fact that there is a reduced allocation overall for growth as a result of this amendment and I implore States Members to accept this amendment. I would just remind Members that there are 4 elements, indeed 5 elements of flexibility that are still before us. There is the capital programme. That is to be allocated on an annual basis and we have shown how open we are to hear exactly how that should be allocated. There are contingencies of £19 million. I think that is a bold allocation for contingencies. I hope they are not going to be required by things that are unexpected but those contingencies are certainly going to be available for urgent political priorities and other urgent issues that we do not yet know. There is going to be the transparent process of carry forwards, including the holding back at the centre of additional wind-falled income, which, of course, does happen every year. There is going to be also the Chief Minister and the Corporate Management Board’s determination to deal with some further modernisation, which we do believe will yield some further reductions in terms of 2014 and 2015. I am afraid it is difficult to have your cake and eat it. We have faced a very difficult situation. I do not want to be critical to Scrutiny because they have done a very good job but they are asking us to do a generic issue of protecting a growth item where the unintended consequence of what they are doing is, effectively, meaning that individual projects will not happen. I conclude by saying there is flexibility and I ask Members to support the amendment to the amendment to ensure that (a) the reform of H.R. can happen, (b) the London office, which is desperately needed, can happen, (c) that Education can have the certainty for education grants, (d) that the Discrimination Law can happen, (e) that we can secure growth for economic development in terms of the Middle East and (f) that we can deal with the ash that the Minister for Transport and Technical Services has explained. I ask Members to support the amendment to the amendment.

Senator S.C. Ferguson:

May I make some corrections, Sir? I will not make a speech.

The Bailiff:

No, you cannot make a speech but if you say that you have been misquoted you must correct that.

Senator S.C. Ferguson:

I have been misquoted, Sir. I do not mind being quoted but I do hate being misquoted inaccurately: “Funding from ongoing activities by carry forwards.” I did not compare the M.T.F.P. to Northern Rock, I compared the practice of using carry forwards to fund ongoing activities. C.S.R. 2, it was not me. Honestly, guv, I did not say that. It was the Chief Executive who said it. I am sorry if I happened to be listening. Finally, what we are asking for is not a reduction in the budget. We have not asked for any reductions at all.

Senator P.F.C. Ozouf:

Sir, that sounded like a second speech. The C.S.R. 2 is called modernisation. Carry forwards are set out in page 68. I have to respond, Sir. Page 68 shows that there is one of...

The Bailiff:

I do not think you can respond. The Senator was simply clarifying things that she said had been misquoted.

Senator P.F.C. Ozouf:

I do not believe that they were, Sir, on, say, Northern Rock. I move the amendment.

The Bailiff:

Yes. The amendment then is moved. I received a note from one Member saying that he understood that certain new Members were not entirely clear as to the effect of an amendment to an amendment and whether it would help to explain. I shall certainly try and do so. **[Laughter]** But what has been proposed by the Corporate Services Scrutiny Panel is an amendment to the main proposition. What the Council of Ministers has then done has said: “We want to amend the form of that amendment.” Under our rules we debate that first. Members must decide whether they want to, in effect, change the substance of what the Corporate Services are saying in the way that the Council of Ministers is suggesting. If the Council of Ministers’ amendment is rejected then we will continue with the debate on the Corporate Services’ amendment as originally planned. If, on the other hand, the Council of Ministers’ amendment is accepted then debate will continue on the Corporate Services’ amendment as amended by the Council of Ministers. I hope that that has...

Senator I.J. Gorst:

Sir, in light of that, could you just clarify the voting for Members as well and new Members that might not be aware.

The Bailiff:

Yes. If you are in favour of the Council of Ministers’ approach on this amendment you will vote pour. If you are not, you will vote contre.

Deputy J.H. Young:

Sir, I am sorry to complicate your very lucid and clear explanation but can I just clear up whether that means the amendment to the amendment of the amendment is now incorporated into the amendment to the amendments?

The Bailiff:

Yes.

Deputy J.H. Young:

There is no separate vote on the amendment to the amendment to the amendment...

The Bailiff:

You are quite right, Deputy, but at the beginning Members agreed to take the Council of Ministers' amendment as amended by the Chief Minister's amendment.

Deputy J.H. Young:

Thank you, Sir. It was so quick I missed it.

The Bailiff:

That is incorporated, in other words, Members do not have to worry on deciding on the £2 million for T.T.S., that has been dealt with. Very well, the appel has been called for on the amendment to the amendment, the amendment being lodged by the Council of Ministers. The Greffier will now open the voting.

POUR: 33		CONTRE: 11		ABSTAIN: 0
Senator P.F. Routier		Senator S.C. Ferguson		
Senator P.F.C. Ozouf		Connétable of Grouville		
Senator A.J.H. Maclean		Deputy G.P. Southern (H)		
Senator B.I. Le Marquand		Deputy of St. Ouen		
Senator F.du H. Le Gresley		Deputy S. Pitman (H)		
Senator I.J. Gorst		Deputy M. Tadier (B)		
Senator L.J. Farnham		Deputy T.A. Vallois (S)		
Connétable of St. Helier		Deputy M.R. Higgins (H)		
Connétable of Trinity		Deputy J.M. Maçon (S)		
Connétable of St. Clement		Deputy G.C.L. Baudains (C)		
Connétable of St. Peter		Deputy J.H. Young (B)		
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. John				
Connétable of St. Ouen				
Connétable of St. Martin				
Connétable of St. Saviour				
Deputy R.C. Duhamel (S)				
Deputy R.G. Le Hérisssier (S)				
Deputy J.A. Martin (H)				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy of Trinity				
Deputy S.S.P.A. Power (B)				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy A.K.F. Green (H)				
Deputy of St. John				
Deputy J.P.G. Baker (H)				
Deputy S.J. Pinel (C)				
Deputy of St. Mary				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				

1.4 Medium-Term Financial Plan 2013 - 2015 (P.69/2012): ninth amendment (P.69/2012 Amd.(9)) - as amended

The Bailiff:

As I indicated, we now return to debate the amendment of the Corporate Services Scrutiny Panel as amended. Can I just say this from the Chair, Members quite rightly visited, in effect, the principle of the Corporate Services Scrutiny Panel amendment when discussing the Council of Ministers' amendment. One had to in order to make sense of it but I would hope Members feel that they have made their point on the principle of the amendment and would invite Members not to repeat themselves now on this amendment.

Senator L.J. Farnham:

Sir, may I ask a question? I just wondered if the Corporate Services Scrutiny Panel were unhappy that their amendment has been amended. Could they withdraw it?

[15:45]

The Bailiff:

If I might say so, it is a matter for them, is it not, not for the Chair? **[Laughter]**

Senator L.J. Farnham:

Just asking. There is quite a lot of nebulosity hanging around in the Chamber from this morning.

The Bailiff:

Does any Member now wish to speak on the amendment of the Corporate Services Scrutiny Panel?
Deputy Young.

1.4.1 Deputy J.H. Young:

Only to say that we have ended up with a very cut-down amendment which I think undermines the point of principle because what was very important to me that we were making an important procedural point where we thought improvements were necessary in how we approach the plan. What we were accused of is cherry picking, which was not true. The figures that we put forward in our amendment unamended were, as Deputy Reed said, exactly out of the book. They were only confined to items in 2014. The plan said: "Did not commence until 2014." I think we are entitled to make the assumption that that expenditure had not been committed and was not going ahead. I think, therefore, we were fully on sound ground in doing that. I have got a problem now in that what we will end up with is a kind of cherry picking because we still, under the Council of Ministers' amendment, now have kind of given us half a story. I think I have certain problems with just making one Minister a target and leaving others alone. I think they have undermined, effectively, the point of principle of the amendment. I am afraid that is my feeling and I will see what other Members say if I had to say they had to vote.

1.4.2 Deputy J.M. Maçon:

Very briefly. Needless to say I think I am disappointed with some of the previous speeches from different Members. The whole point, as Deputy Young touched on, of us bringing this amendment in part was to reinforce the process that the Minister for Treasury and Resources outlined when initially debating the law on the M.T.F.P. which certain Members, such as Deputy Martin, voted for at the time. That is what Members voted for and they are very clear about what they were voting for.

The Bailiff:

Deputy, I am sorry but both you and Deputy Young are, in effect, making speeches about why the Assembly was wrong to reject or approach.

Deputy J.M. Maçon:

I beg your pardon, Sir.

The Bailiff:

We are now in the position of this amended amendment and now you can speak...

Deputy J.M. Maçon:

Okay and leads to my next point **[Laughter]** which I was going to make, Sir, which is I will be supporting this amendment because although it does not do what was outlined originally, it does put a mark in the sand to say no. This is what the States intended to do and that is why I will be supporting this because that is what the States Members voted for. Okay, it is not everything which should have been done, which States Members agreed to do, but it is part way there and I hope that I assist Deputy Young to say we stay on the mark here so that next time we have outlined the process much more clearly, despite the decision of States Members, that is how we expect it to go forward. I will be supporting this amendment.

1.4.3 Senator P.F.C. Ozouf:

I just wish to say very quickly that I am cognisant of all the remarks that have been made in this debate and I do understand the issue of flexibility and we will work hard. Effectively, this amendment as amended, I have not got my figures in front of me at the moment, but I think there is less by £2 million or £3 million worth of flexibility for growth next year and the year after. I have indicated how we think that there are alternative ways of getting that flexibility and we will work very hard in the next 12 months, before next year's budget, in order to get that flexibility for Members. With ongoing dialogue with Scrutiny, understanding the political priorities that they would wish to have brought if the pot of availability would be there, we will be listening and we will be working with them.

1.4.4 The Deputy of St. Ouen:

Just to say that I am extremely disappointed that, once again, we see that matters that the States agreed have been varied quite considerably, presented to us less than a year ago. I would also like to put the record straight in the fact that when I was the Minister for Education, Sport and Culture I fought hard to achieve the additional £2 million increase to address the higher education project shortfall. I did not, and I repeat, I did not propose to reduce that budget by £1.5 million a year later, otherwise the States would have considered that to be so stupid that they would not have approved the additional growth funding in the 2012 Business Plan. I just put a marker down for States Members, as we move forward looking at the Medium-Term Financial Plan, that the savings that are included in it, which the Minister for Treasury and Resources and the Council of Ministers seem to suggest are given, although we have not even concluded this year and there is a year to go, could cause us significant problems if indeed they are not delivered as proposed.

The Bailiff:

Does any other Member wish to speak? Very well, then I call upon Senator Ferguson to reply.

1.4.5 Senator S.C. Ferguson:

Yes, like the other members of my panel and some of the other members of Scrutiny I am desperately disappointed that Scrutiny did not support the work of the Chairmen's Panel. We did feel we were representing Scrutiny as a whole and I am disappointed that we did not get the support from the rest of Scrutiny. I hope Members will support this amendment though because it does put a marker in the sand that States decisions should not be ignored at will by the Council of Ministers and I think that is desperately important. Perhaps over the next few years we will have proper debates on the growth allocation as opposed to allocating it all at once at the beginning of the 3 years. I do not think that is a good idea. Deputy Le Hérisier's straitjacket, we cannot afford to have that. But anyway I thank all the Members who have participated in the debate. We have had

our moments and I thank Deputy Le Hérissier for correcting me on the correct nomenclature of the Chinese Government. His knowledge of constitutional matters is incredible, I am most impressed. I ask for the appel, Sir.

The Bailiff:

The appel is asked for then in relation to the amendment of the Corporate Services Scrutiny Panel in its amended form and I invite Members to return to their seats and the Greffier will open the voting.

POUR: 37		CONTRE: 6		ABSTAIN:
Senator P.F. Routier		Deputy of Trinity		
Senator P.F.C. Ozouf		Deputy S. Pitman (H)		
Senator S.C. Ferguson		Deputy A.K.F. Green (H)		
Senator A.J.H. Maclean		Deputy S.J. Pinel (C)		
Senator B.I. Le Marquand		Deputy of St. Mary		
Senator F. du H. Le Gresley		Deputy of St. Peter		
Senator I.J. Gorst				
Senator L.J. Farnham				
Connétable of St. Helier				
Connétable of Trinity				
Connétable of Grouville				
Connétable of St. Peter				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. John				
Connétable of St. Ouen				
Connétable of St. Martin				
Connétable of St. Saviour				
Deputy R.C. Duhamel (S)				
Deputy R.G. Le Hérissier (S)				
Deputy J.A. Martin (H)				
Deputy G.P. Southern (H)				
Deputy of St. Ouen				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy S.S.P.A. Power (B)				
Deputy K.C. Lewis (S)				
Deputy M. Tadier (B)				
Deputy E.J. Noel (L)				
Deputy T.A. Vallois (S)				
Deputy M.R. Higgins (H)				
Deputy J.M. Maçon (S)				
Deputy G.C.L. Baudains (C)				
Deputy of St. John				
Deputy J.P.G. Baker (H)				
Deputy J.H. Young (B)				
Deputy R.G. Bryans (H)				

1.5 Medium-Term Financial Plan 2013 - 2015 (P.69/2012): Amendment (P.69/2012 Amd.)

The Bailiff:

Very well, then we move next to the first amendment lodged by Deputy Southern and I will ask the Greffier to read the amendment.

The Deputy Greffier of the States:

Page 2, paragraph (c)(i) - after the words "Summary Table B" insert the words - "except that the net revenue expenditure of the Transport and Technical Services Department shall be increased by £350,000 in 2013, £100,000 in 2014 and £100,000 in 2015 to provide funding for the Sustainable Transport Policy and the net revenue expenditure of the Economic Development Department shall be decreased by £350,000 in 2013, £100,000 in 2014 and £100,000 in 2015 by reducing the grant to Jersey Finance Limited." Page 2, paragraph (c)(i) - after the words "Summary Table B" insert the words - "except that the net revenue expenditure of the Transport and Technical Services Department shall be increased by £600,000 in 2013, £600,000 in 2014 and £600,000 in 2015 to provide funding for the town 'Hoppa' bus service and the net revenue expenditure of the Economic Development Department shall be decreased by £600,000 in 2013, £600,000 in 2014 and £600,000 in 2015 by reducing the grant to Jersey Finance Limited."

1.5.1 Deputy G.P. Southern:

Before I start on the body of my proposal I wish to point out, first of all, that this amendment is in 2 paragraphs, which are completely independent the one from the other and may both be accepted or, should Members decide to, one might be accepted, one might be rejected or both obviously could be rejected. But the 2 are completely independent, deliberately so, not least because they are not linked to each other directly and the sums involved have to come from somewhere else. It could be that the financial argument about where do you get the funding from and how much funding may affect some people's vote. It is interesting that we have just had a debate where we were talking about the degree of influence that Members can have on what we are doing. I am also going to use the word "sustainable", which I cast doubt on just quite reasonably because it means lots of things to different people. The Sustainable Transport Policy in my book, and I will use the words of Deputy Lewis when he was Assistant Minister and fully in support of the Sustainable Transport Policy: "It is not just about reducing congestion, although this is an obvious issue. There are many other benefits such as reducing air and noise pollution from motor vehicles which can be damaging to our health and quality of life." I am going to put a very specific label on sustainable, which is one that is contained in the Sustainable Transport Policy. The main target of the Sustainable Transport Policy was to reduce traffic levels by 15 per cent. That is specific, that is sustainable, that is what we agreed to in 2010. The second thing I point out was how difficult it is to get things through the system that we have. I have already mentioned the Sustainable Transport Policy was voted for as P.104/2010 in December 2010 and was passed by the States by 43 votes to 5 and it read: "To receive Jersey's Sustainable Policy dated 2nd July 2010 as prepared by the Minister for Transport and Technical Services and - (a) agree the measures described in the policy to reduce the Island's reliance on the private car and to encourage walking, cycling and public transport should be applied by the Minister for Transport and Technical Services; (b) to approve the objective of reducing peak hour traffic flows into St. Helier by 15 per cent by 2015." It is directly related to this particular Medium-Term Financial Plan because that delivers by 2015, which was the target set up back in 2010 and that was voted for by this House. Clear direction, go away and do it. Equally, in 2011 I brought as P.156/2011 bus service contract Hoppa. That was lodged in September 2011, debated in 2011. Again, what it said, 2 parts: "(a) To request the Minister for Transport and Technical Services to ensure that the provision of a 'Hoppa' bus service in the town and its environs is prioritised for inclusion in the tendering process to be undertaken over the coming months for the new bus service contract and that this service should - (i) be provided free of charge or at a low, fixed-cost rate and (ii) use zero or low-emission vehicles."

[16:00]

Very clear, to ensure the provision of a Hoppa bus and it was brought then because the tender process, second stage, was about to be proceeded with. Therefore it was thought that we could get this as part of the new contract. We had not been able to deliver it before but we could now. That particular part (a) was passed by 35 votes to 7 and rarely get successes like that with those sort of scores. But, significantly, because I know that you do not get anything unless you put the money in it. The Town Park, notwithstanding, it only got produced because the money was put in the pot. More significantly part (b) of the proposition was: “(b) To request the Council of Ministers to make provision for the additional cost of the ‘Hoppa’ bus service in the draft expenditure proposals for 2013 for approval by the States in 2012.” A clear request; make provision for the cost of it. It is going to cost, so that proposals can be in place for 2013 in 2012, that is where we are again now. We voted for this a year... not every Member in this House. Some Members will remember voting for it. Some Members, one or 2 Members, will remember the 2010 vote on sustainable transport. That, part (b), saying: “Make sure you prioritise this money” was passed by 25 votes to 17, a clear indication that this House wanted this as part of the bus service. The reality, of course, is that in the cut and thrust - as I have said here - of prioritising spending among Ministers, decisions made by the States appear to count for very little. So additional commitments proposed by Deputy Southern without a clear funding route is the objection brought by the Minister. The Sustainable Transport Plan from 2010, the elements of it, rotate around an amendment brought by the then Constable of St. Helier which suggested the following suggestions for making access around the town more sustainable in terms of pedestrians and in particular, to implement a scheme to enhance pedestrian safety in Midvale Road by the end of 2012. This has not happened. The idea was - and Transport and Technical Services admit - that Midvale Road is too narrow to take two-way traffic. The result is that if you walk down Midvale Road, on either side, you have narrow pavements and you run the risk, as I have done, of being hit by a passing car. I have received one such hit; a wing mirror caught me there as I was walking down Midvale Road. Out of the blue, bang. Do they not realise the seriousness of how traffic on Midvale Road is quite dangerous? But the request back in 2010 was to implement a scheme to enhance pedestrian safety in Midvale Road by the end of 2012. I think the plan has been drawn up but it has not been implemented making Midvale Road one-way and enhancing the pavements and putting some traffic calming down with the changing widths in the road is the way to go. There is a plan. Then it requested to research and develop proposals by the end of 2011 to enhance pedestrian levels of service in the following locations, the junction of Wellington Hill and the Ring Road - again, heavy traffic, congestion down there - and safety measures that could be put in place. The junction of Bath Street, Peter Street and Beresford Street, again the issue there, I think, is speed of traffic from time to time and the amount of traffic. The junction of Gloucester Street and The Parade, pedestrian access across Little Green Street from the Green Street Car Park and the Queen’s Road roundabout. I believe that those projects have been researched and developed and with the money could go ahead and that is what this proposal is about. I believe it is perfectly possible and it is open to this House to ask the Minister for Transport and Technical Services to go ahead with those proposals. It is also open to the House to agree that the town Hoppa service should be provided and for those who are new to politics, the town Hoppa bus, or a Hoppa bus, has been mooted for the past 10 years at least. Probably, I suspect, from before my time, 12 or 13 years. What that enables is it enables those people in town who are elderly or with some disability who do not often get out to do their shopping, do not get out and about, to have a facility whereby they can easily get around town and to precise locations, so to the hospital for example, which often applies to elderly people. To Overdale would be a good thing and to and from town to do their shopping. The fact is that many elderly people in town, as soon it starts raining, they do not go out. You do not go out in your mobility wheelchair either if it is raining because you are just going to come back wet. You end up dependent on either neighbours or friends to give you a lift if you want to go and do the shopping or visit your friends. Now, this is a major change. A convenient and cheap Hoppa service that you would get on and use would be a

significant major improvement in the welfare of many elderly people and that was described back in 2010. A service should be provided to link Liberation Station with areas such as the hospital, the harbour, Central Markets and other key town destinations. In my proposition, a year later, I extended that to the environs of St. Saviour, towards that border there, and other issues. That was supposed to be developed in the new tendering process for the new service. It has been lost. It has been dropped without this House having an influence in this. This service will be low cost or possibly no charge as many users will be pensioners and therefore travel free in any case. Reductions in boarding time and administration will partly compensate for lost revenue. Some income would be gained through sponsorship and advertising. Vehicles would, ideally, be low or zero emissions subject to availability. I will just continue with the words of Deputy Lewis, when he was Assistant Minister, and promoting the Sustainable Transport Plan: “We have, also, international obligations to reduce our carbon emissions to combat climate change and almost a quarter in Jersey comes from road traffic. Jersey might well be a small contributor on the global scale but it is right that we play our part and honour our obligations. The need to provide a high number of motor vehicles creates a high demand for both road space and parking spaces and makes many areas unwelcome except by car.” Strong support from Deputy Lewis for following through with the Sustainable Transport Plan and, as part of that, the Hoppa bus to improve conditions for those who live in or close to town in order to help them get around. The first question I asked of the Minister for Transport and Technical Services is: “How far are we on the route to reducing traffic levels and air pollution by 15 per cent by 2015?” How close are we? How far down the road are we because I believe we should be assured that we can meet that target otherwise I think there is very little point in this House setting those targets and accepting particular developments. Now, obviously, you have either got to increase the budget or you have got to find the money from somewhere else and my choice fell, my eye fell, on the funding for Jersey Finance Limited, one of my *bête noires* for some years. If Members will turn to pages 8 and 9 of my proposition they will see the inexorable growth and growth and growth of Topsy, the Jersey Finance Limited machine. They will see that back in 2002 the States grant was £250,000, subscriptions from members of the financial services sector was greater than that, it was £344,000 but there was a sort of degree of parity there. 2003, 2004, 2005 that £250,000 grant had grown to over £500,000. By 2007 it was £1 million, so a growth of 4 times over that relatively small period while the contributions from the finance sector grew from £340,000 to £430,000. It grew a little but not very much. Now, Jersey Finance Limited, obviously, has 2 beneficiaries, one is the Government that enables us to advertise ourselves as a financial services centre and keeps our reputation high, et cetera, promotes itself, sells, we make money. The other aspect is that the businesses themselves make money. The contribution when it started was approximately pound for pound. By 2007 it is £2 from us and £1 from the finance sector. Since then we have seen yet more growth, very significant growth. So 2007, £1 million grant, 2008 £1.8 million, 2009 £2.4 million, 2010 £3.4 million, 2011 £3 million, 2012 £3.2 million. A trebling from the years of 2007 to 2012. So doubling, quadrupling and then trebling over the next few years. But what have we got now under the Medium-Term Financial Plan? We have got, in 2013, J.F.L. (Jersey Finance Limited) increased grant £800,000, additional grant £135,000, financial sector legislative development, £200,000. In total another growth of £1.135 million. What happens to that in 2014? Why it grows by another £500,000 to £1.85 million and by 2015, why, it is up to, and this is additional, £2.08 million and that is without looking at the £1 million we have just allocated to support the research into the future of the finance sector. So that is a grand total of £3 million worth of growth on top of the £3.2 million that was there in 2012.

[16:15]

I believe, given the state of the States finances that we should make some move to rebalancing the funding of Jersey Finance Limited. Back in 2007 I argued for a return to pound for pound funding. The reality is that that, if it had been adopted then, would have meant significant increases over

time with the funding from the finance sector but this level of growth, which has not happened, I do not believe, in any other sector or in any other organisation, a growth of a doubling over the period of the Medium-Term Financial Plan I believe cannot be justified. Yes, significantly, we have to grow the economy, we have to expand our markets, but this level of growth, I do not believe, is justified. The growth of contributions amounts to some £500,000 compared with our £5 million or £6 million now. Yes, times are tough. They are tough for us. They are tough for the finance sector but I remind people that the finance sector as a whole was estimated to have made £1,096 million profit in 2011 of which £840 million was accounted for in the banking sector. Significant profits are being made there. The activities of Jersey Finance Limited benefit those particular companies making those profits. I think the time has come for us to say: "Given the balance of our spending we would prefer to develop our Sustainable Transport Plan and the Hoppa bus and to ask the members of Jersey Finance Limited and the members of the finance sector to contribute more to the costs of the promoting Jersey as a finance sector", and that is what my proposition consists of. A transfer of funding from what has massively grown in the finance sector to aims that we, as an Assembly, have decided on the Sustainable Transport Plan and on the introduction of a Hoppa bus which is long overdue. Thank you.

The Greffier of the States (in the Chair):

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

1.5.2 Connétable A.S. Crowcroft of St. Helier:

I want to start by commending Deputy Southern for bringing this amendment. One which I thought of bringing myself when I saw exactly how low a priority T.T.S. had set on matters agreed by this Assembly 2 years ago. Indeed the response of... I do not know whether it is the... it is the Minister, we must assume it is the Minister's response, is depressing. It is heartbreaking if, like me, you have worked for 15 years to improve facilities in the town for people who walk and cycle and indeed who drive but it is not surprising. I have been banging on about Midvale Road in response to people who have been struck by vehicles in Midvale Road for years. We have been told, 2 years on from the States debate, that they have not even done the research because they have not got the money. Hundreds, if not thousands, of commuters travel down Midvale Road, to take one example of the 5 locations that the Deputy is talking about, and hundreds, if not thousands, of school children brave these inadequate pavements in our busy congested town every day of the week to get to their work and to get to their schools. Queen's Road roundabout is mentioned. Few sitting in this Assembly can be unaware of the problems cyclists, pedestrians, school children, commuters on motor cycles, commuters of all sorts face around Queen's Road in the morning and in the evening rush hour. But a lot of these same commuters, for whom an easy walk to work is a pipe dream, one they last read about in the North of Town Masterplan. These people work in the financial services industry and so it was with a sinking heart that I saw that the Deputy proposed to fund these improvements with a reduction to the grant to Jersey Finance because now, if at any other time, we need to be, I think, growing our financial services industries for whom these people, who we are trying to protect as they go to work, to make sure they have a job at the end of a perilous journey. These people are worried about their jobs as well as being worried about their safety and their children's safety. If I can quickly just cover the Hoppa bus: I think the comments of the Council of Ministers downplay - at the end of the first page - where they say there are opportunities within the new bus contract to provide more town services. Having spoken to the people themselves when they did a presentation in the Town Hall, I would say that they are rearing to go. They are desperately enthusiastic to get behind the wheel of our buses and to get a Hoppa bus on the streets of St. Helier so I am confident that the new bus company is going to pursue a Hoppa bus in early course. Members will have guessed that I cannot support the amendment brought by Deputy Southern mainly because he wants to take the money from Jersey Finance but I have to say that he

could have found other targets for the money that I might have found just as difficult. The reason is, of course, and I am trying not to sound cynical, that the Minister could do these improvements tomorrow if he wanted to. There is a lot of money sloshing about in this department. I draw Members' attention to the plan where we see, for example, that we are still spending hundreds of thousands of pounds on composting. We are spending hundreds of thousands of pounds on tipping glass down at La Collette. These are activities, and I am not going to rehearse the work done by the former Deputy Paul Le Claire when he exposed the way this department was spending money as if there was no tomorrow on schemes down at la Collette which simply could be done by the private sector. There are people out there who would do the composting for the States, who would take the glass for the States and save this department plenty of money and certainly enough to carry out the studies on these 5 schemes that they have been dragging their heels over. So I am afraid, and I try not to sound cynical, that if the Minister wanted to do these schemes, if he believed they were a priority, he would have instructed his department to have carried them out. That is why I am not sure that giving him a pot of money will make any difference because if he does not think they are important he is not going to do them. Certainly I do not want to take money from Jersey Finance to give it to an unwilling Minister to do a job which he has not done yet. So what is the solution? What can I say to the Deputy and, perhaps, to myself and the other Members of St. Helier in the Assembly? What is the solution? Where is the hope? Well, there is progress. We heard it today at the meeting at lunchtime where I heard that a particular pedestrian facility, a crossing, from Green Street Car Park, you would have thought that was kind of obvious, but there is going to be a crossing so that the hundreds of commuters who use Green Street Car Park and who may continue to use it after the debate on 20th November, these hundreds of commuters will be able to walk across the road to their jobs with the benefit of a crossing. There cannot be many town centres in Europe which do not have crossings outside major car parks but we have got one, but good news, the officer announced today at a meeting that he is going to put that one in. Now, thanks to the Constable of St. Lawrence... she mentioned that if we expect people to park in Snow Hill to access the new police station next to Lime Grove House, they will need to cross another very busy junction so I will be banging on the Minister's door saying: "Make sure your officers put a crossing in there as well so that people can get to the new police station if it is built there without taking their life in their hands." So there is progress and I would also advise the Deputy to be patient. I have been patient. It is one of the things that keep me going. We have planning obligations and I am just thinking of one in a very congested street near me where lots of people are trying to cross the road. I wrote to Planning, I said: "Here is a good opportunity with this development to provide a much needed crossing at the expense of the developer." I have recently heard that the application has been approved without the crossing because the officers did not think it was important. So you have to be patient in this game or you would give up. But anyway the Deputy knows this. He is patient. He waited a long time before he achieved, with the help of a ring binder, £10 million which got the Millennium Town Park done. So I take my hat off to him. He is a grafter and he keeps coming back. I believe, perhaps if the town Deputies and the Constables talk to the Council of Ministers perhaps they can persuade the Minister for Transport and Technical Services to give these matters the priority that the States have already given them not just in the transport policy but in the successive strategic plans. The Deputy is absolutely right to bring this matter up. I think he is looking at the wrong pot of money but I think to achieve these improvements - and I have not forgotten about them - we have to work together with the Council of Ministers. We have to talk to the Minister for Treasury and Resources, himself a former Deputy of St. Helier, who I am sure will accept that these improvements we are talking about are much needed by his constituents and of course they are still his constituents because he is now a Senator. Let us hope that thanks to Deputy Southern for raising this matter that we can sit down in early course with the Minister for Treasury and Resources when he is planning his capital programme and make sure that if the Minister for T.T.S. has not done these things in a year's time that we can jolly well get on and get the work

done. Therefore, I will be unable to support the amendment but I do thank the Deputy for bringing it.

1.5.3 Deputy G.C.L. Baudains:

Unlike the Constable, the previous speaker, I am not overly excited about the first part of Deputy Southern's proposition because it does seem to me that a considerable amount of money has been wasted over the years on projects that have been more designed to frustrate the motorist than to ensure pedestrian safety. However **[Laughter]**... well, what is the point of making a pavement one metre wider than it used to be if you then put cannons and planters on the thing so you have got to go on to the road if you are pushing a pushchair. It really does not make sense. **[Laughter]**

Deputy G.P. Southern:

I hope it was not the Deputy's van that hit me.

Deputy G.C.L. Baudains:

I am however keen on the Hoppa bus aspect of the proposition, as the Constable of St. Helier will probably know because he was the president of the committee that I was on in I think it was 2000, when we tried so hard to get the Hoppa bus circulating around town. So Deputy Southern is right, we have been talking about this for years but what I would like the Deputy to address in his summing up is where does the sum of £600,000 come from? It does seem an awful lot of money. I know we have heard recently that some bus drivers are earning enviable salaries but **[Laughter]** I did not realise it was quite that much. It does seem an awful lot of money and I would appreciate how that figure was arrived at. Thank you.

1.5.4 Deputy C.F. Labey of Grouville:

I understand where the proposer is coming from and rather like the Constable of St. Helier we seem to have got ourselves in a bit of a muddle here. We are, on the one hand, reducing car parking spaces, or proposing to, in town. The price of motoring is increasing. The draft Energy Strategy wants to see a reduction in emissions of 24 per cent and the Sustainable Transport Strategy is aiming to reduce traffic by 15 per cent by 2015. I would also like to say that the Sustainable Transport Strategy I believe is a good plan. But on the admission of the Transport and Technical Services own chief officer it is a plan that is more akin to a wish list because much of what is being proposed in it cannot be afforded. So I understand the frustration of Deputy Southern in coming forward and trying to bolster up the T.T.S. budget because many of us in this Assembly would like to see the Sustainable Transport Strategy fulfil its aims. But why has it got to come to Back-Benchers to fund it in these ways? I have learned from my own bitter experience, I have to say, when I came forward in 2009 to allocate funding from a car park restoration fund, within the T.T.S. budget, and put £500,000 to kick start the Eastern Cycle Network.

[16:30]

A facility that was recognised in the Sustainable Transport Strategy yet I have suffered huge amounts of criticism for kick starting what is, and could be, if it is completed, a good healthy and safe alternative to the motorist and cars. I notice, though, many of my critics never look to the £1.5 million to criticise how that has been spent but they criticise constantly the £500,000 that has been allocated for the Eastern Cycle Network. What I am trying to say is that there are good aims in the Sustainable Transport Strategy including the Hoppa bus service so why does the Minister for T.T.S. not come forward with proposals of his own to support his own strategies? Instead it seems to be down to others. But where, like the Constable of St. Helier, I would disagree with Deputy Southern is he is targeting a totally unrelated budget to fund these proposals. He is targeting a budget that in the middle of a recession has been charged with going out to get business into Jersey. What we are trying to do in Economic Development is sell Jersey as an international financial centre. We have

already heard certain criticisms as close to home as the British-Irish Council who consider, or there are mutterings, that Jersey is a tax haven. So there are obstacles in our way. Jersey is a leading international financial centre and Jersey Financial Services Limited have to go out and get that message out there. We have got to go out and sell our skills in asset management, sell our infrastructure, our legal system and hopefully now our new broadband facilities. Jersey has to compete on the world stage. We have to get business from emerging markets, China, Brazil, India, Far East, Middle East and Israel. Deputy Southern compares recommendations that were made from a Scrutiny Panel 4 years ago. I should perhaps remind Deputy Southern, 4 years ago, 2007-2008 the world was a very different place. This was before we had even gone into recession so he seems to harp back to these recommendations that were made 4 years ago but I would ask him to reflect what has happened in the interim. Business and big business will leave us at the drop of a hat if our competitors can offer better deals and encourage a better working environment. So what I would like the T.T.S. to do is to go out and support its own aims and proposals in the Sustainable Transport Strategy and come forward, if necessary, with costings and reallocations of their budgets and then possible growth, but not at the cost of securing new business, tapping into new markets. Not at the cost of jobs, jobs for our school leavers, returning graduates, jobs for our community that supports the highest rate of working mothers in Western Europe trying to pay their mortgages. So sadly I cannot support the proposition, no matter how well intentioned it is.

1.5.5 Deputy K.C. Lewis:

Last year the States adopted P.156 to prioritise the inclusion of a Hoppa service in the tendering process for the new bus contract. The States also wanted me to request the Council of Ministers to make provision for this service within the Medium-Term Financial Plan. My department did indeed bid for additional funding for sustainable transport projects during the Medium-Term Financial Plan process based on the figures outlined in Deputy Southern's amendment. However, this bid was not successful. Although the principle of a low fare or free town Hoppa service is an aspiration of the sustainable transport policy and the proposals to improve pedestrian facilities are also consistent with its aims, none of these proposals are considered fundamental to the success of the policy. I recognise there are currently more pressing needs for funding and I am in agreement with the Minister for Economic Development that reducing grant to Jersey Finance Limited at this time could have an adverse impact on the Island's economy and growth in the finance sector. My department already invests significant sums in support of the Sustainable Transport Policy and further funding is identified within the M.T.F.P. for cycle and pedestrian improvements. The pedestrian improvements at Midvale Road and at 5 sites in the town area are consistent with the S.T.P.'s (Sustainable Transport Plan) intention to give better priority to non-motorised travel and T.T.S. is supportive of the proposals in principle. However, its available budget currently is mostly directed towards improvements of various cycle routes, including the southern cycle route linking New North Quay to Havre des Pas and the development of an eastern cycle route, all of which are expected to contribute more significantly to the reduction in car trips than the abovementioned schemes. T.T.S. anticipates allocating £200,000 per annum from 2012 to 2015 from its infrastructure capital allowance for that purpose in addition to the one-off £500,000 funding for the eastern cycle route from the car park trading fund. The Medium-Term Financial Plan also allocates £635,000 in 2015 for cycle track and pedestrian improvements and a scheme mentioned in Deputy Southern's amendment would be potential candidates for that funding. In addition the M.T.F.P. allocates £1.45 billion over the next 3 years for village centre treatments which will enable the ethos of the Sustainable Transport Policy to be applied outside of the town area. When the experimental Hoppa service was run in 1999 a survey of users indicated that 50 per cent would have walked instead of using the service and only 20 per cent indicated that they chose the Hoppa instead of the car. Take up of the service at the time was modest and had no noticeable impact on traffic. The new CT Plus contract includes a number of route enhancements and revisions to

provide a better service for town users and it is hoped that these will in part offset the perceived need for a separate Hoppa service. An improved school bus service would contribute more significantly to the S.T.P. targets but a bid for this increased funding has also been declined. We will continue our discussions with a new operator in order to identify potential improvements to the school bus service within existing budgets. Deputy Southern mentioned eco-friendly vehicles, as we speak CT Plus's brand new buses, which is 5 double-deckers and an assortment of Bluebird buses for rural areas are rolling off the production line. We are putting in bus shelters as and when money becomes available. With regard to the comments from the Constable of St. Helier I have news for the Constable, there are 11 other Parishes I have to look after as well as St. Saviour. **[Approbation]** The Constable himself wanted to shut down Halkett Place at one point to pedestrianise the area but if we reduce town to an entire pedestrian area then we will kill trade entirely in town. It is my opinion that while additional funding would assist in the provision of a successful Sustainable Transport Policy. The measures identified in Deputy Southern's proposition are not sufficiently high priority for funding to be diverted as proposed. So I appreciate the sentiments expressed but this is not the way to go and I have to oppose the amendment.

1.5.6 Deputy R.G. Le Hérisier:

I have to say I am disappointed by my highly esteemed colleague from St. Saviour because I think there is a way out of this and it is this old conundrum that here we are trying to sort of micro-manage amendments. I am certainly getting very frustrated because as people who have attended the CT Plus meetings know and I know the Minister knows, it may not be an exact replication of the 1999 route that they are suggesting but there is a possibility that the purpose and the objectives that people want from a Hoppa service will indeed be provided by CT Plus. I would hope it would be possible for the Minister, CT Plus, Deputy Southern and maybe Member of the St. Helier Deputies Group to sit down, and the St. Saviour and St. Clement, and look at how the objectives of a Hoppa service, for example, enabling people to come from the top of St. Saviour Hill, for example, to the Weighbridge bus station or to Liberation, how these sorts of things can be incorporated because we have been promised by the new operators... as somebody said, I think the Constable of St. Helier, they are really enthusiastic. We have been promised that there are no limits to the kind of possibilities they are prepared to look at and these possibilities can be embraced within the overall plan that they are going to put forward once they have bedded in. Indeed, they need not involve, for example, discrete funding of the kind that Deputy Southern, for very rightful reasons, is putting forward. Because if it can be provided, for example, by running an imaginative Hoppa type service, it will feed in revenue to other parts of the system. It will start to justify itself and it does not need standalone discrete funding standing outside the development of the route structure. I am sure the interested parties could sit down and try and hammer something out which brings that objective, because there is the goodwill at the moment and as the Transport and Technical Services Department in any case knows it will have to still provide, in a much more sensible way than hitherto, I should say, a subsidised service. We are going to reach that solution hopefully but maybe by a different route. The second point, we are all discussing - well, we are not. Deputy Southern has rightly again raised the issue, for example, of Midvale Road. It is very hard for the rest of us to know what the traffic priorities are and I would hope that the Minister could show some flexibility and could sit down with the relevant groups - as I am sure he will, because I know he is that kind of person - and say: "What are the priorities in St. Helier? Let us go over them again." I think it is a little short shrift to tell people: "I have other Parishes to deal with." There are priorities in St. Helier, we know that and we know there is a bit of flexibility in his budget, not a lot but I am sure there is a bit and surely these things can be negotiated. Why are we sitting here trying to negotiate this within the context of a medium-term plan? Surely the Minister and Deputy Southern and other interested parties can sit down and try and achieve a workable solution.

Deputy K.C. Lewis:

A point of clarification, Sir?

The Greffier of the States (in the Chair):

As long as it is not a second speech.

Deputy K.C. Lewis:

No, the North of Town Road, Midvale Road, was part of the North of Town Masterplan, it was not mine, but it was opposed by residents and traders because it would mean it would be a one-way street because the pavement would encroach.

[16:45]

1.5.7 Senator A.J.H. Maclean:

I do feel I should say a few words. I was going to speak at some length on this but I get the sense that Members are perhaps not overly supportive albeit of the source of the funding, although there is understandably some support for the basis of where Deputy Southern is coming from. I have to say from my perspective I am a supporter of the principle of the Hoppa bus. I have said that in the past. The Deputy might well remember that, I am surprised he did not mention it.

Deputy G.P. Southern:

You were also a supporter of the Town Park. [Laughter]

Senator A.J.H. Maclean:

The Deputy is right that I am on record as being a supporter of the Town Park so he is absolutely correct. Nevertheless it is the source of the funding I think is the problem here and I think Members recognise that. I do not think I need to go into great depth to the work that Jersey Finance do in terms of promoting our financial services industry, or indeed for that matter the vital importance of that industry to the economy here in Jersey. Members are aware of the figures and the statistics, the fact that it is 41 per cent of our economy, the fact there is 12,500 jobs. One of the interesting points of the finance industry, which is not often repeated so I will mention it here, is of those 12,500 jobs 94 per cent of them are local jobs. That is not often repeated and I think it is a point worth making. There are a lot of job opportunities that have been created by financial services and then, of course, there is the tax contribution £300 million, effectively financial services pay for our education, our health services and so on. That is not even getting into the indirect contribution, the £400 million or so each year that the finance industry spends in the local economy. I could go on and on about the value of the industry, which Members I know are very supportive of. It is for that very reason that I can see that Members are not feeling that, however worthy the Hoppa bus service or the Sustainable Transport Policy is, we should fund it by taking money away from Jersey Finance at a time when jurisdictions around the world, in an ever more competitive environment are spending more and more money in promoting their activities in exactly that field. Some examples, Luxembourg are currently outspending us in terms of promoting their financial services offering. The Middle East is now getting heavily involved. The Qatar Financial Services Centre is investing heavily in promoting itself. Abu Dhabi is launching its own international finance centre offering in terms of promotion. Hong Kong is growing fast. It has its new found Renminbi status and it is benefiting and capitalising on that. Singapore, I think, is probably one that is also worth mentioning, which is the fastest growing private banking centre globally at the moment. That is significant. In fact in the third quarter of 2011 alone, 21,000 jobs were created in financial services in Singapore. Indeed Singapore is anticipating 65,000 jobs being created in 2012. All these places and many others are investing even more money than we are. Deputy Southern made the point about how we have increased investment in Jersey Finance. Yes,

we have. Significantly from where we started from, but where we started from was relatively low. Certainly insignificant compared to what our competitors are doing at the moment. We should not forget even with this dramatic increase in our support for Jersey Finance and the very effective work it does in promoting our financial services industry here in Jersey, we are still not investing as much in Jersey Finance as we do, for example, in tourism. We spend 3 times as much currently, it will be a little bit less than that shortly but we spend significant amounts of money. That is not a wrong thing to do, Tourism is an important industry. But just to put into perspective, we spend a lot more on that than we do currently on financial services. So I, quite understandably, cannot support this. I thank my colleague, Deputy Lewis, the Minister for T.T.S. for effectively turning down - I think I got the gist of it - the abundance of free money that he is being offered as a result of this proposition at the expense, of course, of E.D.D. and in particular Jersey Finance. I do hope that as has been indicated that the new bus contractor will be able to find a way of extending their services into St. Helier and indeed get a Hoppa style bus service up and running. I think there has been some suggestion that can happen. I am encouraged by that and indeed I know that the Minister himself has suggested that it is something he would seek to progress. I think, as Deputy Le Hérisier said, there is perhaps a win/win in this with various Ministers working collaboratively together but in terms of taking money away from Jersey Finance at a time when we need to grow our economy, when we need to ensure that we maintain people in jobs, when we need to create new job opportunities taking it away from Jersey Finance is clearly not the way to do it and I would ask Members to reject this proposition, however well intentioned, for those reasons.

1.5.8 Deputy M.R. Higgins:

Very surprisingly to some people, I am not going to be supporting the proposition. However, that does not mean that I have a very strong endorsement for what the Minister is necessarily doing with some of the money that is going to finance. There is no doubt in my mind that Jersey is under threat, the finance industry is under threat and in some cases you could argue rightly so for the some of the practices that have been going within the Island. However, if you look at page 23 of the *Jersey Evening Post* tonight you will see that again there is going to be another I.M.F. inspection of the Island. We also know that George Osborne and the German Finance Minister have been talking about trying to deal with companies that are avoiding tax. So, for example, our Zero/Ten tax regime is going to come under attack because companies are booking their business through the Island to avoid paying tax in the countries where the business is being generated. So if you look in the U.K., for example, Starbucks are paying next to nothing. We know that Amazon pay nothing. Facebook, next to nothing. All these big firms are making awful lot of money in an awful lot of countries and they are not paying their way. When citizens of countries of Europe and the United States and here are struggling because of increased costs and the failure of the banks and the governments having to bail them out and all the rest of it, it is not surprising that governments are going to start turning on large corporations that are not paying their way and so on and regime that offer low tax. I happen to support the finance industry. We have got a lot of people working in this industry and there are good people and there is a lot of good business as well as some people who are collecting bad business. I would like to see the money that is going to Jersey Finance to not only try to secure new business but I would like us to move into ethical business. For example, if you look at the fees that various managers of pension funds are receiving, and all the hidden charges and everything else, if Jersey went out of its way to offer products that were competitive because they were not taking the sort of margins that some of the other centres are doing, that they did not have the hidden charges, then it could be that we could get an awful lot of new business. Also the reputation of the Island would be considered much higher than it is at the present time. So on this particular one I do support money going into finance, the pressures on us are going to be increased, there is a danger that we are going to lose some of the firms that we have at the present time and a lot of the business that has been contracted here in the past is going to come under

increased scrutiny or we may lose it. We need to be developing not only... I have gone on since I have been in the States about diversification. Diversification out of financial products but also within finance we need to come across products that are acceptable and beneficial to people in a world where the banks unfortunately - I am talking about banks, I am talking about the finance industry generally - have been letting people down. Look at the mis-selling that has gone on in the U.K. on personal protection insurance and the billions that have been put aside. You have got Barclays operating in California, they have been rigging the energy market. What about the rigging of LIBOR? There is a big case for ethical financial services and Jersey, if it went that way, I think it would get an awful lot of business and an awful lot of kudos. Let us move away from what we have been doing. So although I will not be supporting the proposition I would say quite strongly that I want finance to move in a new direction.

The Greffier of the States (in the Chair):

Does any other Member wish to speak on the amendment? If not I will call on Deputy Southern to reply.

1.5.9 Deputy G.P. Southern:

Before I start to sum up, is it possible to ask for clarification from the Minister on 2 issues or not?

The Greffier of the States (in the Chair):

We usually do allow brief clarification.

Deputy G.P. Southern:

A brief clarification, he was asked how far we had got in reducing traffic by 15 per cent and I did not catch an answer. I was also asked, and I do not have the answer, where has the figure of £600,000 come from, from Deputy Baudains, and again I do not remember him addressing that. I did hear a muttered deluxe version earlier but I do not know if that was correct.

The Greffier of the States (in the Chair):

Are you able to briefly assist the Assembly, Minister?

Deputy K.C. Lewis:

Yes, the £600,000 I believe was a ballpark figure that came from the department based on the previous system. Regarding the reduction of 15 per cent, I would need to get back to the Deputy on this.

Deputy G.P. Southern:

What a shame, because if he had managed to stand up and say: "I have achieved a reduction of peak time traffic of 13.5 per cent and one last push and we can get it" then I might have reconsidered asking him to make these moves. However, I suspect we are hardly any way along the path towards the 15 per cent reduction and the Minister is likely to fail because he will not do the right things and his enthusiasm for the Sustainable Transport Plan appears to be somewhat misdirected. I appreciated the support of my Constable, even though it falls short of voting for something that I believe is the practical way forward and without which, quite frankly, despite the plea from Deputy Le Hérisier that we might make progress by banging heads together or getting together and banging heads, I have not a great deal of faith in that. However, if this proposition does not receive the required number of votes, I will be pestering the Minister to arrange meetings with CT Plus in order to develop, in whatever timescale is required, the equivalent of a Hoppa. That is undoubtedly, I believe, a priority for significant numbers of St. Helier and urban residents around St. Helier. Absolutely vital. One of the things that happens to the elderly and those with a disability is that they get completely isolated. They are dependent on others time and time again to

get any transport to get anywhere whatsoever. I think that is a significant factor. Members in general were talking about this proposition as if I were reducing the grant to Jersey Finance. No, I am not. I am reducing the rise in the grant to Jersey Finance. We will not be pulling out from Jersey Finance altogether, we will be giving them an approximately 16 per cent rise, £500,000 next year, a 36 per cent rise by £1.2 million the year after and around a 40 per cent rise to £1.4 million the year after that. So significant funding will still be going to J.F.L., we will not be leaving them to act on their own. Having said that, I do not expect to have a wonderful response in this particular proposition, I can sense the mood of people. However, I do wish to get on record their voting on this particular proposition and before I call for the vote I will just quote someone who is an unlikely fellow traveller of mine, the ex-Constable of St. Saviour, Mr. Hanning, when he was talking about the Sustainable Transport Plan, he said the following, and I want people to bear this in mind before we vote on this: “When we want to make a reduction in the numbers of cars entering town it causes problems all the way around the edges of town. It causes problems in town itself. We all want to reduce the number and a Hoppa bus service has got to be one of the best ways of reducing car use. Transport policy has wanted to use a carrot and stick method to reducing car usage. The problem so far is that all they have tried is using the stick. They have made parking more difficult, they have tried to reduce the number of parking places, they are making it more expensive and it is not working. We need to use the carrot. If people see that the service works and they develop a confidence to know that they will be able to get on a bus and to use the bus service to get back home again, they will have the confidence to leave their cars behind.”

[17:00]

That is what we are talking about in this particular amendment. I maintain the proposition and call for the appel in 2 parts.

The Greffier of the States (in the Chair):

In 2 parts. Yes, very well.

Connétable L. Norman of St. Clement:

Before the vote is taken, I should have mentioned this earlier, could I just record that I am a non-executive and unremunerated director of Jersey Finance Limited.

The Greffier of the States (in the Chair):

Thank you, Connétable. The vote is 2 parts, the first vote will be on amendment 1, which relates to the funding for the Sustainable Transport Policy. If Members are in their seats the Greffier will open the voting.

POUR: 5		CONTRE: 37		ABSTAIN: 0
Deputy G.P. Southern (H)		Senator P.F. Routier		
Deputy S. Pitman (H)		Senator P.F.C. Ozouf		
Deputy M. Tadier (B)		Senator A. Breckon		
Deputy J.M. Maçon (S)		Senator S.C. Ferguson		
Deputy R.J. Rondel (H)		Senator A.J.H. Maclean		
		Senator B.I. Le Marquand		
		Senator F. du H. Le Gresley		
		Senator I.J. Gorst		
		Senator L.J. Farnham		
		Connétable of St. Helier		
		Connétable of Grouville		
		Connétable of St. Clement		
		Connétable of St. Peter		
		Connétable of St. Mary		

	Connétable of St. Ouen		
	Connétable of St. Martin		
	Connétable of St. Saviour		
	Deputy R.C. Duhamel (S)		
	Deputy R.G. Le Hérisier (S)		
	Deputy of St. Ouen		
	Deputy of Grouville		
	Deputy J.A. Hilton (H)		
	Deputy J.A.N. Le Fondré (L)		
	Deputy of Trinity		
	Deputy S.S.P.A. Power (B)		
	Deputy K.C. Lewis (S)		
	Deputy E.J. Noel (L)		
	Deputy T.A. Vallois (S)		
	Deputy M.R. Higgins (H)		
	Deputy A.K.F. Green (H)		
	Deputy G.C.L. Baudains (C)		
	Deputy of St. John		
	Deputy J.H. Young (B)		
	Deputy S.J. Pinel (C)		
	Deputy of St. Mary		
	Deputy R.G. Bryans (H)		
	Deputy of St. Peter		

The Greffier of the States (in the Chair):

Very well, I will ask the Greffier to reset the voting system. The second vote will be on amendment 2 relating to the Hoppa bus service. The Greffier will open the voting.

POUR: 7	CONTRE: 35	ABSTAIN: 0
Senator A. Breckon	Senator P.F. Routier	
Deputy G.P. Southern (H)	Senator P.F.C. Ozouf	
Deputy S. Pitman (H)	Senator S.C. Ferguson	
Deputy M. Tadier (B)	Senator A.J.H. Maclean	
Deputy G.C.L. Baudains (C)	Senator B.I. Le Marquand	
Deputy of St. Mary	Senator F. du H. Le Gresley	
Deputy R.J. Rondel (H)	Senator I.J. Gorst	
	Senator L.J. Farnham	
	Connétable of St. Helier	
	Connétable of Grouville	
	Connétable of St. Clement	
	Connétable of St. Peter	
	Connétable of St. Mary	
	Connétable of St. Ouen	
	Connétable of St. Martin	
	Connétable of St. Saviour	
	Deputy R.C. Duhamel (S)	
	Deputy R.G. Le Hérisier (S)	
	Deputy of St. Ouen	
	Deputy of Grouville	
	Deputy J.A. Hilton (H)	
	Deputy J.A.N. Le Fondré (L)	
	Deputy of Trinity	

	Deputy S.S.P.A. Power (B)		
	Deputy K.C. Lewis (S)		
	Deputy E.J. Noel (L)		
	Deputy T.A. Vallois (S)		
	Deputy M.R. Higgins (H)		
	Deputy A.K.F. Green (H)		
	Deputy J.M. Maçon (S)		
	Deputy of St. John		
	Deputy J.H. Young (B)		
	Deputy S.J. Pinel (C)		
	Deputy R.G. Bryans (H)		
	Deputy of St. Peter		

1.6 Medium-Term Financial Plan 2013 - 2015 (P.69/2012): eighth amendment (P.69/2012 Amd.(8))

The Greffier of the States (in the Chair):

Se come now to the eighth amendment in the name of Deputy Le Fondré and I will ask the Greffier to read the amendment.

The Deputy Greffier of the States:

1. On page 2, paragraph (c)(iii) delete the words “with £8,500,000 of the 2013 allocation, £4,743,000 of the 2014 allocation and £1,757,000 of the 2015 allocation, dependent upon the approval by the States of the redemption of the States 9 per cent Preference Shares in the JT Group Limited” as set out in paragraph (f). 2. Page 2, paragraph (f), for paragraph (f) substitute the following paragraph - “(f) to request the Corporate Services Scrutiny Panel to undertake a review of the proposal to dispose by way of redemption of the States 9 per cent Preference Shares in the JT Group Ltd. for a redemption value of £20 million.”

The Greffier of the States (in the Chair):

Deputy Le Fondré. Excuse me, the Bailiff was asking the Council if they maintained the opposition?

Senator P.F.C. Ozouf:

Yes, Sir, oppose.

The Greffier of the States (in the Chair):

Excuse me for omitting that.

1.6.1 Deputy J.A.N. Le Fondré of St. Lawrence:

There I was hoping that in the interests of time they had changed their minds. Good evening, folks and Members, unfortunately it has been a very long day and I shall try and warm everybody up for at least 30 seconds. I am afraid it is going to be a bit of an impersonation of Donald Duck at the moment because the good news is, from the same vein as yesterday, my voice is getting even worse. So if I can make it through tonight I shall be amazed. Not the arguments, as Deputy Le Hérisier is saying. What I would like to do is just remind Members what this is all about because I imagine (a) we are all rather tired and (b) there is relates to a little bit... although not part of the proposition, I think the key stuff is on page 381 of the Medium-Term Financial Plan, which if you have made it all the way through you are doing better than some other people in the Assembly, I suspect. The point is that when Jersey Telecom was incorporated, which was done by way of law in 2002, it was required to issue 2 types of shares. 20 million ordinary and 20 million preference

shares which have to pay a rate of 9 per cent. That is £1.8 million a year. It is these latter shares which we are being asked to consider today in part (f) of the proposition. Basically, that is asking us to vote on redeeming these shares, in other words cashing them in in such a way that we will obviously lose that annual income of £1.8 million a year. The 2011 audited accounts of the States and the M.T.F.P. cite those shares as having a value of just under £30 million, and for convenience I will round that up to £30 million, although the actual figure is £29.5. The other point to remember in the overall context of this is that about a year ago a whole range of us were given this presentation which is about Gigabit Jersey. That proposed putting in 10 million preference shares, which pay us about 2.5 per cent. But more of that a little later. So overall to me this does look a little odd. I have been in touch with both the Treasurer and Jersey Telecom from a shareholder perspective, which is us and the taxpayer as opposed to the company's perspective, this still warrants, in my view, clearer consideration. To me the most constructive way of doing that is to request Corporate Scrutiny to have a look at the matter. The only way to do that is to bring an amendment. We as an Assembly, as I said, are specifically being asked to approve today, or possibly tomorrow, the disposal of something for £20 million which is specifically identified in M.T.F.P. and the States audited accounts as being worth just under £30 million. That implicitly to me does not stack up. The Council of Ministers are arguing that this is just an accounting valuation, it does not really mean anything. Now, the point about that is that about a year ago, more than a year ago, we followed specific rules that valued those shares at £30 million and that is what we have put in the audited accounts and that is the value that is again repeated in the M.T.F.P. The Council of Ministers now are saying those rules do not matter, they do not mean anything. Those rules that we are following are called G.A.A.P. (Generally Accepted Accounting Principles) rules. Those rules are the ones that are followed by pretty well every other private enterprise in the U.K. and an awful lot of organisations worldwide. It was a conscious decision by the States Treasury to switch to G.A.A.P. accounting in order to bring clarity to decision making and the reporting thereof, to identify the consequences of decisions that we make and to start to limit the scope for fudging things. So you cannot just pick and choose. You either have shares that are worth £30 million or you do not. We are obviously meant to be a finance centre with the highest levels of standards and probity and yet the Government is suddenly turning around and saying: "Do not worry about the fact that some of our figures in our accounts do not mean what they say." Secondly, just try and stand back and look at this. Think about what interest rates are at the moment, they are low. They are about the lowest they have ever been. We have £20 million that gives us a 9 per cent return each year. If we were going to sell it surely someone somewhere would be prepared to pay us more than £20 million to get somewhere around 9 per cent. As I said, you do not get that sort of interest these days. I have corresponded, as I have said, with the Treasurer on this, for example, and there has not been any external advice taken on this by Treasury. Going back to the Gigabit presentation from a year ago, we were told that the States would be investing £19 million into J.T. (Jersey Telecom) and this is by way of £10 million out of the currency fund as additional preference shares and £9 million by way of reducing the dividends that they would pay us. That is spread over a period of time. That was the dividends that we receive on the separate ordinary shares. There was no mention at that point of redeeming shares. So to try and think about this in terms of how the cash is moved, we have recently put in £10 million and now we are taking out £20 million. This is all within the last few months. Sorry, the £10 million is within the last few months, the £20 million is over a period of time. So the net of that is £10 million. So £10 million in for 2.5 per cent, £20 million out at 9 per cent and the cost of doing that is to lose overall roughly £1.5 million a year. So we are getting £10 million net out and we are giving up £1.5 million a year. If you really want to be very, very simplistic on numbers and things, the cost of obtaining that £10 million is almost, if you like, a cost of capital of 15 per cent. That is a bit of a leap but we put it in that sort of context. Again, I am looking at this from the shareholder point of view not the company's perspective. It is clearly in the company's interest to get rid of that expense but it

comes down to what price should we be asking. So just consider again, go back to a lot of stuff that has been said today and yesterday about the comments of the F.P.P. recently expressing concern over whether there is a structural imbalance between the expenditure and revenue. If one goes back a very few years, capital spend was being funded from revenue, from our revenue surpluses. However, there is a feeling in this M.T.F.P. that instead we are opening up reserves which have never before been used to fund expenditure. In essence, we have displaced the money that used to come from revenue to fund expenditure with one-off receipts. What therefore is the picture after the period of the M.T.F.P. in terms of funding future demands? Are we just raiding the reserves and the other assets to put off the day when tax increases start coming in? So what I am trying to say here is we should ensure we are not just grabbing every bit of money we can lay our hands on, almost like a gambler with a habit. We have to make sure that the decisions we are making are wise, financial choices. I want to address the purposes of those shares because I have a bit of an issue in disagreeing with the comments of the Council of Ministers, and that is probably not a surprise, but the point is they cast doubt on a statement made in my report that the preference shares were issued to ensure a minimum level of performance. The report that accompanied the law back in 2002 which established J.T. specifically states: "Because of the right to a 9 per cent dividend attached to the £20 million of cumulative preference shares, the board will have a base return to achieve for the group's owners. That is in the comments of the Council of Ministers. But the law itself states that J.T. is required - and that is word used in the law - to issue £20 million of 9 per cent cumulative preference shares to the States of Jersey. The point there is the law is giving the action and the report is giving the purpose. To me that rests my case that contrary to the comments from the Council of Ministers. The preference shares are there for a very specific purpose and therefore they should not be given up lightly, that purpose is to ensure that the directors present and future achieve a minimum return to the States. Now, there is another part of that same report accompanying that same law that states Members also need to think about. Paragraph 4 of the report stated the following: "The group is expected to treat the States at arm's length as a third party provider or customer. This is important because the group must be seen to be operating in a competitive environment without hidden subsidy from or hidden obligations to government." The point is there are other operators out there. We may be shareholders in J.T., as a government we must be seen to be acting fairly. In other words - and the expression might sound like a pun but it is the correct expression - we must not be giving a preference to any one operator over another. That is what that paragraph in the law, which I think was brought by Finance and Economics of the day, meant. You have to look at the transaction, therefore, as if you are just holding those shares as an investment. Why would anyone in their right minds agree to dispose of those shares for £20 million when they are worth more than that? At this present time, again, where can you get something that is going to pay a rate of 9 per cent? At the very least if the company said: "We would like to redeem those shares" should we not be saying: "Okay, let us negotiate for this. What is it worth to you? Are you going to pay us more than £20 million for this because to us, in our books, those are shown at 30 and that is what they are worth to us?" The 100 per cent ownership of J.T. is completely irrelevant. We either have a standalone entity, which we deal with at arm's length, or we do not. The whole purpose is spelt out in the report accompanying that law is that we deal with J.T. as with any other third party. We do not deal with them at a preference. It is probably not the case but when you look at the cash flows on the transaction, they are almost such that it could look like we are using our own money to buy back our own shares. That would not be right. In other words, because overall we are putting £19 million into the company and we are taking out £20 million, net receipt of £1 million over the next 3 to 4 years, again, as I have said, at an annual cost of £1.5 million a year. Do not get me wrong, I am very supportive of J.T. I believe their management is good and I have spoken to them recently. I understand their perspective.

[17:15]

This would be in the interests of the company. But the interests of the shareholder, us and obviously the wider interests of the taxpayer are not always the same. So there are some pretty core principles here. If you look at it another way, if you had a bank account that was earning you 9 per cent, why would you transfer it to another account with the same bank that is only going to pay you 2.5 per cent? If we are transacting with the company for less than something is worth then that must be a subsidy and that is not what we are meant to be doing. We have been told that company had been open to the States as its shareholder, and that is true it is in the comments. Now I am sure they have been very open with the Minister for Treasury and Resources. We are told they provided the business plans and all that sort of stuff, but we are the ones that are being asked to vote on this. Now, it is true that it is referred to, for example, in the Jersey Telecom accounts, but only in the notes and those notes are not publicly available. So it is about information as well. When Gigabit was first being considered we were given presentations. This has not happened here to justify this transaction. So go all the way back to basics and people would be delighted, for the sake of my voice, if not their ears, I am nearly there. All I am asking is for Corporate Scrutiny to have a look at this. We have been asked to vote on this today, it is not a necessary part of the M.T.F.P. and that the decision to redeem or not falls under a different law and can be considered separately. I am not challenging the expenditure, I accept that needs to be spent. What I am challenging is how the funding of that expenditure is financed. I am asking that Corporate look at this and either confirm that this is a great deal for the States and that we should support it or that it is not and that financing should be provided in a more efficient manner. Is this a prudent way of properly managing our investments and our assets or is this a quick fix expensive short term form of funding because it is convenient? As I said, looking at this from our perspective, that of the shareholder and of the taxpayer, I fully accept this is going to be a good deal for the company. Before I conclude, to really try to bring it down to a simple level, Members think about it as if it were their money. They need to fund some expenditure; they can do it in one of 2 ways: on their credit card, which is quick, easy but it is going to be more expensive for people paying the interest, or on a properly financed bank loan. I am not going to give an answer because I believe the transaction as it is presently presented looks unusual. Even the F.P.P. stated at the presentation they did that they did not understand it. It has not been looked at independently and I believe it should be. So I hope Members will listen to that core argument. Why are we getting rid of something for £20 million when it is worth, by our own records, £30 million. Should we not be asking more than just the nominal value on those shares? On that basis I make the amendment.

The Greffier of the States (in the Chair):

Is the amendment seconded? [**Seconded**] Deputy Noel.

1.6.2 Deputy E.J. Noel of St. Lawrence:

I rise again in response to a Deputy Le Fondré amendment and for those Members who think they are having a déjà vu moment I can confirm that they are not. My fellow Parish Deputy and I have opposite views on this matter, or do we? I will come back to that later. As I said yesterday, the Council of Ministers' comments go into much more detail and the same is true today and therefore I am not going to repeat those arguments. Deputy Le Fondré queries the worth of the preference shares. He questions his report as to why we are asking Members to accept a redemption of the J.T. preference shares at par when the company accounts places a value on them of just below £30 million. It is true J.T.'s 2011 published financial statements has them at a value of £29.5 million, but it is important to point out that that is solely an accounting valuation, as the Deputy well knows. This is not a disposal value. The preference shares would not achieve this value if they were sold for a number of reasons. The whole share structure of J.T., its Memorandum and Articles of Association, its relationship with States, all of these would have to be amended to make these preference shares saleable. A buyer would want assurances that they would not be redeemed for a

considerable period of time to protect their investment. It is the length of that period of time that would have a direct link on the price that they would be willing to pay. It is therefore not true to say that they are worth just under £30 million. They are worth what a buyer would be willing to pay and what we, as 100 per cent shareholder, would be willing to sell. In their current form they are not sellable. As I ask Members: "Would we really like to dispose of part of our 100 per cent shareholding in J.T.?" I sincerely hope they would not. Some accountants are criticisers, knowing the price of everything and the value of nothing. But in this case to us as shareholders the value of the repayment of these monies by J.T. is the £20 million that they can buy us. They can buy us £15 million of capital investment in new homes, in road improvements, into funding numerous capital projects and infrastructure projects over the life of M.T.F.P. In addition, £5 million of it will be used as seed funding for the Innovation Fund, which this Assembly has already approved. To clarify, the preference shareholding that was put in place upon incorporation of J.T. on 1st January 2003, the incorporation process required the asset base of the company to be split between ordinary shares and preference shares with the balance to be accountable to reserves. So the value of the preference shares is the value that we, the States of Jersey, attributed to them when agreeing the incorporation of the company. The updated value of the preference shares is carried on the basis made clear in note 11 to the auditor's financial statements. I agree that those have not been publicly distributed. So it specifically states in that argument, and I can quote from it: "Preference shares are valued using the dividend devaluation model. Due to the method of valuation, increases in the value of preference shares will reduce [reduce] the value of the equity shares. Preference shares previously been held at par value and comparators have not been restated." That is taken as an extract from those accounts. So all we have done is just change the accounting treatment. It makes financial sense that the shares are redeemed at their par value the £20 million as we own 100 per cent of the company. As J.T.'s audited financial statements make clear, the increase or decrease in the value of the preference shares will be the balance of the increase or decrease of the ordinary shares. So we are not losing any value by redeeming them at their par. In his report the good Deputy states that Members, and I quote: "Do not have sufficient information to understand the benefits or otherwise of this matter and therefore arrive at an informed decision." I believe that it is underestimating the abilities of Members to understand that the repayment of a non-tradeable preference share while maintaining 100 per cent holding is good for the shareholder as it means that we can invest £20 million in capital projects and diversify our economy by the innovation fund. Yes, it is, it is good for J.T. because it reduces the effective cost of borrowing and in doing so it strengthens their balance sheet allowing it greater access to external funding and thus making it more self-sufficient financially in the longer term. Will we, as 100 per cent shareholders, see a reduction in our long term dividends? No, we will not. Admittedly in the short term, yes, we will because as 100 per cent of the shareholders we will continue to benefit from 100 per cent of the dividend pool. My fellow Parish Deputy is calling for Scrutiny to review this transaction. If that was warranted, and I do not believe that it is, then why did the Deputy not request them to do so shortly after the lodging of the M.T.F.P. on 23rd July? Why did he wait until 23rd October to lodge his amendment? There was plenty of time in between for Scrutiny to review this proposal, if they had been asked, and if they thought it was necessary. A delay will cause J.T. significant difficulties, putting their investment plans on hold. Uncertainty and instability is not a path we should be walking along. As the Scrutiny Panels have done excellent work over the past 3 months on the M.T.F.P. I have no doubt that Corporate Services Scrutiny Panel will have looked at this matter further if they thought there was merit. It was discussed at our public meetings with the panel and as Members will recall we did explain the transaction fully in a reply to Senator Ferguson's written question on 9th of October. For those of you there that have iPads or tablets that is reference 1240/57117. As I said at the beginning of the speech, Deputy Le Fondré and I have different views on this matter, or do we? I would like to read the following quote, if I may. "I therefore submit to Members that at a time when the States are searching for additional funds that

some of the monies held within an entity which is 100 per cent controlled by us could be applied to the better use within the States' finances." Not my words; they are Deputy Le Fondré's own words, written in his own report, attached to his own amendment that we debated yesterday. I humbly request Members to reject this amendment as well.

Deputy R.G. Le Hérisier:

Can I move the adjournment?

The Greffier of the States (in the Chair):

Four minutes to go, does any Member wish to speak briefly before 5.30 p.m. If Members are going to speak at length do Members wish to adjourn? Deputy Higgins.

1.6.3 Deputy M.R. Higgins:

I am just going to ask a few questions, which I hope will be answered in the morning. We have just been told that if we do not agree to this it will affect J.T.'s investments plans. I wonder what the motivation is for this because I attended the briefing on Digital Jersey and I was very supportive of Gigabit Jersey, what they were doing with the cables and so on. Was this contemplated at the time we were briefed and we agreed to put the money in that we did? Is this an additional source of funding for this particular project or similar ones? I would hate to think that we were misled at the time.

The Greffier of the States (in the Chair):

Very well, the Assembly will stand adjourned until 9.30 a.m.

Senator I.J. Gorst:

Sorry, Sir, I wonder is it possible to finish this amendment? I do not know if there were any other speakers?

Senator S.C. Ferguson:

Yes, I am going to speak and I am going to take longer than 5 minutes.

Deputy M.R. Higgins:

There is also a meeting of the Electoral Commission at the Town Hall tonight, which many of us would like to attend.

The Greffier of the States (in the Chair):

It is a scheduled 3-day sitting, Chief Minister. Very well, the Assembly will reconvene at 9.30 a.m.

ADJOURNMENT

[17:26]