

STATES OF JERSEY

OFFICIAL REPORT

TUESDAY, 2nd DECEMBER 2008

| | |
|---|-----------|
| QUESTIONS..... | 7 |
| 1. Written Questions | 7 |
| 1.1 DEPUTY P.V.F. LE CLAIRE OF ST. HELIER OF THE CHIEF MINISTER REGARDING THE LEASE AGREEMENT FOR THE WATERFRONT HOTEL:..... | 7 |
| 1.2 DEPUTY S.S.P.A. POWER OF ST. BRELADE OF THE MINISTER FOR HOME AFFAIRS REGARDING THE COST OF HISTORIC CHILD ABUSE ENQUIRY: | 11 |
| 1.3 DEPUTY S.S.P.A. POWER OF ST. BRELADE THE MINISTER FOR EDUCATION, SPORT AND CULTURE REGARDING THE OPERATIONAL COSTS OF THE FERRY SERVICE TO ELIZABETH CASTLE:..... | 12 |
| 1.4 SENATOR B.E.SHENTON OF THE MINISTER FOR SOCIAL SECURITY REGARDING THE SOCIAL SECURITY (RESERVE) FUND: | 13 |
| 1.5 DEPUTY G.C.L. BAUDAINS OF ST. CLEMENT OF THE MINISTER FOR PLANNING AND ENVIRONMENT REGARDING THE TANGIBLE BENEFITS OF THE WATER RESOURCES (JERSEY) LAW 2007: | 13 |
| 1.6 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE CHIEF MINISTER REGARDING THE WATERFRONT DEVELOPMENT: | 14 |
| 1.7 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR TREASURY AND RESOURCES REGARDING JERSEY'S ECONOMY: | 14 |
| 1.8 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR HOUSING REGARDING EFFORTS TO ASSIST LOCAL FAMILIES TO PURCHASE HOMES IN THE ISLAND: | 15 |
| 1.9 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR ECONOMIC DEVELOPMENT REGARDING FINANCIAL AID FOR THE FINANCIAL AND TOURISM SECTORS:..... | 17 |
| 1.10 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR ECONOMIC DEVELOPMENT REGARDING MEASURES TO MAINTAIN THE SERVICES OF LOW COST AIRLINES: | 19 |
| 1.11 DEPUTY R.G. LE HÉRISSEIER OF ST. SAVIOUR OF THE CHIEF MINISTER REGARDING THE ANNUAL COST OF EMPLOYING CONSULTANTS:..... | 19 |
| 1.12 DEPUTY R.G. LE HÉRISSEIER OF ST. SAVIOUR OF THE MINISTER FOR HEALTH AND SOCIAL SERVICES REGARDING THE HOWARD LEAGUE:..... | 20 |
| 1.13 DEPUTY R.G. LE HÉRISSEIER OF ST. SAVIOUR OF THE MINISTER FOR HEALTH AND SOCIAL SERVICES REGARDING STAFF SUSPENSIONS:..... | 21 |
| 1.14 DEPUTY R.G. LE HÉRISSEIER OF ST. SAVIOUR OF THE MINISTER OF HEALTH AND SOCIAL SERVICES REGARDING THE IMPACT OF THE CONTINUED SUSPENSION OF THE DIRECTOR OF FAMILY NURSING AND HOME CARE:.. | 21 |
| 1.15 DEPUTY R.G. LE HÉRISSEIER OF ST. SAVIOUR OF THE CHAIRMAN OF PRIVILEGES AND PROCEDURES COMMITTEE REGARDING ELECTION REFORMS:..... | 21 |
| 2. Oral Questions..... | 22 |

| | |
|---|----|
| 2.1 Deputy F.J. Hill of St. Martin of the Minister for Home Affairs regarding the processing of firearms applications: | 22 |
| Deputy A.D. Lewis of St. John (The Minister for Home Affairs): | 22 |
| 2.1.1 Deputy G.C.L. Baudains of St. Clement: | 22 |
| 2.1.2 The Deputy of St. Martin: | 22 |
| 2.1.3 Deputy G.C.L. Baudains: | 23 |
| 2.1.4 Connétable M.K. Jackson of St. Brelade: | 23 |
| 2.2 Connétable A.S. Crowcroft of St. Helier of the Minister for Health and Social Services regarding the funding arrangements between Health and Social Services and Family Nursing and Home Care: | 23 |
| Senator B.E. Shenton (The Minister for Health and Social Services): | 23 |
| 2.2.1 The Connétable of St. Helier: | 24 |
| 2.2.2 Senator S. Syvret: | 24 |
| 2.2.3 Deputy S.C. Ferguson of St. Brelade: | 24 |
| 2.2.4 Deputy R.G. Le Hérisier of St. Saviour: | 25 |
| 2.2.5 Deputy R.G. Le Hérisier: | 25 |
| 2.2.6 The Connétable of St. Helier: | 25 |
| 2.3 Deputy G.P. Southern of St. Helier of the Minister for Social Security regarding additional funding required for the wide range of “adjustments” made to the Income Support (IS) scheme: | 26 |
| Senator P.F. Routier (The Minister for Social Security): | 26 |
| 2.3.1 Deputy G.P. Southern: | 26 |
| 2.3.2 Deputy R.G. Le Hérisier: | 26 |
| 2.3.3 Deputy G.P. Southern: | 27 |
| 2.3.4 Deputy G.P. Southern: | 27 |
| 2.3.5 The Connétable of St. Helier: | 27 |
| 2.4 Deputy G.C.L. Baudains of the Minister for Health and Social Services regarding composting at La Collette: | 28 |
| Senator B.E. Shenton (The Minister for Health and Social Services): | 28 |
| 2.4.1 Deputy G.C.L. Baudains: | 28 |
| 2.4.2 Deputy R.C. Duhamel of St. Saviour: | 29 |
| 2.4.3 The Connétable of St. Helier: | 29 |
| 2.4.4 Deputy P.V.F. Le Claire of St. Helier: | 29 |
| 2.4.5 Deputy G.C.L. Baudains: | 31 |
| 2.5 Deputy S. Power of St. Brelade of the Minister for Economic Development regarding the current status of the grant from the Tourism Development Fund which was awarded to develop an adventure centre at Les Ormes, St. Brelade: | 31 |
| Senator P.F.C. Ozouf (The Minister for Economic Development): | 31 |
| 2.5.1 Deputy S. Power: | 31 |
| 2.6 Deputy R.G. Le Hérisier of the Minister for Economic Development regarding the potential importation of construction workers for the Waterfront Development: | 31 |
| Senator P.F.C. Ozouf (The Minister for Economic Development): | 31 |
| 2.6.1 Deputy R.G. Le Hérisier: | 32 |
| 2.6.2 Deputy A. Breckon of St. Saviour: | 32 |
| 2.6.3 Deputy J.A. Martin of St. Helier: | 32 |
| 2.6.4 Deputy J.A. Martin: | 33 |
| 2.6.5 Deputy C.J. Scott Warren of St. Saviour: | 33 |
| 2.6.6 Deputy S. Power: | 33 |
| 2.6.7 Senator J.L. Perchard: | 33 |
| 2.7 Deputy R.C. Duhamel of the Minister for Transport and Technical Services regarding the availability of bus passenger figures for the period 2005-2007: | 34 |
| Deputy G.W.J. de Faye of St. Helier (The Minister for Transport and Technical Services): | 34 |

| | |
|---|-----------|
| 2.7.1 Deputy R.C. Duhamel: | 34 |
| 2.7.2 Deputy R.G. Le Hérisier: | 34 |
| 2.7.3 Deputy R.G. Le Hérisier: | 34 |
| 2.7.4 Deputy C.J. Scott Warren: | 35 |
| 2.8 Senator S. Syvret of the Minister for Education, Sport and Culture regarding the number of present or former Education, Sport and Culture Department employees known to be under investigation by the police in connection with possible child protection offences: | 35 |
| Senator M.E. Vibert (The Minister for Education, Sport and Culture): | 36 |
| 2.8.1 Senator S. Syvret: | 36 |
| 2.8.2 Senator S. Syvret: | 36 |
| 2.8.3 Deputy S. Power: | 36 |
| 2.9 The Deputy of St. Martin of the Minister for Treasury and Resources regarding the reinstatement of the Haut de la Garenne site: | 36 |
| Senator T.A. Le Sueur (The Minister for Treasury and Resources): | 37 |
| Deputy J.A.N. Le Fondré of St. Lawrence (Assistant Minister for Treasury and Resources): | 37 |
| 2.9.1 Deputy R.G. Le Hérisier: | 37 |
| 2.9.2 Deputy R.G. Le Hérisier: | 37 |
| The Bailiff: | 37 |
| Senator S. Syvret: | 37 |
| 2.10 Deputy R.G. Le Hérisier of the Minister for Treasury and Resources regarding concerns of the U.K. Chancellor of the Exchequer in relation to Crown Dependencies: | 38 |
| Senator T.A. Le Sueur (The Minister for Treasury and Resources): | 38 |
| 2.10.1 Deputy R.G. Le Hérisier: | 38 |
| 2.11 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the range of fiscal measures under consideration should the recession in the U.K. impact upon Jersey: | 39 |
| Senator T.A. Le Sueur (The Minister for Treasury and Resources): | 39 |
| 2.11.1 Deputy G.P. Southern: | 39 |
| 2.11.2 Deputy R.G. Le Hérisier: | 40 |
| 2.11.3 Deputy G.P. Southern: | 40 |
| 2.11.4 Deputy G.P. Southern: | 40 |
| 2.11.5 Deputy G.P. Southern: | 41 |
| 2.12 Connétable D.J. Murphy of Grouville of the Chief Minister regarding the involvement of the members of the Waterfront Enterprise Board or members of staff (past or present) in the recent court case in Dublin between Harcourt and Ivor Fitzpatrick: | 41 |
| Senator F.H. Walker (The Chief Minister): | 41 |
| 2.12.1 The Connétable of Grouville: | 42 |
| 2.13 Deputy C. J. Scott Warren of the Minister for Transport regarding improvements to pedestrian safety in the Longueville Road area of St. Saviour: | 42 |
| Deputy G.W.J. de Faye (The Minister for Transport and Technical Services): | 42 |
| 2.13.1 Deputy C. J. Scott Warren: | 42 |
| 2.14 Deputy J.A. Martin of the Minister for Social Security regarding GST funds: | 42 |
| Senator P.F. Routier (The Minister for Social Security): | 43 |
| 2.14.1 Deputy J.A. Martin: | 43 |
| 2.14.2 Deputy J.A. Martin: | 43 |
| 3. Questions to Ministers Without Notice - Minister for Housing..... | 44 |
| 3.1 Deputy A. Breckon: | 44 |
| Senator T.J. Le Main (The Minister for Housing): | 44 |
| 3.2 Deputy K.C. Lewis of St. Saviour: | 44 |
| 3.3 Deputy G.P. Southern: | 44 |
| 3.3.1 Deputy G.P. Southern: | 45 |

| | | |
|-----------|--|-----------|
| 3.4 | Deputy I.J. Gorst of St. Clement: | 45 |
| 3.5 | Deputy C.F. Labey of Grouville: | 45 |
| 3.5.1 | The Deputy of Grouville: | 45 |
| 3.6 | The Deputy of St. Martin: | 46 |
| 3.6.1 | The Deputy of St. Martin: | 46 |
| 3.7 | Deputy S.C. Ferguson: | 47 |
| 3.8 | Deputy S. Pitman of St. Helier: | 47 |
| 3.9 | Deputy R.G. Le Hérisier: | 47 |
| 3.10 | Deputy C.J. Scott Warren: | 47 |
| 4. | Questions to Ministers Without Notice - The Chief Minister..... | 48 |
| 4.1 | Deputy J.A. Martin: | 48 |
| | Senator F.H. Walker (The Chief Minister): | 48 |
| 4.2 | Deputy A. Breckon: | 48 |
| 4.2.1 | Deputy A. Breckon: | 48 |
| 4.3 | Deputy K.C. Lewis: | 49 |
| 4.4 | Deputy P.V.F. Le Claire: | 49 |
| 4.5 | Deputy C.J. Scott Warren: | 49 |
| 4.6 | Deputy R.C. Duhamel: | 50 |
| 4.7 | Deputy R.G. Le Hérisier: | 50 |
| 4.8 | The Deputy of St. Martin: | 50 |
| 4.9 | Deputy G.P. Southern: | 51 |
| 4.9.1 | Deputy G.P. Southern: | 51 |
| 4.10 | Senator P.F.C. Ozouf: | 51 |
| 5. | Urgent Oral Question - The Minister for Home Affairs..... | 52 |
| 5.1 | Deputy S. Power of the Minister for Home Affairs regarding voting irregularities in the recent Deputies elections: | 52 |
| | The Deputy of St. John (Minister for Home Affairs): | 52 |
| | STATEMENTS ON A MATTER OF OFFICIAL RESPONSIBILITY..... | 52 |
| 6. | Statement by Chief Minister regarding a meeting with H.M. Treasury on 27th November 2008..... | 52 |
| 6.1 | Senator F.H. Walker (The Chief Minister): | 52 |
| 6.1.1 | Deputy J.A. Martin: | 53 |
| 6.1.2 | Senator J.L. Perchard: | 53 |
| 6.1.3 | Deputy P.J.D. Ryan of St. Helier: | 54 |
| 6.1.4 | Deputy P.V.F. Le Claire: | 54 |
| 6.1.5 | Deputy A. Breckon: | 54 |
| 6.1.6 | Deputy R.G. Le Hérisier: | 54 |
| 6.1.7 | Deputy G.P. Southern: | 55 |
| 6.1.8 | Deputy I.J. Gorst: | 55 |
| 6.1.9 | Deputy J.A. Martin: | 55 |
| 6.1.10 | Deputy J.A. Martin: | 56 |
| 7. | Statement by The Minister for Home Affairs regarding the suspension of the Chief Officer of the States of Jersey Police. | 56 |
| 7.1 | The Deputy of St. John (The Minister for Home Affairs): | 56 |
| | [Questioning proceeded in camera] | 57 |
| | LUNCHEON ADJOURNMENT PROPOSED..... | 57 |

| | |
|---|-----------|
| LUNCHEON ADJOURNMENT..... | 57 |
| 8. Statement by Chief Minister outlining the latest Tax Information Exchange Agreements (TIEA's) | 57 |
| 8.1 Senator F.H. Walker (The Chief Minister): | 57 |
| 8.1.1 Deputy A. Breckon: | 57 |
| 8.1.2 Deputy A. Breckon: | 58 |
| 8.1.3 Deputy I.J. Gorst: | 58 |
| 8.1.4 Deputy P.J.D. Ryan: | 59 |
| PUBLIC BUSINESS | 59 |
| 9. Draft Budget Statement 2009 (P.158/2008)..... | 59 |
| The Deputy Greffier of the States: | 59 |
| 9.1 Senator T.A. Le Sueur (The Minister for Treasury and Resources): | 59 |
| 10. Draft Budget Statement 2009 (P.158/2008): second amendment. | 65 |
| 10.1 Deputy S.C. Ferguson:..... | 65 |
| 10.1.1 Senator T.A. Le Sueur:..... | 67 |
| 10.1.2 Deputy G.P. Southern: | 68 |
| 10.1.3 Deputy A. Breckon: | 69 |
| 10.1.4 Senator P.F. Routier: | 69 |
| 10.1.5 Deputy C.J. Scott Warren: | 71 |
| 10.1.6 Deputy J.G. Reed of St. Ouen: | 71 |
| 10.1.7 Deputy R.C. Duhamel: | 71 |
| 10.1.8 Deputy S.C. Ferguson: | 71 |
| 11. Draft Budget Statement 2009 (P.158/2008): Fourth Amendment..... | 73 |
| 11.1 The Deputy of St. Ouen: | 73 |
| 11.1.1 Senator T.A. Le Sueur:..... | 75 |
| 11.1.2 Deputy P.J.D. Ryan:..... | 77 |
| 11.1.3 Deputy G.P. Southern: | 77 |
| 11.1.4 Deputy J.A. Martin: | 78 |
| 11.1.5 Deputy G.W.J. de Faye: | 79 |
| 11.1.6 Deputy C.J. Scott Warren:..... | 80 |
| 11.1.7 The Deputy of St. John:..... | 80 |
| 11.1.8 Senator P.V.C. Ozouf:..... | 81 |
| 11.1.9 Deputy S.C. Ferguson: | 82 |
| 11.1.10 The Deputy of St. Ouen: | 83 |
| 12. Draft Budget Statement 2009 (P.158/2008): third amendment. | 85 |
| 12.1 The Deputy of St. Ouen: | 85 |
| 12.1.1 Senator J.A. Le Sueur:..... | 86 |
| 12.1.2 Deputy G.W.J. de Faye: | 87 |
| 12.1.3 Deputy C.J. Scott Warren: | 88 |
| 12.1.4 Senator M.E. Vibert: | 88 |
| 12.1.5 Connétable K.P. Vibert of St. Ouen:..... | 89 |
| 12.1.6 Senator L. Norman:..... | 89 |
| 12.1.7 Deputy J.A.N. Le Fondré: | 90 |
| 12.1.8 The Deputy of St. Ouen:..... | 90 |
| STATEMENTS ON MATTER OF OFFICIAL RESPONSIBILITY | 91 |

| | |
|--|-----------|
| 13. Statement by Chief Minister regarding a meeting with H.M. Treasury on 27th November 2008..... | 91 |
| 13.1 Senator F.H. Walker: | 91 |
| ADJOURNMENT..... | 92 |

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

QUESTIONS

1. Written Questions

**1.1 DEPUTY P.V.F. LE CLAIRE OF ST. HELIER OF THE CHIEF MINISTER
REGARDING THE LEASE AGREEMENT FOR THE WATERFRONT HOTEL:**

Question

Would the Minister outline what performance conditions, if any, were written into the lease for the Waterfront Hotel and advise whether the lessees are meeting these conditions?

Would he further advise if it is now policy to direct those coming to the Island to do business with the States to stay at this hotel, and if so are discounts offered which could affect any potential return to the States?"

Answer

The Waterfront Hotel sub-lease contains a number of performance conditions which the Lessee must comply with. The sub-lessee is meeting these conditions. Extracts of performance conditions from the sub-lease entered into between the Waterfront Enterprise Board Limited and the Waterfront Hotel Holding Limited (passed before the Royal Court on 9th September 2005) are detailed below in italics.

I can confirm that it is not States policy to direct visitors coming to the Island to do business with the States to stay at this hotel. The States has secured a corporate rate at the Waterfront Hotel which is available for all States funded requirements. The hotel, however, has not been given exclusivity in terms of States business. States requirements for hotels vary and therefore a range of hotels and corporate rates are used as appropriate.

3. *TENANT'S COVENANTS*

THE TENANT COVENANTS with the Landlord as follows:

3.1 *RENT AND INTEREST*

3.1.1 To pay the rent reserved by this Lease, free from any deductions and rights of set-off, at the times and in the manner required under Schedule 3 and the additional rents required by this Lease at the times and in the manner specified in relation to each of them.

3.1.2 To pay Interest on so much of the rents, reviewed rents, and other moneys payable under this Lease as remain unpaid twenty-one days after they have become due from the date that they became due until the payment is received by the Landlord.

3.1.3 To pay Interest under Clause 3.1.2 for any period during which the Landlord properly refuses to accept the tender of payment because of an unremedied breach of covenant of the Tenant.

3.2 *OUTGOINGS*

3.2.1 To pay all outgoing in respect of the Premises.

3.2.2 For the purposes of Clause 3.2.1, 'outgoings' means all rates (both foncier and occupiers), water rates, water charges, sewage rates, sewage charges and all existing and future rates, taxes, charges, assessments, impositions and outgoing whatsoever (whether Insular, Parochial or otherwise) which are now or may at any time be payable, charged or assessed on property or the owner or occupier of property, but 'taxes' in this context does not include taxes imposed on the Landlord in respect of the yearly rent reserved by this Lease or in respect of a disposal of its immediate reversion to this Lease.

3.3 *INSURANCE*

- 3.3.1 To keep the Premises insured or to procure that the Premises are insured with an insurer approved by the Landlord (such approval not to be unreasonably withheld or delayed) in the name of the Tenant and the Landlord against loss or damage by the Insured Risks in the full replacement cost of the Premises including cover for the cost of demolition, shoring up and site clearance, Architects', Surveyors' and other requisite professional advisers' fees in relation to the reinstatement of the Premises and third party and public liability risks and the loss of four years rent of the Premises.
- 3.3.2 To pay or to procure the payment of the premiums for insurance promptly as they become due and maintain in force the policies of insurance on the Premises.
- 3.3.4 To produce to the Landlord a copy of the insurance policy whenever reasonably requested and the receipt for the latest premium or other evidence of renewal and up-to-date details of the amount of cover.
- 3.3.5 Not to do or omit to do anything whereby any policy of insurance relating to the Premises may become void or voidable.

3.5 REPAIR

- 3.5.1 Following the completion of the Development, well and substantially to repair (and where beyond economic repair to rebuild or renew), maintain, decorate and clean the Premises and to keep the same in good and substantial repair, (and if necessary as aforesaid rebuilt or renewed), maintained, decorated and in clean condition. **PROVIDED ALWAYS** that the Tenant shall not be obliged to rebuild or substantially refurbish the Hotel in the last ten (10) years of the Term unless it has been destroyed or substantially damaged by an Insured Risk.

3.8 ALTERATIONS

- 3.8.1 Not to erect any new buildings or structures on the Premises nor demolish nor remove any structure on the Premises without the consent of the Landlord (such consent not to be unreasonably withheld or delayed) **PROVIDED ALWAYS** that the Tenant can put up signage on the exterior of the Premises and any building forming part thereof without the prior consent of the Landlord provided that the Tenant obtains any necessary consent under the Planning Law.
- 3.8.2 Not to make any material alterations or additions to or affecting the structure or materially affecting the exterior appearance of the Premises without the consent of the Landlord (such consent not to be unreasonably withheld or delayed).

3.9 ALIENATION

- 3.9.1 Save by assignment of this Lease or sub-sub-letting or other arrangement permitted under the following provisions of this Clause 3.9 not to;
- 3.9.1.1 Assign or otherwise dispose of this Lease or sub-sub-let the whole or any part of the Premises; or
- 3.9.1.2 Part with or share possession or occupation of the whole of any part of the Premises; or
- 3.9.1.3 Grant to third parties any rights over or in the Premises.
- 3.9.2.1 Not to assign the Lease without the consent of the Landlord given by way of the participation of the Landlord in the relevant contract of assignment passed before the Royal Court which consent shall not be withheld or delayed in cases where the Tenant has established to the reasonable satisfaction of the Landlord that the assignee;
- 3.9.2.1.1 is solvent and respectable producing proper and substantial financial and other references; and either
- 3.9.2.1.2 is of sufficient financial standing proven to the satisfaction of the Landlord (acting reasonably) to enable it to discharge all the obligations imposed upon the Tenant by this Lease; or
- 3.9.2.1.3 provides a guarantor or guarantors who are of sufficient financial standing proven to the satisfaction of the Landlord (acting reasonably) to guarantee the discharge of such obligations by the intended assignee the terms of such guarantee to be as the Landlord shall reasonably require provided that the Landlord shall not be obliged to accept more than three (3) guarantors at any time who together discharge the requirement of financial standing contained in this sub-clause.

3.9.3 In all cases of assignment the intended assignee will be required if the Landlord so demands to covenant directly with the Landlord in the relevant contract of assignment to perform all the covenants and conditions in this Lease and imposed upon the Tenant including the covenants contained in this Clause 3.9 and without prejudice to the generality Clause 3.10 throughout the residue of the Term.

3.9.4 Not to sub-sub-let or licence the whole or any part of the Premises without the consent of the Landlord to be given by the Landlord's participation as a party in the contract or agreement of sub-sub-lease or licence in the terms of the draft participation clause (or as near to it as may be reasonable in all the circumstances) which forms Schedule 6 and which consent shall not be withheld or delayed in cases where the sub-sub-lease or licence is of the whole of the Premises and the Tenant has established to the reasonable satisfaction of the Landlord that the sub-sub-tenant or licensee is or has entered into a management agreement with an internationally recognised international Four Star (which expression for the purposes of this clause 3.9.4 only may also include any higher grade) hotel operator or hotel management company or is a part of a chain or group that is an internationally recognised international Four Star hotel operator or hotel management company ("**Four Star Hotel Operator**") (save if a lesser grade than Four Star is applicable under Clause 3.10.2 in which event such lesser grade hotel operator or management company, chain or group shall apply) and the Tenant has;

3.9.4.1 Established to the reasonable satisfaction of the Landlord that;

3.9.4.1.1 the intended sub-sub-tenant or licensee is solvent and respectable; and

3.9.4.1.2 is of sufficient financial standing proven to the satisfaction of the Landlord (acting reasonably) to enable it to discharge all the obligations imposed upon it by the sub-sub-lease or licence; or

3.9.4.1.3 provides a guarantor or guarantors who are of sufficient financial standing proven to the satisfaction of the Landlord (acting reasonably) to guarantee to the Tenant the discharge of the obligations of the sub-sub-tenant or licensee under the sub-sub-lease or licence the terms of such guarantee to be in such terms as the Landlord shall reasonably require provided that the Landlord shall not be obliged to accept more than three (3) guarantors at any time who together discharge the requirement of financial standing contained in this sub-clause; or

3.9.4.1.4 is and will remain throughout the term of such sub-sub-lease a wholly owned subsidiary of the Tenant.

3.9.4.2 Produced to the Landlord full details of the proposed sub-sub-lease or licence together with any other transaction ancillary thereto; and

3.9.4.3 Produced to the Landlord a draft of the proposed sub-sub-lease or licence for the Landlord's comment and approval (which approval shall not be unreasonably withheld or delayed).

3.9.8 ENFORCEMENT OF SUB-SUB-LEASE

3.9.8.1 Not without the consent of the Landlord (such consent not to be unreasonably withheld or delayed) to vary the terms or waive the benefit of any covenant on the part of a sub-tenant or licensee or condition contained in a sub-sub-lease or licence of the Premises.

3.9.8.2 Not without the consent of the Landlord (such consent not to be unreasonably withheld or delayed) to accept a surrender of any sub-sub-lease of the Premises.

3.9.8.3 Diligently to enforce the covenants on the part of a sub-tenant or licensee and the conditions contained in a sub-sub-lease of the Premises and (if so required by the Landlord) to exercise by way of enforcement any power of cancellation contained in a sub-sub-lease or licence.

3.10 USER

3.10.1 To use the Premises as a Four Star (or if the Tenant so desires, a higher grade) hotel (with not less than one hundred and ninety-three (193) bedrooms) and conference centre with ancillary facilities (which facilities may include, but not be limited to restaurants, retail units, health complex, entertainment venue and ancillary support services, provided that there shall be no more than two restaurants or two retail units) operated by an internationally recognised international operator and provided that any health and leisure facilities shall be conducted principally for bona fide guests of the Hotel and will allow only a maximum of Two Hundred (200) subscriptions or club

memberships at any one time to persons who are not guests at the Hotel and shall not be marketed or promoted in the Island for the purposes of attracting subscriptions or membership from bona fide residents of the Island. **PROVIDED ALWAYS** that nothing in this clause shall prevent the health and leisure facilities being promoted (in a manner consistent with the restrictions contained above) in literature available within the Premises to members of the public. Any membership or subscription arrangements which are put in place in respect of the health and leisure facilities shall be bona fide membership or subscription arrangements which (i) in their substantive effect do not in any way resemble arrangements for the use of facilities under which the facilities in question are available for use by the public at large and (ii) (without prejudice to the generality of (i) above) involve periods of membership which in all cases are of not less than twelve (12) Months unless terminated by members or subscribers on giving not less than one (1) Month's notice.

3.10.2 If at any time after the period of twenty-five (25) years from the Commencement Date it is agreed by the Landlord and the Tenant that the use of the Hotel as a Four Star is not viable the Hotel can be used as a lower grade hotel provided it shall always be used as the highest grade possible in the economic environment then current. In the event that the Landlord and the Tenant cannot agree whether or not the use of the Hotel as a Four Star hotel is or is not viable or the grade at which the Hotel shall be used the matter shall be referred to arbitration under Clause 6.

3.10.3 To open the Hotel for business as soon as is reasonably practicable following the Certificate of Practical Completion Date and at all times thereafter to keep the Hotel open for business and to conduct the Hotel Business from the Hotel in such a way reasonably as to maximise the Room Turnover as defined in Schedule 3. **PROVIDED ALWAYS** that notwithstanding the provisions of this Clause the Hotel or such part or parts thereof as may be appropriate can close during periods of refurbishment, re-development, repair or as required by any competent authority or for any other reason beyond the control of the Tenant.

3.11 RESTRICTIONS AFFECTING USE OF THE PREMISES

3.11.1 Not to use the Premises for any noxious, noisy or offensive trade or business nor for any illegal or immoral act or purpose.

3.11.2 Not to do in or upon the Premises anything which may be or grow to be a nuisance, annoyance, disturbance, inconvenience or damage to the Landlord or to the owners, tenants and occupiers of adjoining and neighbouring properties.

3.12 COMPLIANCE WITH STATUTES ETC.

3.12.1 To comply in all respects with all statutes for the time being in force and requirements of any competent authority relating to the Premises or anything done in or on them by the Tenant, and to indemnify the Landlord against liability by reason of failure to comply with them.

3.12.2 To comply with all requirements under any present or future statute, order, by-law or regulation as to the use or occupation of, or otherwise concerning, the Premises.

3.12.3 To execute with all due diligence all works to the Premises for which the Tenant is liable in accordance with this Clause 3.12.

3.12.4 If the Tenant does not comply with this Clause 3.12, to permit the Landlord after reasonable notice to enter the Premises to carry out such works, and to indemnify the Landlord on demand for the reasonable expense of so doing (including surveyors' and other professional advisers' fees) with Interest on such expense, or so much of it as may from time to time remain unpaid, from the date of expenditure until payment by the Tenant to the Landlord, such moneys to be recoverable as rent in arrear. The Landlord in exercising such rights shall do so on the terms set out in sub-clauses (a) to (j) inclusive of paragraph 3 (B) of Schedule 2.

3.12.5 To give full particulars to the Landlord of any notice or proposal for a notice, or order or proposal for an order, made, given or issued to the Tenant under or by virtue of any statute or regulation within ten (10) Working Days of the receipt of any such by the Tenant, and if so required by the Landlord to produce the notice, order or proposal for a notice or order to the Landlord.

3.12.6 Forthwith to take all necessary steps to comply with any such notice or order.

3.12.7 At the request and cost of the Landlord, to make or join with the Landlord in making such objections or representations against or in respect of any proposal for such a notice or order as the Landlord (acting reasonably) may consider expedient.

3.13 PLANNING PERMISSIONS

3.13.1.1 Not without the consent of the Landlord to make any application under the Planning Law to develop the Premises (which consent shall not be unreasonably withheld with regard to works permitted by the Landlord pursuant to Clause 3.8).

3.13.1.2 Not without the consent of the Landlord (which for the avoidance of any doubt will be at its absolute discretion) to make any application for the change of use of the Premises.

3.13.3 Forthwith to give to the Landlord full particulars in writing of the grant of any permission under the Planning Law.

3.17 NOTIFY LANDLORD OF MATTERS ADVERSE TO ITS INTEREST

Forthwith upon the Tenant having become aware of the happening of any occurrence or upon receipt of information as to anything which may to the Tenant's knowledge be capable of materially adversely affecting the Landlord's interest in the Premises or in the event of the Premises becoming damaged to any material extent or destroyed by any cause to give full details to the Landlord.

3.19 NOT TO CAUSE LANDLORD TO BREACH HEAD LEASE

The Tenant shall not do omit suffer or permit to be done in at or in relation to the Premises anything which would or might cause the Landlord to be in breach of the Head Lease and the Tenant shall indemnify the Landlord from and against all actions proceedings claims damages costs expenses or losses arising directly or indirectly from anything done omitted suffered or permitted by the Tenant which has such effect.

1.2 DEPUTY S.S.P.A. POWER OF ST. BRELADE OF THE MINISTER FOR HOME AFFAIRS REGARDING THE COST OF HISTORIC CHILD ABUSE ENQUIRY:

Question

Can the Minister give a statement of account of the monies expended in the nine months from January to September 2008 in relation to the historic child abuse enquiry, and provide some analysis with a final total broken down under the following headings – policing and investigative costs (including specialists brought in from outside the Island, police overtime, police drafted in from other forces); air and ferry travel costs; hotel costs (indicating which hotels were used); transport costs (car, van, mini-bus and bus hire); kennel costs; administration costs (including the number of laptops and desk-top computers provided for the investigation); contractor costs; plant hire costs; laundry bills; food and entertainment costs and any other relevant cost detail?

Answer

The total unbudgeted costs incurred by the Historic Child Abuse Enquiry for the period January – September 2008 are £3,647,300. The unbudgeted costs can be broken down as follows:

Unbudgeted Costs 1 January - 30 September 2008

| | £'000 |
|--|----------------|
| Local Staff (States of Jersey Police and Agency) | 206.2 |
| Overtime | 812.0 |
| Officers from UK Forces and Agencies | 938.0 |
| Forensics | 606.1 |
| Travel | 198.0 |
| Hotel accommodation | 568.8 |
| Vehicle hire and running costs | 9.0 |
| IT and other equipment | 86.4 |
| Set up of Major Incident Room | 68.3 |
| Other costs | 108.7 |
| Meals and expenses | 45.8 |
| Total Unbudgeted Costs Incurred | 3,647.3 |

The costs are included in the Ministerial Quarterly Financial Reports which are sent to the Minister for Treasury and Resources for collation with other Departments for consideration by the Council of Ministers.

For Members information, the Chairman of the Public Accounts Committee has sought clarification in respect of the financial protocols in place while recognising that a detailed examination of the matter could not be undertaken at present because of possible pending prosecutions. With this in mind I would ask Members to limit any future questions regarding the Enquiry to those which will not detract the States of Jersey Police officers from the task in hand which is, as it has always been, to see a thorough, professional police investigation into the abuse allegations.

1.3 DEPUTY S.S.P.A. POWER OF ST. BRELADE THE MINISTER FOR EDUCATION, SPORT AND CULTURE REGARDING THE OPERATIONAL COSTS OF THE FERRY SERVICE TO ELIZABETH CASTLE:

Question

Would the Minister ask the Jersey Heritage Trust to provide the Assembly with an itemised statement of the operating and maintenance costs relating to the operation of the ferry service to Elizabeth Castle for the period 1st April to 30th September 2008, in order to update R.72/2008 published on 8th July 2008?

Answer

As I have previously noted, the Jersey Heritage Trust is an independent body funded by the Education, Sport and Culture Department and the proper source of information on operation matters of this sort is the Trust itself. To assist the Deputy, representatives of the Trust have confirmed that they will be happy to meet him to discuss this and the wider issues he has raised concerning access to Elizabeth Castle. The Trust will, in due course, be preparing a report to update the information I gave during the summer but in the meantime I would encourage the Deputy to take up the offer of the Trust to discuss these matters directly.

1.4 SENATOR B.E.SHENTON OF THE MINISTER FOR SOCIAL SECURITY REGARDING THE SOCIAL SECURITY (RESERVE) FUND:

Question

Can the Minister advise the value of the Social Security (Reserve) Fund on the 31st December 2007 and the 31st October 2008 – detailing net performance over this period?

Answer

The Social Security (Reserve) Fund is one of the States three main savings funds. At 31st December 2007 the value of the fund stood at £642.7 million.

Although these are turbulent financial times and the value of the funds are changing on a daily basis the value of the fund at the end of October was £528.5 million. This is a fall of 22 per cent after taking account of additional investments made in the earlier part of the year. In comparison, over the same period to October 2008, the FTSE 100 index fell by 32 per cent.

So far the fund has weathered the turmoil well and performed better than the FTSE index. No part of the fund was invested in any of the troubled Icelandic banks.

The aim of the Social Security (Reserve) Fund is to secure long-term gains with investment advice provided by a suitably qualified Investment adviser. The investment portfolio is passively managed; 80 per cent is invested in equities and 20 per cent in corporate bonds and cash. Over the last 5 years the Social Security (Reserve) Fund has grown by approximately 7 per cent per annum.

Currently the Social Security (Reserve) Fund holds the equivalent of more than three years worth of payments from the fund and current Social Security pension payments are secure.

Money is not expected to be needed from the Social Security (Reserve) Fund for at least the next five years (based on the last actuarial review), so the investment policy aim is to secure longer term growth in the fund. Furthermore, because the reserve is a 'buffer' to deal with the longer term funding of Social Security pension payments, the value of its assets can fluctuate from year to year without affecting those payments.

1.5 DEPUTY G.C.L. BAUDAINS OF ST. CLEMENT OF THE MINISTER FOR PLANNING AND ENVIRONMENT REGARDING THE TANGIBLE BENEFITS OF THE WATER RESOURCES (JERSEY) LAW 2007:

Question

Would the Minister identify the tangible benefits, if any, that have accrued as a result of the introduction of the Water Resources (Jersey) Law 2007, and advise whether he still holds the view that climate change will result in scarcer water supplies?

Answer

Unfortunately I am not yet in a position to answer the first part of the Deputy's question as the Water Resources Law does not come into force until 1st January 2009.

In answer to the second part of the question I can confirm that I still hold the view that Climate change will result in increased water scarcity. Changes in rainfall patterns are both predicted by predictive climate modelling based on anticipated future emissions of greenhouse gases and by the extrapolation of trends that are being observed in the local rainfall record.

Total annual rainfall is unlikely to change much - but the distribution of rainfall is likely to be different with more rain in the winters and substantially less rain in the summer, raising issues of how to protect the users of the scarce summer rainfall by greater storage to capture the increased winter rainfall.

The other point to note is that rainfall is expected to be heavier - i.e. we may have fewer rain events - but there is likely to be more rain in the individual events, raising issues of storm protection and possibly more frequent flash floods as storm drains become unable to cope with the deluges.

1.6 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE CHIEF MINISTER REGARDING THE WATERFRONT DEVELOPMENT:

Question

Given the continuous fall in UK and Irish commercial property markets and reservations contained in the previous PricewaterhouseCoopers report about the valuation of its assets (much of it in the UK and Ireland) and over its capital to loan ratio, what confidence does the Chief Minister now have in the current ability of Harcourt to deliver the Waterfront development?

Answer

The Minister for Treasury and Resources is currently undertaking a due diligence process prior to taking a view on whether to bring the development agreement back to the States in accordance with P111/2008. This process includes consideration of an independent appraisal of the financial capability of the preferred developers carried out for WEB. Should the Minister not be satisfied with the financial capability of the preferred developer he has undertaken not to bring the development agreement to the States for approval.

1.7 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR TREASURY AND RESOURCES REGARDING JERSEY'S ECONOMY:

Question

Given the composition of the Fund management sub-sector of the finance industry, and the fall in profits reported in the Survey of Financial Institutions for 2007, and in the light of heavy losses in the Hedge Fund Sector, will the Minister restate his assurances that the Jersey economy will not go into recession?

Will he further qualify this in the light of recent announcements from the City of the Royal Bank of Scotland's decision to cut 3,000 jobs in its investment banking business worldwide, and large-scale job losses at Citigroup?

Furthermore, can the Minister inform members whether he is in agreement with the UK Prime Minister and others in the G20 that the most direct method of stimulating an economy in recession is by fiscal measures, that is, by reducing taxes on low to middle earners?

Answer

I have never said that the Jersey economy will not go into recession. In the Jersey Evening Post of 11 November 2008 I stated that I had "not yet received any information to alter the opinion that we continue to enjoy smaller economic growth". Since that date the Fiscal Policy Panel have updated their annual report and concluded in a similar manner to myself that there "is as yet, little evidence

to suggest that growth is slowing more rapidly". The Panel's central expectation is still that the economy will see slower growth in 2008 and 2009. However, they also emphasised that the risks to this outlook are firmly on the downside and that the negative world economic outlook overshadows things.

I do not necessarily agree that "the most direct method of stimulating an economy in recession is by fiscal measures". In general terms the preference is to use monetary policy to stimulate an economy entering recession. What is clear in terms of the situation in the larger economies today, facing recessions as a result of the credit crunch and associated banking crisis, is that monetary policy may have lost some of its potency. Under such circumstances the consensus is that fiscal policy should be used to support monetary easing.

In Jersey we have the opportunity to use our Stabilisation Fund to support the economy should growth slow more sharply than the FPP currently predicts. The FPP have been clear that in considering the best way to use the Stabilisation Fund and stimulate the Jersey economy we need to think about the 3 T's –whether the intervention is Temporary, the Timing of the impact of the intervention and the intended Target of the policy. It is quite conceivable to think both of tax and spending measures that meet these requirements and those which do not.

1.8 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR HOUSING REGARDING EFFORTS TO ASSIST LOCAL FAMILIES TO PURCHASE HOMES IN THE ISLAND:

Question

In the light of the results in the latest House Price Index which show the price of a 3-bed house at £540,000, annual house price inflation of 21% but the volume of sales one third lower than the long-term average, what steps is the Minister taking to ensure that young Jersey families can gain access to the market?

In particular, will he undertake to:

- (a) amend the Jersey Homebuy scheme;
- (b) address the availability of mortgages following the withdrawal of Jersey Home Loans from the market, including the feasibility of renewed States involvement similar to the old States Loan Scheme
- (c) bring down the ratio of house prices over average earnings, now standing at a factor of 16

and work with the Minister for Treasury and Resources to:

- (i) further amend stamp duty levels;
- (ii) restore the level of mortgage interest tax relief, and to index it to house price inflation;
- (iii) suspend the '20 means 20' implementation phasing out such relief?

Furthermore what measures, if any, are under consideration to assist those who wish to downsize following retirement to release larger family houses onto the market, in accordance with the Housing Strategy?

Answer

The average house prices reported recently are of course averages and to use the 3 bedroom example in the question will be made up from the prices of all 3 bedroom houses sold during the period but importantly excludes those in the first time buyer only category. The numbers of first time buyer homes transacting is relatively low in comparison to the overall market and statistics on these are only produced by the Statistics unit on an annual basis. Statistics for 2008 will not be available until February next year, however, some recent price comparisons provided by a firm of local chartered surveyors has suggested that recent transactions of new first time buyer 3 bedroom houses have been at prices of £420,000 - £440,000. That said, these prices are still too high, particularly given the present and almost unprecedented financial climate in which the World finds itself. Making first time buyer homes affordable is therefore one of our major challenges.

In relation to Deputy Southern's specific questions:-

- (a) I will be looking to make some changes to Jersey Homebuy and my Department has been in detailed discussions with lenders and developers in this regard. These negotiations are not yet complete. The first phase of Homebuy homes will not in any case be available until the New Year. I will ensure that Members of this house are advised of the changes as soon as I am in a position to confirm what they will be.
- (b) Reintroducing the States loan scheme would in my view be a retrograde step and would require massive and unsustainable States funding. It would involve government in something which the market is far better placed to provide. In any case such a step is wholly unnecessary. Despite rumours to the contrary lenders are still lending and with interest rates at historically low levels borrowing money is still relatively inexpensive. Whilst it is the case that lenders have tightened their lending criteria, our ongoing discussions with them has demonstrated a real willingness to lend particularly on those affordable housing schemes such as Homebuy and the Housing Department's own scheme to sell rental homes to tenants. The Economic Development Minister has commissioned a mortgage market review and we should await those findings before deciding that it is necessary to make significant changes to the Jersey mortgage market.
- (c) As mentioned earlier, the figures presented in the question relate to the non first time buyer market. In actual fact a realistic price at present for a 3 bedroom first time buyer home is approximately £430,000 sometimes less, and on this basis represents twelve and a half times average income. House prices at such high multiples of average income are a product of past house price growth associated with a high level of demand in the market. It is the development of Homebuy which will bring down these ratio's considerably.

Deputy Southern has asked what else can be done and has highlighted three particular suggestions. Later today we will debate the first of these as part of proposed amendments to the Business Plan which include a proposal to remove the payment of stamp duty for those purchasing a home through one of the shared equity schemes approved by this House.

As Housing Minister, I have vigorously pressed for affordable housing policies to be at the heart of government policy, and with my colleagues, in particular the Ministers for Treasury and Resources, Planning and Environment, and Economic Development, have delivered on policies which include shared equity, a sizeable expansion in planned life-long homes, improvements in social housing, and in response to the recent market changes, a review of mortgage finance in Jersey. This approach shall continue in the context of rapid market change and an overall fiscal policy response on which the Fiscal Policy Panel will no doubt advise.

Finally, turning to the final part of the question in relation to meeting the aspiration of those wishing to down size in the owner occupied market. This is something that I have been keen to

pursue with the Planning Minister and the house will recall that a number of sites were approved for rezoning earlier this year. 4 of these sites are proposed for life-long homes as follows:-

| SITE | LIFE LONG HOMES FOR PURCHASE | LIFE LONG HOMES FOR SOCIAL RENT |
|-----------------------|-------------------------------------|--|
| Field 516, St Saviour | 98 | 80 |
| Field 274, St Clement | 19 | 15 |
| Field 605, St John | 9 | 7 |
| Field 561, St Mary | 3 | |
| TOTALS | 129 | 102 |

With regard to the further provision of life long homes, the latest Housing Needs Survey identified a total 5 year shortfall of up to 400 life-long (over 55's) homes. These rezoned sites will go some way to addressing that shortfall, however the Island Plan will need to continue to make further future provision to meet the demands of the Island's ageing population. Bringing forward sites for rezoning is of course in the remit of the Planning Minister rather than mine, however, the Planning Minister and I enjoy a good working relationship and he can always rely on my unwavering support in his efforts to bring forward sites for housing.

1.9 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR ECONOMIC DEVELOPMENT REGARDING FINANCIAL AID FOR THE FINANCIAL AND TOURISM SECTORS:

Question

Will the Minister advise members of the sums involved in the additional package of aid to the finance and tourism industries to help them in these difficult economic times?

Will he further identify for members the specific targets and objectives this funding is intended to address, whether any matching funding was sought, or agreed, from the industries concerned, and state whether and to what extent this funding was “new money” or diverted from other Economic Development budgets, and if the latter, from which budgets?

Answer

The tourism industry will be significantly challenged by the current economic situation which is expected to reduce demand for leisure and business travel throughout 2009 to all destinations including Jersey. Already in the Autumn/Winter of 2008 we are aware of significant reductions in transportation to the Island as carriers are dealing with increased fuel costs coupled with a reduction in consumer demand. Whilst it is as yet early days insofar as the current economic crisis is concerned, there are trends emerging which would indicate that whilst the market for longer stay Summer holidays in 2009 may be fairly robust in the UK, there are concerns that the short break is more likely to be under threat as consumers are obliged to reduce household expenditure.

In order to mitigate the affect of this it has been proposed that Economic Development should increase the level of marketing for Jersey with a target of an additional £1,000,000.

These additional funds, will, if approved, be provided from three different sources.

The economic growth fund and the Tourism Development fund will each provide the sum of £250,000 making a total States contribution of £500,000. This will be augmented by industry funding which will be deployed for increased advertising. The detail of these arrangements are currently being negotiated between the department and the industry.

The Department has also drafted a 10 point plan, which is supported by the industry, to provide strategic direction during the months ahead and capitalise on those factors which can be identified as being to Jersey's advantage.

Jersey 10 Point Plan

1. Increase Tourism Relevance

Action to convince Government and the local population that tourism is an important contributor to the Jersey economy and way of life and therefore worthy of investment.

2. Route Marketing

Extend route marketing support for carriers in order to encourage the reinstatement of some of the dormant low cost routes and charter operations.

3. Ambassador Programme

Solicit the services of Jersey connected celebrities, and on brand personalities who can act as ambassadors through media and other channels.

4. Increase Trade Support

Educate the industry, both local suppliers and externally, travel agents etc. to talk up the Jersey story and to be confident in introducing clients to the Island. This will involve increased publication of relevant management information and performance data.

5. Increase Marketing Funding

Gain support for and deploy a jointly funded additional marketing campaign with a target value of £1,000,000, highlighting points of competitive advantage. For example, exchange rates, safety, security and ease of access.

6. Media

Harness the power and support of the media in key source markets. Jersey has made a significant investment and therefore has a reservoir of contacts developed through many years of hosting visiting journalists.

7. Target Visiting Friends and Relations

Motivate the V.F.R. segment of the market as they are more likely to be loyal to Jersey and therefore more resilient to economic difficulty, by encouraging the local population to invite their friends and personal contacts.

8. Product Clusters

Develop business clusters for product enhancement and joint marketing activity throughout the industry. Especially where partnership funding is more likely to be available and where we can best demonstrate the quality of our offering.

9. Add Value

Incentivise the Jersey product by defining and promoting value added offers and encourage immediate travel opportunities. Value added is preferable to unsustainable discounting but based on an assumption that the base price is already competitive.

10. Improve Conversion

Improve the enquiry to booking process by gathering better quality information and using the intelligence to incentivise conversion.

1.10 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR ECONOMIC DEVELOPMENT REGARDING MEASURES TO MAINTAIN THE SERVICES OF LOW COST AIRLINES:

Question

Will the Minister inform members what measures, if any, are under consideration, whether through Service Level Agreements or otherwise, to prevent airlines from accepting subsidies to provide low cost flights to and from the Island and then cancelling winter flights at short notice to the inconvenience and cost of Jersey residents and their families?

Answer

The global airline industry is operating in unprecedented circumstances which this year is expected to see the world's airlines posting a record \$5.28 **billion** loss. Already some 30 airlines around the world have ceased operations and more are threatened.

For the past 18 months Jersey Airport has been proactively pursuing new airline business. This has resulted in numerous new routes and airlines being introduced to the Jersey market leading to year-to-date growth of 4.3%. As a result of this action Jersey is better placed than the vast majority of UK airports to weather the forthcoming winter season.

Airlines typically reduce capacity during the winter season to reflect lower demand for services. Reduced demand is a certainty taking into consideration the downturn. There are clear signs of depressed demand on Jersey routes as a result of the current depressed economic activity and we are therefore not immune to the conditions affecting airlines.

Jersey Airport and Economic Development are in constant dialogue with airline partners, not just those that are receiving additional support from Economic Development. Because of the severity of the current operating environment Airlines are now making decisions on a fluid basis and whilst we are reasonably certain that the winter schedule is now set, we cannot guarantee that there will be no further changes which may occur in direct response to changing economic circumstances over the coming months.

Jersey Airport is making every effort to ensure that key routes to and from Jersey are sustained over the winter.

Economic Development's proactive policies have been proven to work to secure a future for the visitor economy and enhance the diversity of routes for Islanders. Whilst in the short-term some routes will be cut back, it is expected that route expansion will continue as soon as the economic situation improves.

1.11 DEPUTY R.G. LE HÉRISSEIER OF ST. SAVIOUR OF THE CHIEF MINISTER REGARDING THE ANNUAL COST OF EMPLOYING CONSULTANTS:

Question

What is the most recent annual cost of employing Oxera consultants (separating out the standing fee and fees paid for ad hoc reports) and is it intended to put this consultancy work out to tender in the future?"

Answer

The annual cost of employing Oxera is currently £217,000 in standing fees plus travel expenses. In 2008 they have undertaken one additional ad hoc project which cost £26,000.

The contract is managed by the States Economic Adviser and he is currently more than satisfied with Oxera's performance, the high quality of their work and the significant level of expertise they have built up on the Jersey economy. For these reasons there are currently no plans to put the contract out to tender in the immediate future.

1.12 DEPUTY R.G. LE HÉRISSIER OF ST. SAVIOUR OF THE MINISTER FOR HEALTH AND SOCIAL SERVICES REGARDING THE HOWARD LEAGUE:

Question

Do the Minister and his Assistant Minister consider that the Howard League is an organisation with liberal leanings and if so, how has this view influenced their acceptance or otherwise of the League's recent report?

Answer

The Howard League for Penal Reform was founded in 1866 and has been a leading campaigner for penal reform in the United Kingdom since that time. It is an independent organisation and accepts no grant or any support from any government. The cost of the Howard League's Review of the Jersey Youth Justice System, which was published a few days ago now, was borne entirely by the Howard League.

The Assistant Minister and I believe that the Howard League is a liberal and progressive organisation – but this view is an entirely subjective one and other States Members are free to make their own judgements. For our part, we welcome any contribution from any organisation which is likely to make Jersey's youth justice system more effective and fair to all concerned.

Suffice to say, the Howard League report – 'Jersey Review - A review of the Jersey youth justice system' puts forward a range of recommendations, many of which resonate entirely with the Andrew Williamson Inquiry recommendations. These specific recommendations (the recommendations which resonate with the Andrew Williamson recommendations) have already been accepted by us. Other recommendations – for example, the recommendation that the age of criminal responsibility be raised to 14 years - requires very significant debate across the Island.

My Assistant Minister is on record as welcoming the generality of the Howard League's recommendations. However, neither the Assistant Minister nor myself believe that we should import wholesale on to the Island recommendations from a body – no matter how independent – which is based on the mainland. Many of the recommendations of the Howard League need to be discussed in the context of the values, practices and laws which have shaped the youth justice system here in Jersey for many, many years.

I can further advise the Deputy that my colleague, the Minister for Home Affairs, is to lead the Council of Ministers' consideration of the Howard League's recommendations. Needless to say,

the Assistant Minister and I will be contributing insofar as certain sections of the Howard League review concern services which we have responsibilities for.

1.13 DEPUTY R.G. LE HÉRISSIER OF ST. SAVIOUR OF THE MINISTER FOR HEALTH AND SOCIAL SERVICES REGARDING STAFF SUSPENSIONS:

Question

How many staff, if any, remain on suspension within the Health and Social Services Department and what steps are being taken to bring these suspension(s) to an end?

Answer

As at 27th November 2008, there are 5 staff from the Health and Social Services Department suspended from work. In each case, the exclusion is being conducted under the terms of the relevant procedure and kept under careful review.

1.14 DEPUTY R.G. LE HÉRISSIER OF ST. SAVIOUR OF THE MINISTER OF HEALTH AND SOCIAL SERVICES REGARDING THE IMPACT OF THE CONTINUED SUSPENSION OF THE DIRECTOR OF FAMILY NURSING AND HOME CARE:

Question

What impact, if any, is the continuing suspension of the Director of Family Nursing and Home Care having upon the services provided to Health and Social Services Department and is the Minister satisfied with the handling of this matter, insofar as it impacts upon the Department?

Answer

Following the suspension of a senior member of staff at the Family Nursing and Home Care Service, I met with the Chairman of that organisation and at that meeting I received assurances that all would be done to ensure that there was no discontinuity of service as a result of that action.

On Monday 24th November, I met with the Chairman of FNHC again, who was able to assure me that there had been no discontinuity of service. This assurance resonated with the advice I have received from officers within my Department – officers who have responsibilities for delivering such services, working in partnership with FNHC and managing the contractual arrangements between our two organisations.

The Family Nursing and Home Care Service is a properly constituted charitable body in its own right and it is not for me to intrude into its internal management arrangements. I have had an assurance – again from the Chairman of that organisation – that appropriate procedures are being observed and I have no reason to doubt his word.

I do not intend to make any further public comment on this matter.

1.15 DEPUTY R.G. LE HÉRISSIER OF ST. SAVIOUR OF THE CHAIRMAN OF PRIVILEGES AND PROCEDURES COMMITTEE REGARDING ELECTION REFORMS:

Question

What reforms, if any, will the Committee be recommending as a result of the recent elections?

Answer

In the 6 days that remain of this Committee's tenure (which include two days of Budget debate), it has no plans to recommend any changes following the recent public elections. I do not think we should impose our ideas on a new Committee.

2. Oral Questions

2.1 Deputy F.J. Hill of St. Martin of the Minister for Home Affairs regarding the processing of firearms applications:

Will the Minister inform Members whether there is a specified period in which an application for a firearm certificate should be determined? What is the average time taken to process an application and the average time taken for renewal?

Deputy A.D. Lewis of St. John (The Minister for Home Affairs):

I thank the Deputy for his continued interest in Home Affairs or matters that concern this department. I can answer in this way, Sir. A memorandum of understanding exists between the States of Jersey Police and the Comité des Connétables on the administration of firearm certificates. Currently this includes a 14-day time period for the States of Jersey to complete record checks on applicants in order to inform the Connétables and assist their decisions. This period is currently under review. It is extremely difficult to give average figures for processing applications for renewals, however, the police are finding the existing 14-day period difficult to achieve and for this reason have suggested that the period be extended. This was raised at the meeting of the Firearms Law Liaison Group last month and a new proposal is now under discussion.

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

I would ask the Minister if he believes it is reasonable that somebody who holds a small amount of firearms and possibly has done so for over 40 years should have to wait 8 weeks or more for a simple renewal. Where does the delay occur? Is it with the police or is it with the Constables?

The Deputy of St. John:

There could be a combination of reasons and without looking at the individual case it would be impossible for me to state exactly what the reason was here and now. However, what I would say is that it is very important that any application or renewal is thoroughly reviewed and that may sometimes involve reviewing references which is often the cause of the delay. No particular circumstances are the same in each occasion so I really could not comment on this particular issue. All I can say is that every effort is made to expedite this process.

2.1.2 The Deputy of St. Martin:

Will the Minister accept that the full process of the applications and renewal of firearms certificates including that of visitors' permits is in rather a mess and it would be opportune maybe for the next Minister to take some hold of the problem? If he is going to pass on a passing on message to the new Minister then maybe the message he passes on is that the present system is cumbersome and really needs a review of the whole issuing process.

The Deputy of St. John:

The whole process has been reviewed in full consultation with firearms user groups. That is what the Firearms Law Liaison Group is partly about. There is always the opportunity to improve a process and that is an ongoing subject that the Firearms Law Liaison Group will look at. We are in the process at the moment of completely reviewing, for example, the application form with a lot of

assistance from the issuing authorities which are the Connétables. I decline or deny the accusation that it is a mess. It certainly is not. There are always improvements that can be made and one that I would point out to the Deputy is that we are currently looking a possible web-based registration process, in conjunction with States Procurement who are looking at a whole web strategy for the States, enabling applicants to complete on line before going to see the Connétable which will of course speed up the process. It is an ongoing process. It will be looked at continually and I would urge my successor to do that.

2.1.3 Deputy G.C.L. Baudains:

It does seem somewhat curious to me - I must press the Minister - that it should take so long. These are not isolated cases. Of course until the later amendment comes along, people run the risk of becoming criminals through lack of expedition at Police Headquarters and the Constables. Could the Minister advise who exactly is responsible within the police to ensure that these matters are moved along quickly because a check on somebody that already has a firearm certificate should not really take 4 or 5 weeks. Are these police officers on holiday? What exactly is the cause of the delay?

The Deputy of St. John:

The reason is as I stated earlier. Every application is different and I would not like any officer to rush through an application. They have to be done thoroughly and if that takes time, that is what it needs. The Connétables inform all applicants 3 months in advance of the expiry of their certificate giving them 3 months opportunity to get their renewal in. Unfortunately, that is not always the case and I would urge any firearm applicant to apply early so that they can be expedited and processed efficiently. If, however, they are late, they are prioritised and those that are going to expire soonest are dealt with first. Every possible effort is made to make the process move along as quickly as possible but the individual case is quite different and some will require more work than others.

2.1.4 Connétable M.K. Jackson of St. Brelade:

Would the Minister confirm that the primary objective in issuing gun licenses is the safety of the general public and the present filtration system which we have in this Island surpasses certainly that of the U.K. (United Kingdom) and should be retained? **[Approbation]**

The Deputy of St. John:

Yes, I totally agree and I thank the Connétable for his comments. But there is a balance between the safety of the public and encouraging sport shooting. We are very good at sport shooting and I would not like that sport to be comprised in any way. However, public safety is also a serious concern and must always come first.

2.2 Connétable A.S. Crowcroft of St. Helier of the Minister for Health and Social Services regarding the funding arrangements between Health and Social Services and Family Nursing and Home Care:

Would the Minister describe the funding arrangements between Health and Social Services and Family Nursing and Home Care and what involvement, if any, he has in the arrangements for the audit and governance procedures of the organisation?

Senator B.E. Shenton (The Minister for Health and Social Services):

The funding arrangements are set out in Family Nursing and Home Care's annual report which is distributed at the A.G.M. (Annual General Meeting) every year. My department provides an annual grant which is uplifted for inflation each year and to reflect any new service or additional investment. The grant for 2008 is approximately £5.8 million and again this is in line with variations to reflect changing services. In addition to regular professional meetings where Health

and Social Services Department and Family Nursing and Home Care colleagues meet to discuss the performance of Family Nursing and Home Care, my chief officer and I meet with the chairman and director of Family Nursing and Home Care on a quarterly basis with other meetings taking place as circumstances dictate. As the Constable is aware, Family Nursing and Home Care is a registered charity which last year celebrated its 100th anniversary. As a registered charity its internal management processes are independent and there are no means by which I have the power - nor would I wish to have the power - to intervene on a day-to-day basis into these processes. I am satisfied with these internal management processes which of course include audit and governance procedures. I can speak firsthand on these matters because until quite recently both myself and the Medical Officer of Health were on the management committee of Family Nursing and Home Care.

2.2.1 The Connétable of St. Helier:

Is the Minister concerned about the effects on staff morale, on the ability of the organisation to raise other parts of income from charitable sources and on the confidence of the thousands of Islanders who depend on Family Nursing for their daily nursing care? Is he concerned about the effects on these groups from the current and prolonged suspension of the director?

Senator B.E. Shenton:

Over recent weeks I have only received praise from members of the public as to the services that Family Nursing and Home Care provide and I certainly have not received any complaints. The organisation is an excellent organisation providing excellent services. I do not have any of the concerns that the Constable points towards.

2.2.2 Senator S. Syvret:

The Minister suggested that he had no immediate powers or responsibilities to intervene in the organisation because it was an independent charity. Has he read the legal advice provided to the Health and Social Services Department that makes it plain that when the States fund organisations such as F.N.H.C. (Family Nursing and Home Care) they carry the burden or vicarious liability and complement with that is the responsibility to ensure that it is being managed appropriately?

Senator B.E. Shenton:

The Senator is correct. If I had concerns that there were major weaknesses at Family Nursing and Home Care of course I could intervene. The question from the Constable was more a general question about order and management procedures and certainly I would not intervene in the day-to-day management of Family Nursing and Home Care.

2.2.3 Deputy S.C. Ferguson of St. Brelade:

I wonder if the Minister would confirm that the service level agreement which has been sitting around for so long has been signed by Family Nursing with Health because obviously we need a service level agreement since something like 85 per cent of their funding comes from the States.

Senator B.E. Shenton:

The Deputy is correct. We do need a service level agreement and we need a service level agreement that is right for both parties. This has been a long and laborious negotiation and we are hopeful to be in a position to sign the service level agreement in the New Year but it has not as yet been signed.

Deputy S.C. Ferguson:

Really, this has been going on for at least 5 years to my knowledge under yourself and under the good Senator Syvret before you. Have you really no powers ...

The Bailiff:

Through the Chair please, Deputy.

Deputy S.C. Ferguson:

I am sorry, Sir. Are there really no powers you can bring into play to get this sorted out now? There is something in the order of £8.5 million of their £10 million turnover which is supplied by this House and there should be accountability.

Senator B.E. Shenton:

There is accountability and we are very close on a service level agreement. What we are trying to do at the moment is just tweak it slightly to take into account some of the proposals under the New Directions scheme to make sure that it fits in with everything that we want them to provide going forward and not just everything that they provide at the moment.

2.2.4 Deputy R.G. Le Hérissier of St. Saviour:

Would the Minister not concede as implied in Senator Syvret's question that in fact States procedures - best practices from the States - are applied to a body like Family Nursing and that given it is the director suspended and, therefore, that has a major impact - we are not talking about a minor day-to-day management issue - that this is an issue which calls for him to have an independent report on what is happening to one of the major service providers of health on the Island?

Senator B.E. Shenton:

I think the Deputy's question highlights his lack of experience in the management world. An organisation is much bigger than the individual. If you have an organisation that falls apart because one individual is suspended, you have a very bad organisation. Family Nursing and Home Care is a very good organisation. It is well set up and it is well run and it will continue to be well run regardless of whether one individual is suspended or not.

2.2.5 Deputy R.G. Le Hérissier:

Just a follow up. Would the Minister confirm that his judgment may be slightly altered by the fact he was very close to the organisation? Has he asked for an independent report, given the fact that the chairman went very public, very quickly with his version of events?

Senator B.E. Shenton:

This is an internal matter under investigation. It is very difficult to comment on it without prejudicing that investigation and I certainly would not want to do that. As I said before I have no complaints about Family Nursing and Home Care. I have spoken to the staff. I have spoken to the people. It is an excellent organisation and I think the Deputy is trying to make a mountain out of a molehill.

The Bailiff:

The Constable of St. Helier, a final supplementary, please.

2.2.6 The Connétable of St. Helier:

Would the Minister agree that best practice in terms of suspension usually - in fact under States procedure - requires informal means of resolution to be attempted before the nuclear option? Is he satisfied that this suspension has been carried out according to best practice? If he is not satisfied, is he going to do anything to encourage the board to make sure that this matter is resolved speedily in the interests of all of the stakeholders including the director herself?

Senator B.E. Shenton:

I have been kept fully informed with regard to the suspension and I am perfectly happy with the way it has been undertaken.

2.3 Deputy G.P. Southern of St. Helier of the Minister for Social Security regarding additional funding required for the wide range of “adjustments” made to the Income Support (IS) scheme:

Will the Minister inform Members how much additional funding in total has been required for the wide range of adjustments that have been made to the income support scheme, where these funds have been sourced and how the total compares with the estimate given to Members in 2007 and with the total spent on all elements covered by income support in 2007?

Senator P.F. Routier (The Minister for Social Security):

The following information is all available and is already in the public domain. All funding for income support comes from the department’s budget. The total budget in 2007 for all legacy benefits replaced by income support was £65,271,000. The 2008 budget was derived from a direct transfer of all of those benefits replaced by income support with additional funding provided for the transitional protection of £6.7 million, growth in residential care of £1.5 million, increased eligibility for winter fuel payments of £560,000, the usual allowance for benefit upraising in October of £1.268 million and a separate amount to compensate for the introduction of G.S.T. (Goods and Services Tax) of £1.75 million giving a total budget for 2008 of £77,049,000. In addition to the above, the debate on the 2009 Business Plan approved additional funding for transitional protection and an increase in the rate of cold weather payments for 2009. I can assure Members that there has been no need for wide-ranging adjustments as suggested by the Deputy. During 2008, 2 small changes have been made that affect the cost of the scheme this year. A small adjustment has been made to the definition of lone parent. This was approved on 16th July and the report at the time indicated a cost of £300,000 for a full year, which is the equivalent to about £133,000 for 2008. There has also been a change in the transition arrangements to introduce monetary value for the H.I.E. (Health Insurance Exemption) legacy benefit. The cost of this change is £150,000 in 2008. So the total cost of those 2 changes is £283,000 for 2008 which is equivalent to just under 0.4 per cent of the income support budget for 2008. The cost of both of these changes is accommodated within the budget agreed by the States.

2.3.1 Deputy G.P. Southern:

The Minister I do not think mentioned any changes concerned with what used to be attendance allowance and the components which have covered that which were subject to a major change early on. I do not believe he mentioned those. Would he address that issue now, please?

Senator P.F. Routier:

Yes, the people who are transferred to P.C.3 (Personal Care Component Level 3) were covered in the 100 per cent transition payment. That is covered in that figure that I mentioned earlier. People who are on P.C.1 (Personal Care Component Level 1) who have had a 100 per cent L.T.I.A. (Long Term Incapacity Allowance), there will be some regulations lodged quite shortly which will cover that but in the meantime what we have done for anybody who has come along in the meantime is that I have made a Ministerial Decision to make those decisions immediately, because we have not had the regulation in place. So I have made a Ministerial Decision.

2.3.2 Deputy R.G. Le Hérisier:

Does the Minister think in allocating this extra money that there may indeed be further unforeseen costs? For example, property owners who are currently seen as beyond the reach of income support could indeed be struggling in the new economic situation which we find and he may well have to re-jig it and indeed call for further funds or redistribute funds. Is he looking at these unfortunate developments?

Senator P.F. Routier:

The circumstances which are occurring to property owners currently who are perhaps finding it difficult with mortgages and that, I think is probably way outside of what income support will ever

cover. I cannot imagine we are going to come down to that level with regard to the safety net which is provided. Property owners may have to re-jig their lifestyles. I cannot imagine income support is going to cover those people.

2.3.3 Deputy G.P. Southern:

Would the Minister state for Members how the answers he has given today which amount to an additional £12 million of spending in 2008 over the budget that was previously allocated of £65 million in 2007, how that marries with the previous answer he gave to me that the funding was already allocated and that there was very little contingency for extra spending in 2008 from the 2007 budget; that virtually all funding had been allocated to services provided?

Senator P.F. Routier:

All of the changes - of which there have been few - have been States decisions. We have debated these in the House.

2.3.4 Deputy G.P. Southern:

Where did the funding come from?

Senator P.F. Routier:

I am sorry I just cannot follow the question.

Deputy G.P. Southern:

In answer to me in 2007 about whether there was a contingency fund to cater for changes, you said it is very small. That most of the funding from 2007 - from the pot - had been allocated directly to services and would be delivered. Now he is saying in fact an additional £12 million has been spent, only £3 million of which is about operating and G.S.T. additional spending so where has this extra money come from?

Senator P.F. Routier:

The statement I made originally about the budget allocations was correct and nothing has changed, other than we have been given additional funds by this House to spend on additional protection. We have been given additional budget money for residential care. We have been given additional money for winter fuel payments. We are spending the money that this House has given. I think the Deputy is trying to imply that there has been some sleight of hand with budgets but there certainly has not been. As I said in my initial answer which I gave which I nearly stopped at I have to say. I nearly said that the following information is all available and is already in the public domain. I nearly stopped at that and perhaps I should have done because it is public knowledge.

Deputy G.P. Southern:

I thank the Minister for his continued co-operation with my questions.

2.3.5 The Connétable of St. Helier:

Is the Minister aware that one of the recurring themes in the hustings, both in the Senatorial elections and the Deputy elections, was the ability or otherwise of income support to meet the needs of the vulnerable members of our community? Does he have concerns that this large amount of money is still missing the target in some significant cases?

Senator P.F. Routier:

During the hustings obviously I was party to the Senatorial Hustings and recognise that people have concerns about income support. Income support is a developing process. I think later on today when we deal with the budget amendments, there is more money going to be allocated to the areas where I do believe that we can make some improvements to income support. Income support will develop over the years. When we first debated it, we did recognise that the introduction is a change

from the previous system of benefits and it will be a gradual process and it will evolve. I believe what we are going to do in the budget debate today will evolve the system even further and for the better.

2.4 Deputy G.C.L. Baudains of the Minister for Health and Social Services regarding composting at La Collette:

Would the Minister with reference to the Statutory Nuisances (Jersey) Law 1999 and the La Collette composting, explain why it is that he is unable to curtail what many residents consider to be an ongoing nuisance?

Senator B.E. Shenton (The Minister for Health and Social Services):

May I just say that I am going to miss the Deputy's difficult questions in the new House. The Statutory Nuisances (Jersey) Law provides for any matters that constitute a statutory nuisance and I will quote from the Law: "One that is any dust, steam, smell or other effluvia arising or emanating from industrial, agricultural, trade or business premises or resulting from processes conducted on such premises which is prejudicial to health or a nuisance." I think the whole Assembly would concur that the composting site at La Collette is a business process which can produce smells and at times these smells are evident at considerable distance away from the site. At the time the law was approved by the States Assembly it was accepted that there was a need to safeguard the legitimate interest of business. The law reflects this need to ensure that a Minister should not deny businesses from being able to reasonably undertake their operations. To that end there is under the law an opportunity for industrial, agricultural, trade or business premises to plead the defence that the best practicable means were used to prevent or counteract the affects of the nuisance. This approach is consistent with other jurisdiction operations of nuisance legislation such as in the U.K. My Health Protection Service has worked closely with officers at Transport and Technical Services to ensure that the composting process achieves best practice for the current process type and continues to monitor actively, particularly at times during complaints. I have recommended that the open windrow composting process currently operating is unsuitable for a small Island such as ours and that the process should be replaced without delay by a covered process which would minimise smells and subsequent nuisance.

2.4.1 Deputy G.C.L. Baudains:

As the Minister is fully aware residents of St. Helier, St. Saviour and St. Clement have suffered from this nuisance for some years and it is getting worse. It does occur to me, referring to the Statutory Nuisances (Jersey) Law, under Article 5(1), that the Minister is under an obligation to serve a notice. Also under Article 8(d) it further occurs to me that the defence under Article 7, which of course relates to using best practicable means and that, does not apply. I do wonder - and I mean this in the kindest possible way - is this not more a case of one Minister seeking to protect another rather than protecting the public?

Senator B.E. Shenton:

No, it is not that case at all. It is the case of one Minister not wanting to waste money. You are right. The department does have to serve notice under the Statutory Nuisances (Jersey) Law which was done. The Transport and Technical Services Department indicated that they would wish to appeal that statutory notice, which we believe that they may well win that appeal because under the law they may be able to prove that the best practicable means were being used. This would have left us with a high cost to the taxpayer and the compost site still ongoing. We felt that it was much more realistic and much more commonsense for our department to have the power to determine what is best practice with regard the composting site as opposed to a costly Royal Court process which would then end up perhaps with nothing occurring out of it apart from the composting site still being ongoing. There is a law change which will be brought to this House very early in the

New Year which will change the law very slightly to give our department more power and also prevent the need to go to a court route that could cost hundreds of thousands of pounds and end up with no one gaining anything from it.

2.4.2 Deputy R.C. Duhamel of St. Saviour:

The Minister indicated that some protection was afforded by the definition of the law through his department to businesses. Does this apply to all businesses including those that continually make losses?

Senator B.E. Shenton:

I am not aware that the profit and loss of a business is relevant towards this law. I cannot see that we would monitor premises differently because they made a profit to premises that made a loss. From that point of view I do not think the P. and L. (Profit and Loss) account comes into it.

2.4.3 The Connétable of St. Helier:

The Minister has said that industrial and agricultural processes have a right to pursue best practice. Is he able to tell the Assembly how long this particular process has been carried out in town and whether he and his officers have considered that there are alternative places where this might be carried out which would not prejudice the majority of the Island's residential and indeed working population? Has he looked at this as an alternative?

Senator B.E. Shenton:

I have only been a Member of the States Assembly for 3 years. I will have to have a word with the Constable after the debate to ask him why during his term of office he decided to put an open windrow composting site in town. The fact is that as an Assembly we are charged by the public to come up with solutions. I think what we need to do is make sure that we ensure that we have the funds for an in-vessel composting site somewhere on the Island and we do it sooner rather than later so that the residents of Havre des Pas can breathe easier at night.

The Connétable of St. Helier:

A point of clarification. The moving of the composting site from St. Mary at the beginning of the millennium was not taken under my jurisdiction. In fact the Parish were not even consulted about it and Deputy de Faye has apologised that that took place. Could the Minister advise us given the perception that at least exists in the public mind that departments are doing deals to protect each other that it would be worth considering the use of an independent environmental protection agency in Jersey, possibly in association with our sister Island, because that would give the perception that such matters of regulation are being done without fear or favour?

Senator B.E. Shenton:

I can assure the Constable that no fear or favour was given in this case. With regard to the Health Protection Department, this will be discussed in opposition from Deputy Le Claire later on where it will be shown that we do not interfere on a political basis. The only reason that we have come to the point where we are is that we realised that the law was deficient. We would have ended up with a situation where we could have spent hundreds of thousands of pounds of taxpayers' money and got absolutely nowhere. It does not just apply to this particular case. There are one or 2 other cases where unfortunately commonsense was not written into the law. What we want to do is write a little bit of commonsense into the law and also I think Health Protection would also like to see the ceasing of open windrow composting on the Island of Jersey and that a long-term solution is found.

The Bailiff:

Final supplementary, Deputy Le Claire.

2.4.4 Deputy P.V.F. Le Claire of St. Helier:

It is interesting to hear the Minister's answers but could I ask the Minister under the law - in the letter of the law - there is nowhere in that law that says the Minister can consult with the other Minister and decide to hold in abeyance any action. If the Minister was in the belief that a nuisance existed it is his duty under the statutory powers of his position to table an abatement notice. Why did the Minister act outside of the law?

Senator B.E. Shenton:

Unfortunately the Deputy has a complete misunderstanding of the law. We can serve a notice and the business practice can use as their defence that they are using the best practicable means which in this case is the best practicable means for an open windrow composting site. We believe that they would have been able to prove that they were using best practice and, therefore, we would not have been able to close the compost site. That is why we would have gone through a very costly process and got absolutely nowhere. So what we felt was the law needed to be changed and an amendment to the law will be brought early in the New Year.

Deputy P.V.F. Le Claire:

Could I seek clarification on that issue? I do not know if the Solicitor General would care to consider this in the interim period between now and the time that we debate this matter but the Minister has stated that his belief of the law is that he is able to hold off an abatement once he has considered a nuisance on the grounds that it might cost the States a lot of money and he has asserted that I do not have an understanding of the law. From my reading of the law, there is no provision for the Minister to hold off on a notice ...

The Bailiff:

Is this a supplementary question for the Minister?

Deputy P.V.F. Le Claire:

No, Sir, it is a point of clarification.

The Bailiff:

Then please sit down, Deputy. No, you are entitled to ask the Minister for clarification of his answer but if it is a speech you are not allowed to make it.

Deputy P.V.F. Le Claire:

It is a point of order, Sir. The Minister has asserted that I do not understand the law so I am asking for clarification of the law from the Law Officers Department, Sir.

The Bailiff:

No, I am not prepared to allow that, I am sorry.

Deputy G.C.L. Baudains:

Sorry, I was hoping I might be allowed to respond to a response that the Minister had given to my question earlier as the prime mover of this question.

The Bailiff:

I understand that but I would certainly have invited you to speak had you stood immediately after the answer had been given.

Deputy G.C.L. Baudains:

I did, Sir. I have had my light on several times.

The Bailiff:

You have? In that case I will allow you to ask one final supplementary.

2.4.5 Deputy G.C.L. Baudains:

I thank the Minister for these answers but I would ask him... he has referred many times to the fact that he cannot proceed because of Article 5, paragraph 7, best practicable means. Could I ask him in the near future to revisit that because in my view paragraph 8(d) takes away the paragraph 7 “best practicable” means “defence”? I do not believe that defence stands.

Senator B.E. Shenton:

I am willing to look into it as the Deputy has requested. Obviously our understanding of the law is based on advice that we receive from the Law Officers.

2.5 Deputy S. Power of St. Brelade of the Minister for Economic Development regarding the current status of the grant from the Tourism Development Fund which was awarded to develop an adventure centre at Les Ormes, St. Brelade:

Given that Pure Adventure has been sold and is in new ownership, would the Minister inform the Assembly of the current status of the £35,000 grant from the Tourism Development Fund which was awarded to the original owners of the company in 2008 in order to develop an adventure centre at Les Ormes, St. Brelade?

Senator P.F.C. Ozouf (The Minister for Economic Development):

Last Friday my department was informed that a 50 per cent share of Pure Adventure - as it traded at Les Ormes - was sold to a new party. With immediate effect the company will operate under the name Creepy Valley Limited. The Tourism Development Fund grant of £35,000, as I think the Deputy will be aware, was made to the Bosdet Foundation and not to Pure Adventure. The grant was to cover preparatory work and I feel confident that the investment made by the new third party will ensure that this excellent facility will continue to benefit locals and visitors.

2.5.1 Deputy S. Power:

Could I just ask the Minister to confirm and to clarify for me that the name of the applicant for the Tourism Development Fund grant in the early part of 2008 and who was the payee?

Senator P.F.C. Ozouf:

The Deputy will recall earlier questions that I have answered on this. It is absolutely clear that the grant from the Tourism Development Fund was made by representatives of the Bosdet Foundation and it was paid, as I understand it, to the Bosdet Foundation for the ground clearance that then allowed the facility to be constructed on it. That is my understanding of the situation.

2.6 Deputy R.G. Le Hérissier of the Minister for Economic Development regarding the potential importation of construction workers for the Waterfront Development:

Has any permission been granted to or discussed with a potential developer of the Waterfront to import a large number of construction workers and, if so, what is the policy in regard to such applications?

Senator P.F.C. Ozouf (The Minister for Economic Development):

No permissions have been granted in respect of workers for the Esplanade Quarter. The discussions that have occurred have emphasised the need to give local workers and local businesses full and first priority in order to secure work. As the Deputy will be aware that is the published policy of Economic Development in respect of construction projects. I would add to the Deputy that I find it inconceivable that a license would be issued to engage a substantial number of non-locally qualified workers if suitable locally qualified workers were available to work. I can also say

to the Assembly that I have asked Jersey Enterprise to prepare, in the event of a contractor being appointed, to run a 'meet the buyer' event to ensure that local contractors are given also the first opportunity to tender for the work.

2.6.1 Deputy R.G. Le Hérisssier:

Can the Minister, therefore, confirm that he and hopefully his successor will not allow a condition of a development to be that numbers of imported workers become part of that development?

Senator P.F.C. Ozouf:

On the contrary. The published policies require there to be an allocation of work for locally qualified people first. It is only when the department is convinced that all locally qualified people have been taken up, do we allow non-qualified workers. I would remind the Deputy that the manpower return that has been published - the last one on the 30th June 2008 - consisted of 5,300 workers in the construction sector, of which 500 were locally qualified and 30 were category (j).

2.6.2 Deputy A. Breckon of St. Saviour:

I wonder if the Minister could say if the contract is monitored. Once the permission is given are there any checks taken about who they are employing and if they are complying with any conditions laid down by Regulation of Undertakings?

Senator P.F.C. Ozouf:

I can say 2 things. First of all, over the last 3 years I have spent a great deal of time with department officials in discussion with construction workers to make sure that all of the existing licenses that were in operation have been run appropriately and there have been spot checks carried out on construction firms in order to ensure compliance with their licenses. The Deputy will also be aware that there is a manpower return that is required to be completed every 6 months with a return so I would give the Assembly reassurance that not only are there strict safeguards put in place to the license but that is monitored on an ongoing basis.

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

Would the Minister confirm that under Reg. of Uns. - I think he partly tried to answer the question - that once a contract is passed ... in his first answer to Deputy Roy Le Hérisssier he said: "If we have enough skilled workers we will not be importing." On this project, if going ahead, the Minister and everyone in this Island knows we do not have enough skilled workers: will the Minister undertake to make sure that he or his successor... **[Aside]**. This was brought up at the hustings that, in the contract, whoever is employed takes on some local youngsters to up-skill them to tradesmen so that by the end of this contract there will be enough of the skills on the Island that are needed.

Senator P.F.C. Ozouf:

I am slightly concerned that the Deputy is already writing my end as an Economic Development Minister. I am not sure where she thinks I am going but certainly as far as any successors are concerned it is absolutely clear that the requirements of the Population Office to issue licenses are to primarily ensure that locally qualified labour is there. She is absolutely right and I know that we have discussed this at the Economic Affairs Scrutiny Panel on a number of occasions that more needed to be done to ensure that local construction companies were taking on apprentices and to ensure that the excellent skills that are being taught at Highlands College are able to be taken up in terms of workers. A lot has been done for construction companies. We have had all the big construction companies in to see us and a condition of the licenses are that apprentices are taken on, et cetera. So I would give her reassurance on that. In the situation that a contract is granted for the Waterfront, we will have to allocate additional non-qualified workers on a case by case basis but then the overriding requirement of Regulation of Undertakings is to manage the resources of the Island. It may well be as other construction projects have happened in the past that this is done on a staged basis and not everything will be permitted at the time.

2.6.4 Deputy J.A. Martin:

Sorry, just a supplementary. He said 3 times: "Local companies, local companies, local companies." My assurance for the ... hopefully he will be the new ... if that is what he wants to be. **[Laughter]** I make no presumptions. My question was if whoever is there will give an undertaking that it is all companies, especially if it is a big company from outside, that there is something written in the contract that they have to take unqualified and maybe apprenticeships from the local youngsters on this Island not just local companies?

Senator P.F.C. Ozouf:

I can absolutely give that reassurance. It is absolutely a requirement that any company operating in the construction field is required in the first instance to take on local... the issue of ownership of a construction company is relevant in some considerations but the most important thing for the Deputy to know is that an equal measure of stricture is put on non-local companies in terms of employing local people.

The Bailiff:

Sorry, I will just alert Members to the fact that I have seen a large number of lights flashing. I am prepared to allow 3 more supplementary questions. I have seen Deputy Scott Warren, Deputy Power and Senator Perchard.

2.6.5 Deputy C.J. Scott Warren of St. Saviour:

Can the Minister give Members an assurance that the talk of the importation of a large number of construction workers for this development is a myth?

Senator P.F.C. Ozouf:

I cannot, I do not think, add any more than I have just answered in the way that applications are dealt with by construction firms. In the event of this Assembly going forward with the Waterfront development we will ensure that all local labour is used in the first instance. If there is a requirement in addition for additional non-qualified labour then that will be taken on a case by case basis. But I have to say all indications are is the construction industry has certainly slowed in recent weeks and we are expecting it to slow further in the wake of the economic downturn. I would imagine that this Assembly would welcome the additional amount of work that the Waterfront could give as an economic stimulus to the economy.

2.6.6 Deputy S. Power:

Would the Minister not agree to me that the possible origin of the story of the 500 construction workers coming to the Island for the Waterfront development was largely based on a request to the Jersey Hospitality Association by a developer to assess winter bed capacity and that the figure of 500 is largely erroneous?

Senator P.F.C. Ozouf:

I am aware that there have been some discussions with one of the local construction companies that did enquire to the Hospitality Association - through the offices of the Housing Department obviously joined with the Population Office - as to whether or not the possibility of re-designating some 2 or 3 star hotels could be useful in the event of a non-qualified labour component being allowed in the license. That seems to me to be a fairly sensible approach for the construction company to make. However, that is the second solution for finding the labour. The first solution for the labour is the local labour force.

2.6.7 Senator J.L. Perchard:

The Minister said a moment ago that any company operating in the construction field is required to demonstrate every effort to employ locally. Could the Minister explain why his noble policy on supporting local construction companies does not extend to local engineers and architects?

Senator P.F.C. Ozouf:

The Senator is well aware of the requirement to employ local staff for construction companies, et cetera. If the Senator is trying to get me to suggest that engineering and architects firms, et cetera that are non-locally owned is relevant to this then I am not sure that he is barking up the same tree. I am dealing here with questions for the construction companies and construction workers that are worried about whether or not they are going to be in employment over the next few months.

2.7 Deputy R.C. Duhamel of the Minister for Transport and Technical Services regarding the availability of bus passenger figures for the period 2005-2007:

Could the Minister explain to the Assembly why the figures promised to the Environment Scrutiny Panel relating to the breakdown of the bus passenger figures for the period 2005 to 2007 have not been forthcoming and when the panel can expect to receive this information?

Deputy G.W.J. de Faye of St. Helier (The Minister for Transport and Technical Services):

Yes, I can. The initial analysis that Transport and Technical Services undertook on bus passenger and expenditure figures has been forwarded to the Environment Scrutiny Panel. However, when the following year's figures were analysed the inclusion of the summer leisure service in 2007 meant that the figures were no longer comparable and the analysis proved inconsistent. It was, therefore, decided that a fuller, more extensive model should be developed which would be capable of providing in-depth analysis of the network in preparation for the re-tendering exercise relevant to the contract. This work is now nearing completion and it is hoped that the analysis will be available for the scrutiny panel early in the New Year. Meanwhile, Sir, I can assure the Chairman of the Environment Scrutiny Panel that in this particular respect I hold no further information that the scrutiny panel does not already have.

2.7.1 Deputy R.C. Duhamel:

It is my belief that contrary to what the Minister has just indicated, only part of the figures for the period of 2005 to 2007 have been received by the Environment Scrutiny Panel and the request really was to the Minister to explain why those figures, if they are in the possession of the department, could not be forthcoming?

Deputy G.W.J. de Faye:

It was my opinion and I think the opinion of my officers that to send figures to the scrutiny panel that were effectively misleading and could be misunderstood was not a helpful thing to do.

2.7.2 Deputy R.G. Le Hérissier:

Would the Minister not agree that when the original contract was signed, the intention was that every year the then Public Services and now T.T.S. (Transport and Technical Services) would produce a report on the functioning of the service and they would distance themselves from Connex in order that we might have an independent view?

Deputy G.W.J. de Faye:

There have been a number of reports produced both by the department and most certainly by Connex indicating that States Members in this House and indeed the public at large have absolutely nothing to worry about. The current public bus service is doing extremely well. Year on year it accrues more revenue. It carries more passengers. The only issue frankly for the new States next year is to understand that the public's appetite for more enhanced public services has increased and there will be a responsibility for this House to satisfy that demand probably by further financing.

2.7.3 Deputy R.G. Le Hérissier:

Supplementary, Sir. Would the Minister not agree, and notwithstanding some of the excellent work which he has pioneered and which I hope becomes part of his tribute, so to speak, would he not agree that the absence of things like luggage provision on the airport service is a continual irritant and it is this inability to deal with minor issues which have a major impact which is hindering its future development?

Deputy G.W.J. de Faye:

It is a feature I think of the success not only of the public bus service but many activities that the States undertake that minor issues can sometimes achieve a level of notoriety way beyond their fundamental trivial nature. I have always been concerned about the luggage issue relating to buses servicing the airport and that has been a difficult balancing act that up to now I have resolved on the basis that seating is more important over the generality of the services being offered than luggage racks. Nevertheless, it is an aspect under constant review and I am sure that if new rolling stock arrives, not only will it have regard to disabled access but it will also have regard to luggage storage capacity. There are always problems. There are always complaints. I am sure that they can be dealt with in a better way and I know that the both the department and Connex are striving to find better ways of dealing with even the most minute issues.

2.7.4 Deputy C.J. Scott Warren:

Does the Minister agree that there are still improvements needed in the provision of service to commuters, people in urban Parishes wanting to get into St. Helier and that further incentives are necessary to the company in order to provide those over the coming year onwards?

Deputy G.W.J. de Faye:

I absolutely agree with Deputy Scott Warren and I should warn whoever turns out to be the next Minister for Transport and Technical Services that there is plenty of the mountain still to climb in respect of providing a public bus transportation system that the Island wants because I can assure Members that our customers are demanding and there are more and more customers. The more capacity we provide, the more people use the buses. This will present a challenge, not only for the department but I hope also will see support from the new House to move forward what I think have been some very helpful early strides. We now have an integrated service for the first time in a very long time and we have to back-up that tremendous support and enthusiasm from the travelling public who will insist on more and better services, more frequent running times on routes and indeed more routes.

The Bailiff:

We come to the next question by Senator Syvret of the Minister for Education. Before I call Senator Syvret, may I just draw his attention to the provisions of Standing Order 104 which requires that Members must not refer to an individual not a member of the States by name and that you must not refer to any such person, Senator, please.

2.8 Senator S. Syvret of the Minister for Education, Sport and Culture regarding the number of present or former Education, Sport and Culture Department employees known to be under investigation by the police in connection with possible child protection offences:

I did understand that the Standing Order said unless it was absolutely necessary but, nevertheless, it is not my intention to name anybody. Will the Minister inform the Assembly of the number of present or former Education, Sport and Culture Department employees who are known by him to be under investigation by the police or who have been under such investigation in connection with possible child protection offences?

Senator M.E. Vibert (The Minister for Education, Sport and Culture):

I am not in a position to confirm or deny if any present or former E.S.C. (Education, Sport and Culture) employees either are or have been under investigation by the police as the police inquiry into possible child protection offences is currently in progress.

2.8.1 Senator S. Syvret:

A supplementary, Sir. The answer given by the Minister is completely inadequate. There is no reason whatsoever why he should not and could not state whether there was any quantity of E.S.C. employees under investigation currently or who have been under investigation. This is quite plainly a matter of very significant public interest and we need only look at the Social Services disasters in the United Kingdom to see just how important these issues are. There is simply no reason why the Minister will not give the figures. Will he give them?

Senator M.E. Vibert:

No. As an employer, the States of Jersey as a matter of policy does not divulge publicly details of individual employees. Not only is this a matter of good practice. The States Employment Board has contractual obligations of duty of care and mutual trust and confidence to our employees. I am also informed - and I did check this out with the States of Jersey Police - that my answer is regarded as entirely proper and accurate by the States of Jersey Police as the investigation into possible child protection offences is ongoing.

2.8.2 Senator S. Syvret:

A further supplementary. Yes, I am not at all surprised that the new management of the police force should take that view. Does the Minister for E.S.C. not accept that as well as a duty of care, as he puts it, to States employees, the States has a vastly higher and more significant duty of care to the community we are here to represent and especially vulnerable members of that community such as children?

Senator M.E. Vibert:

Yes, I do. I do believe the States has an ultimate duty of care to the community and in particular vulnerable people in the community which is why the States of Jersey police investigation should be allowed to continue without any political interference whatsoever.

2.8.3 Deputy S. Power:

Would the Minister agree with me that the naming of public officials on certain blogs on the Island is a form of cyber-stalking and that these officers are presumed innocent until found otherwise?

Senator M.E. Vibert:

I believe everybody should be innocent until found otherwise. I certainly disapprove in the strongest terms of the naming of people without an opportunity to reply on blogs. I regard it as the worst form of bullying [**Approbation**].

Senator S. Syvret:

Could I just say those who I have named on my blog are welcome to submit responses?

The Bailiff:

That is not a supplementary question, Senator.

2.9 The Deputy of St. Martin of the Minister for Treasury and Resources regarding the reinstatement of the Haut de la Garenne site:

Given that the £7.5 million for funding the Historic Child Abuse Inquiry included funding for reinstating excavation areas at the Haut de la Garenne site, will the Minister inform Members whether the sum allotted for the reinstatement included funding for refurbishing the property to its original state and, if not, what the estimated cost is?

Senator T.A. Le Sueur (The Minister for Treasury and Resources):

I will ask my Assistant Minister, Deputy Le Fondré, who has responsibility for property matters to answer that question, please.

Deputy J.A.N. Le Fondré of St. Lawrence (Assistant Minister for Treasury and Resources):

Yes, in short, the sum involved did include an amount for refurbishing the property to its original state. In P.91 the original sum was between £500,000 and £600,000 which was in the report. This has subsequently been revised downwards to approximately £300,000.

2.9.1 Deputy R.G. Le Hérissier:

I wonder if the Assistant Minister can elaborate upon what consists of returning it to its original state? Does that mean as a youth hostel or does that mean as a shell of a building?

Deputy J.A.N. Le Fondré:

The present estimations that I have just quoted are as far as I am aware to reinstate it to its condition prior to the investigations and the damages that have been caused during the investigations. So in other words, that would be to put it back to its use as a youth hostel not as a shell of a building. I would add the caveat, which is why the work is on hold at the moment, is one does obviously have to make a decision as to what that future use of the building will be.

2.9.2 Deputy R.G. Le Hérissier:

Just a supplementary. Could the Assistant Minister explain how the decision as to the future use of the building will be made?

Deputy J.A.N. Le Fondré:

Yes. As Members may be aware there is a working party that has been formed of 4 officers who are considering both short-term matters regarding, for example, the ability of trying to get the Youth Hostel Association in to operate in Jersey on a short-term scenario. The longer term version is that there will be a report going to the new Council of Ministers probably January/February time with various options for the future use of Haut de la Garenne but obviously some of that is dependent upon the outcomes of current investigations and prosecutions and things. But the idea will be that the Council of Ministers will be given a full range of options and that they will be in a position to make or give a steer as to what they think the future use of the building should be.

The Bailiff:

Senator Syvret, the Police Force (Jersey) Law requires that any discussion relating to the suspension of the Chief Officer of Police must take place in camera. Your question relates to the suspension of the Chief of Police. We can either go to in camera now or it might be more convenient if you were to agree to defer the asking of this question until the States are already in camera to receive the discussion on the statement to be made by the Minister for Home Affairs but it is a matter for you.

Senator S. Syvret:

I was under the impression that the question and the way I have phrased it dealt with policy issues and matters of principle as opposed to any specifics of the particular case which is current. It

seemed to me, therefore, that there was no reason why this question could not be asked and answers given to it in public.

The Bailiff:

No, I am ruling, Senator, that the Police Force (Jersey) Law prevents a discussion of this question in public and it must take place in camera. It can take place in camera now or it can take place later when the Assembly is already in camera.

Senator S. Syvret:

But what then would happen if the Assembly were to be discussing these policies and these issues? Would that broad in principle discussion have to take place in camera?

The Bailiff:

Senator, I do not want to argue with you on the floor of the Assembly. Your question relates to the suspension of the Chief Officer of Police. I am telling you that the discussion of it must take place in camera. Do you wish to have it now or do you wish to defer it until the Minister makes his statement?

Senator S. Syvret:

It would be more sensible in that case to defer it so that it takes place following the statement of the Minister for Home Affairs but I take it then that this time for this questioning will be added to the 10 minutes of questioning.

The Bailiff:

Yes, indeed.

2.10 Deputy R.G. Le Hérissier of the Minister for Treasury and Resources regarding concerns of the U.K. Chancellor of the Exchequer in relation to Crown Dependencies:

How does the Minister intend to deal with the concerns of the U.K. Chancellor of the Exchequer as outlined in his recent pre budget statement?

Senator T.A. Le Sueur (The Minister for Treasury and Resources):

The comments of the U.K. Chancellor of the Exchequer as outlined in his pre-budget statement are a matter of profound importance to the Island and will occupy us very considerably over the next few months. In view of that the Chief Minister is to make a statement later in this sitting on the content of that document. He has been far more intimately involved in meetings in London with both Lord Bach and Lord Myners on the subject and I think it may be more appropriate for this House to raise those questions in response to the statement that the Chief Minister will be making very shortly.

2.10.1 Deputy R.G. Le Hérissier:

Notwithstanding that good advice, would the Minister not acknowledge that his increasingly optimistic statements in the face of statements from the Chancellor is leading to a certain cognitive dissonance as they say. In other words the public are getting very confused as to where the Minister for Treasury and Resources stands on these issues. Is he able to evaluate the nature of the threats that are coming or is he just captive of a certain spin machine?

Senator T.A. Le Sueur:

My evaluation is based on the information I have received from those who were present at the meetings. I was not present but the Chief Minister was and that is why I believe it is more

appropriate that he might be able to make a more informed response to Deputy Le Hérisier than I can make because my information would be third-hand.

2.11 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the range of fiscal measures under consideration should the recession in the U.K. impact upon Jersey:

Will the Minister advise what fiscal measures, if any, he has under consideration should the recession in the U.K. impact upon Jersey and, if none, on what measures will he rely to support the economy; and does he expect any reduction in the U.K. inflation rates to be fully reflected in prices in Jersey and, if not, what measures will he employ to reduce local pricing?

Senator T.A. Le Sueur (The Minister for Treasury and Resources):

It is still unclear as to the extent our economy will be impacted by the events in the United Kingdom and global economies but if the economy should slow down significantly we have built-up a significant stabilisation fund by being prudent in the good times that we will use to cushion the effect of any downturn and invest as necessary. In accordance with the recently published advice of the Fiscal Policy Panel, the Treasury will as a matter of urgency develop contingency plans to be put into effect to support the economy in the event of a downturn. I have an open mind about what such measures should be but they do have to meet 3 criteria. Those criteria are that they should be timely. In other words, they should have an immediate impact. They should be targeted to provide the maximum financial and fiscal stimulus. Thirdly, they should be temporary so as not to permanently destabilise or undermine States finances. In response to the second part of the question about inflation, some of the factors that are likely to lead to a significant fall in inflation in the U.K. namely lower food and fuel prices and a slow down in global and U.K. economic growth should also help reduce inflation in Jersey. In addition the cuts in interest rates in the United Kingdom should also help reduce the R.P.I. (Retail Price Index) and, in June 2009, G.S.T. which is adding nearly 2 per cent to inflation in Jersey will fall out of the R.P.I. The most effective mechanisms to ensure the price reductions are passed on are from the policies we have been pursuing to increase competition on the Island and to use the Jersey Competition Regulator Authority to prevent abuse of monopoly power. Consumers can also help themselves by shopping around assisted by an effective Consumer Council which provides them with good information on where to buy most cheaply and effectively.

2.11.1 Deputy G.P. Southern:

Yes, there is a number of supplementaries in there, a number of shoulds that were bandied about. Firstly, though, in terms of that direct question and his answer previously to a written question submitted by me, he said: "Under such circumstances the consensus is that fiscal policy should be used to support monetary easing in the light of the absence of impact of the reduction of interest rates in the U.K." What fiscal measures, if any, does he have under consideration to boost the economy should we go into recession?

Senator T.A. Le Sueur:

Firstly, of course, in response to that, interest rates in the U.K. have come down and they appear likely to be continuing to go down in the near future. So that is the first stimulus which I think will apply in any event. Secondly, the Deputy seems to be implying that we are already in a recessionary situation: we are not. We need to be prepared for when that should happen. In terms of what fiscal measures we might introduce, which is where I think he is really interested, I am simply saying that there are a variety of those which could be on income tax, it could be on stamp duty or it could be on any range of matters provided they comply with the criteria I set out; of being timely, in other words they can have an immediate effect; and they should be temporary, in other words they should not have a permanent undermining of States finances. Thirdly, of course, they

should be targeted to the right people. In the event of a recession it is the people on the lowest incomes who are likely to be suffering the greatest and any measures we take should be targeted towards those people. That is why I just suggest that it may be that rather than fiscal measures of taxation which do not affect those on the lowest income, there may be some other form of help to be given and that is why I am not ruling out a much wider remit in the fiscal measures the Deputy refers to.

2.11.2 Deputy R.G. Le Hérisier:

What is the Minister's assessment if there were to be a slow down, a major slow down in the housing market, how does he feel in terms of fiscal policy? Does he feel he would have to introduce measures or that in the long term this could be pain for longer term gain? What is his view of that situation?

Senator T.A. Le Sueur:

My view of the situation is that it is clear that the movement in the housing market has dropped significantly in recent months due to a variety of factors. That is due to mortgage availability, interest rates, the economic climate and the desire of people in an uncertain economic climate to invest in those houses. If a stimulus is needed to the housing market it can be done in relatively short order through variations on stamp duty but that does not really stimulate the market if there was an inherent reluctance to purchase. I think it is really making sure that the economy is in a sound state to encourage people to give confidence to buy and maybe also for house prices to maybe reduce to a more realistic level that would encourage the continuing development of the housing market. Short term stimuli do not necessarily work if the underlying basic requirements and conditions are still not there.

2.11.3 Deputy G.P. Southern:

The Minister refers to competition policy being able to reduce inflationary trends. Does he recognise that in 6 of the 7 most recent quarters inflation has been higher in Jersey than in the U.K. thus pointing to the absence of the effectiveness of competition policy in delivering lower inflation?

Senator T.A. Le Sueur:

The Deputy is quite correct that for the last 2 quarters the R.P.I. in Jersey has been higher than the U.K. due to the effects of G.S.T. Other than that, over the past 3 years, in, I think it is 10 out of the last 12 quarters, the Jersey R.P.I. on a like-for-like basis has been lower in comparison than that in the U.K. I am very proud of that because I think it does show that our anti-inflation strategy is having an effect. Clearly that impact of the G.S.T. element will have a short-term impact, as the Deputy I am sure is well aware, which will fall out after 4 quarters.

2.11.4 Deputy G.P. Southern:

I must be more careful when looking at red lines as to which one is which. I accept his answer on that particular point. However, the Minister did mention that in June 2009 the impact of G.S.T. will fall out of the inflation figures. Is it not the case, however, that the wage negotiations will be based, as always, on the March 2009 figure and G.S.T. will still be in there?

Senator T.A. Le Sueur:

The Deputy is quite correct the G.S.T. will still be in the March 2009 index and that index will have some impact certainly on the wage negotiations to be held. I believe that wage negotiations should cover much wider policy issues than simply that of R.P.I. and also need to take into account the economic realities of the situation in terms of the marketplace and affordability.

The Bailiff:

Final supplementary, please.

2.11.5 Deputy G.P. Southern:

Will the Minister take on board the possibility of an absolute figure for wage rises, based on whatever percentage calculation he wishes, in order to satisfy the increasing needs of the low paid in Jersey over the growing gap between the rich and the poor? Will he consider this as a possibility for 2009?

Senator T.A. Le Sueur:

The Deputy knows I am well prepared to consider all sorts of possibilities but I do remind him, and remind the House that the States agreed in the last Business Plan a sum of money for wage settlements for the coming year. If that sum of money is going to be increased it will not be my policy, it will be for this new House to determine the level of that additional funding required, if any. I just point out that while I have an open mind it will also be up to States Members to consider the affordability of any such increases.

Deputy G.P. Southern:

Sir, if I may, a point of correction. The question said, whatever level is set for that percentage increase, it was about the distribution of the award rather than the total sum. Could he address that?

Senator T.A. Le Sueur:

I think that is going to be an integral part of wage negotiations and there will be some give and take on both sides. At the present time, sir, I have no indication to suggest that wage increases which reflect the work being done should have any direct relationship to the States additional income support. If people are in need of additional support because of particular requirements that could be done through the income support system rather than through a wage system which only might affect those in certain sectors of employment.

The Bailiff:

An extra question by the Connétable of Grouville.

The Connétable of Grouville:

Sir, due to circumstances beyond my control the wording of my question should be slightly changed, and that is that the court case referred to is not current, but has been, was. Is that permissible?

The Bailiff:

Amend it, as long as you are not taking the Chief Minister by surprise, amend it as you see fit, Connétable.

2.12 Connétable D.J. Murphy of Grouville of the Chief Minister regarding the involvement of the members of the Waterfront Enterprise Board or members of staff (past or present) in the recent court case in Dublin between Harcourt and Ivor Fitzpatrick:

Would the Chief Minister inform the Assembly whether any Waterfront Enterprise Board (W.E.B.) members or members of staff past or present were invited to give evidence in the court case which has taken place in Dublin between Harcourt and Ivor Fitzpatrick?

Senator F.H. Walker (The Chief Minister):

Yes, it is my understanding that the former managing director of the Waterfront Enterprise Board Limited was asked to give evidence by both the plaintiffs and the defendants but that he declined to participate for either side. The current managing director of the Waterfront Enterprise Board was asked to provide evidence by Harcourt and provided Harcourt with a witness statement based on records held at W.E.B.'s offices. The developer has verbally informed W.E.B. that they have reached a settlement of this case. W.E.B. is unaware of the terms and conditions of the settlement. W.E.B. understands that a confidentiality condition was imposed by the court.

2.12.1 The Connétable of Grouville:

Can the Minister tell us the circumstances of the ex-managing director W.E.B. refusing?

Senator F.H. Walker:

No, I cannot, that, of course, was a matter for him personally. He was no longer directly connected with States employment and clearly has taken his own decision as he is now a private citizen.

The Bailiff:

We come next to a question by Deputy C. J. Scott Warren of the Minister for Transport.

2.13 Deputy C. J. Scott Warren of the Minister for Transport regarding improvements to pedestrian safety in the Longueville Road area of St. Saviour:

Would the Minister implement measures to improve pedestrian safety when crossing Longueville Road at Miladi Parade and Clos Gosset prior to further housing developments in the Longueville area of St. Saviour?

Deputy G.W.J. de Faye (The Minister for Transport and Technical Services):

I have been prepared to implement pedestrian safety measures along Longueville Road but as Deputy Scott Warren is aware the failure to acquire a parcel of land has meant that a pedestrian refuge planned for Miladi Parade has not been possible. I would stress that Transport and Technical Services wanted to install this facility but was unable to do so because the failure of the land transaction did not allow a sufficient width of roadway for the pedestrian refuge to be installed. If further housing developments, or indeed commercial developments, are approved along this stretch of road I am sure that the next or subsequent Minister for Transport and Technical Services will push for a developer contribution to ensure pedestrian and road safety is improved. In fact, the proposed Checkers development includes the provision of a signalised junction where Plat Douet Road joins Longueville Road. This will incorporate pedestrian phases and will improve the safety measures in the vicinity that Deputy Scott Warren refers to.

2.13.1 Deputy C. J. Scott Warren:

While the pedestrian facilities that the Minister has just detailed at the junction of Plat Douet Road and Longueville Road would provide some help for children and adults crossing Longueville Road to the bus stop does the Minister agree that replacement funds are urgently needed to lessen the likelihood of serious pedestrian accidents along Longueville Road?

Deputy G.W.J. de Faye:

At risk of being even more tedious to Members than I have been in the past, it is a matter of fact that the Transport and Technical Services Department is bereft of sufficient funding in a number of its budgets including small roadworks improvements. I have no doubt that if further funding was available given the relevant priorities this would be an area that the department would wish to progress.

Deputy C.J. Scott Warren:

I thank the Minister for his answer.

The Bailiff:

We come finally to a question by Deputy Martin of the Minister for Social Security.

2.14 Deputy J.A. Martin of the Minister for Social Security regarding GST funds:

Will the Minister advise the Assembly how many people have completed a G.S.T. refund form to date and how many households, if any, were entitled to the refund?

Senator P.F. Routier (The Minister for Social Security):

I am pleased we have time to answer this question, and I am pleased the Deputy has asked it. As of 28th November the department has processed 2,124 claims for the G.S.T. bonus: 1,694 of these applications have been paid and 379 claims have been disallowed, 51 are pending. This bonus is available to 2 groups of residents. People receiving protected payments through income support who do not pay tax are eligible. The others are people who receive no income support benefits at all and who do not pay income tax, they are also eligible. I would like to take the opportunity to encourage anyone who believes that they qualify for this bonus to request an application form from the department and to complete it as soon as possible. The department will accept applications for the 2008 payment up until 15th December.

2.14.1 Deputy J.A. Martin:

Supplementary, sir. It is very good to hear the Minister urge anyone who thinks they are entitled to the refund. P90/2008 which was the regulations for the refund states: "Financial and manpower: there are up to 6,000 households probably eligible to apply for this bonus." The Minister has just said over 2,124. So I am very concerned there are around at least 4,000 households out there. What I would like to hear from the Minister, and as it is timed-out on 15th December, people must have these forms in, what steps will he take to try to get to these at least, let us say the average is over but I would imagine at least another 2,000 to 2,500 households or even up to about 10,000 people that need this. How will he get out there to make sure these people get this bonus?

Senator P.F. Routier:

Initially we wrote to everybody who was receiving the transition payments. That was about 3,000 people who we were aware of. We have had a full page advertisement in the *Jersey Evening Post* a few weeks ago. There will be further advertisements appearing over the next few days to encourage people to apply. Of course, there may have been some over-estimation in the original proposition because there is no way of knowing, even from the 3,000 people that we wrote to who were on transition payments, from the records we have we have no idea if they are paying income tax, because we do not have that information available to us. But, certainly I know that there are some people who have been entitled to it, as they have done with the Mr. Kirsch gift, who have not bothered to apply for it because they just have not wanted to apply for it. Although it is there for people I would encourage anybody who does feel that they want the £50 bonus this year to apply and hopefully the adverts that we will be putting in the paper in the next few days will help and encourage them.

2.14.2 Deputy J.A. Martin:

Sorry, just a clarification, really. The £50 bonus this year - obviously that is how it stands - could the Minister inform the House is that per household whatever ... it might be a family of 6 or one in a household, is that how the bonus is worked out? Secondly, can the Minister confirm that people are not entitled, because this has been reported to me, they have received application forms but they paid a small amount of income tax last year based on the year previous, and that has also stopped them from being eligible when G.S.T. did not come into force until May this year? Is this correct, in my understanding and the public's understanding?

Senator P.F. Routier:

Yes, certainly with regard to the first part of the question, sorry, I missed that? My answer was it was as we decided in this House, anyhow. It was ... I cannot remember what it relates to now, I am sorry. But certainly the States decided on the format of the benefit at the time and it is as the regulations that were passed by the House. Certainly with regard to anybody who does pay tax,

they do not apply, they cannot receive the benefit, and it is quite right that people who have paid tax will not be able to get the benefit.

Deputy J.A. Martin:

Sorry, it was the £50, is that per household depending on amount of households or if it is one person in the household do they still get the £50 refund? Does he feel this is fair?

Senator P.F. Routier:

Certainly the regulations we passed were that it was per household and that is what we approved at the time.

The Bailiff:

Very well, that concludes all the questioning subject to an urgent oral question later. We come now to questions to Ministers without notice. The first question here is of the Minister for Housing: Deputy Breckon.

3. Questions to Ministers Without Notice - Minister for Housing

3.1 Deputy A. Breckon:

I wonder if the Minister could tell the House when the social housing survey that the Minister and assistant Minister and the department were undertaking will be published?

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

Yes, the draft document is now being finalised and is with the officers at the moment, prepared on our behalf by Professor Christine Whitehead and hopefully the Housing Minister will bring it to the Assembly for public consultation early in the New Year, in January. That will give an opportunity for all Members to have an input into the draft and to agree the way forward for the benefit of all.

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

Would the Housing Minister inform the Assembly when the next tranche of States housing is due to be sold, either outright sale or shared equity?

Senator T.J. Le Main:

Currently 93 units have been sold to sitting tenants and/or tenants. Fifteen are ready to go but there have been some delays over conveyancing in areas such as Wilkes Gardens and what have you that have never been conveyed before. We have plenty of tenants waiting to buy but, as I say, this year now, 93 have been sold, 15 are waiting and others are on the go.

3.3 Deputy G.P. Southern:

May I thank the Minister first for his quite extensive answer to my written question submitted earlier in the day but point out that he avoided answering 2 particular questions that I asked him, and would he undertake to do so now? The question is, in particular will he undertake to work with the Minister for Treasury and Resources to restore the level of mortgage interest tax relief and to index it to house price inflation and will he further work with the Treasury and Resources Minister to suspend the '20 means 20' implementation phasing-out such relief?

Senator T.J. Le Main:

I am always willing to work with the Minister for Treasury and Resources and I am also willing to work with the Deputy and other Members of this Assembly. So the answer to his question, I am willing to work with the Treasury and Resources Minister. I am not sure that at the end of it that I would come to an agreement with the Deputy but certainly I am happy to work with any Member of this Assembly which will improve the lives of ordinary people.

3.3.1 Deputy G.P. Southern:

Supplementary, Sir. Does he accept that those 2 solutions would in fact increase the availability and the possibility of young people achieving home ownership in the Island?

Senator T.J. Le Main:

As I say, sir, I am prepared to work with the Treasury and Resources Minister. I would not like to commit myself one way or another at the moment, but if there are any ways of improving the lives of young people or home ownership or otherwise, yes, I am fully in favour.

3.4 Deputy I.J. Gorst of St. Clement:

I would like to congratulate the Minister and his department on the consultation process they are going through with regard to the Le Squez Redevelopment next phases. However I would like him to give an undertaking that in actual fact his department will take note of the user requirements and the results of this particular consultation, particularly retention of the football space and sufficient community facilities. I would particularly like to see a multi-purpose community building. Can he give that undertaking that this consultation will not just be shelved but people and user requirements will be taken into consideration?

Senator T.J. Le Main:

I knew the question was going to be asked of me from the Deputy because I have given him an assurance that full consultation will take place for the needs not only of the future residents of Le Squez and Le Marais but also overall of the community and its needs. I have said on many occasions that I am more than prepared to work with all Members and if any Members wish to see the draft consultation plans for phase 2 currently out on display then I am more than happy to share it with them. Also all the new Members of this Assembly that will be joining us in the next week or so, will be having an invitation to come to the Housing Department so that we can explain to them the work we are doing and also the issues in regard to brought up by the Deputy of St. Clement.

Deputy I.J. Gorst:

Sorry, was that a yes to my requirement?

Senator T.J. Le Main:

A sensible yes, but I am afraid that I cannot accede currently to some of the wishes of some of the people that would like to see on that site because at the end of the day we probably would not have any houses on the site at all.

3.5 Deputy C.F. Labey of Grouville:

Could the Minister explain why as Minister for Housing he is objecting to the application of 41 units of accommodation on a soon to be redundant glass house site situated on a main road - Rue a Don - in Grouville when he repeatedly tells us there is an urgent need in this Island for first-time buyer and sheltered housing?

Senator T.J. Le Main:

The Deputy of Grouville is absolutely incorrect. The Constable and the Minister for Planning and Environment will know that I have written objecting to open market luxury houses on that site and I believe that glass house sites such as this one near Grouville Garages are ideally placed for sheltered homes and first-time buyers. **[Approbation]** I have written to Planning objecting to that and giving my views. I have written to the Connétable as well, and I will not see open green field sites developed for any kind of housing when we have perfectly good sites like that that should be going to first-time buyer and sheltered housing.

3.5.1 The Deputy of Grouville:

Supplementary please, Sir. My proposition debated on 2nd April this year required a policy to be brought forward that required development of over a certain size to supply a percentage of their build for social need. The Minister for Housing voted against this part of my proposition. Would he now like to explain to us why? Because I totally agree with him, this is an ideal site for retirement homes and first-time buyers, as he well knows when we had our debate in the summer.

Senator T.J. Le Main:

Let me just say quite clearly, that I have been having ... I am the Minister for Housing, and I cannot produce off any site one home, that is the Minister for Planning and Environment's role to provide the sites. I am relying very much in discussion with the Minister for Planning and Environment and Senator Ozouf in R.U.D (Regulation of Undertakings and Development) that eventually some of the commercial sites being developed around the town and around Jersey will have a percentage of affordable homes off those sites. Discussions are taking place and I am relying very much that the Island Plan which for me it is far too long ... it has been delayed, I do not know why. As soon as it comes out I am looking forward to being able to see some movements in those areas.

The Deputy of Grouville:

The Housing Minister did not answer my question. Why then did he vote against my proposition in April that required commercial developments of over a certain size to come forward with a need for social housing either first-time buyer or sheltered housing? Why did he vote against?

Senator T.J. Le Main:

The reason I voted against because I want full information before I make a decision off the cuff. The Deputy came forward with a proposition which to me was flawed. I need to know the pros and cons before I make a decision. Generally I am trying to work with the Minister for Planning and Environment and Senator Ozouf at R.U.D. so that we eventually will be able to have some kind of agreement, like they are doing in other places - such as London - to have a percentage of commercial sites. But I will not make an off the cuff decision as the Deputy wanted to make on that occasion.

3.6 The Deputy of St. Martin:

Could I ask the Minister who is responsible for valuing properties and what sort of mechanism there is, and in particular is there an appeal mechanism? Because during the course of my canvassing the people in St. Martin I saw would very much like to buy their properties, however on being told the price it is completely out of their reach. Could I ask, who is responsible and what appeal mechanism is in place so people like St. Martin sitting tenants could then appeal against the price?

Senator T.J. Le Main:

Yes, the Property Services Department acting on our behalf get in some independent valuers on behalf of the Housing Department. They independently value those properties as social first-time buyer homes. Independently done, certainly not done by the Housing Department or Property Service. 2 independent valuations.

3.6.1 The Deputy of St. Martin:

Could I ask also if there was any appeal mechanism in place for sitting tenants to appeal against the valuation of their properties?

Senator T.J. Le Main:

Yes, the Minister for Housing and the Assistant Minister will always accept an appeal in any individual case. It has to be the right surely of any individual who feels aggrieved in any decision made by the Housing Department or other departments, they should be able to appeal. If the

Deputy has anybody that wants to appeal I would be very happy to look at it with my Assistant Minister.

3.7 Deputy S.C. Ferguson:

Given that first-time buyers and young families usually fall into the marginal relief tax band and the “20 means 20” restrictions do not apply to mortgage interest relief within the marginal relief band, will the Minister be supporting efforts to raise the exemption allowances on the marginal relief tax bands?

Senator T.J. Le Main:

Although it sounds good, I will listen to the argument on both sides before I make my decision. I am not prepared to say yea or nay at the moment.

3.8 Deputy S. Pitman of St. Helier:

Is the Minister aware of the old windows in Caesarea Convent Court that let wind blow through the flats? If he is aware, would he consider compensating for the heating bills of these residents?

Senator T.J. Le Main:

Yes, I am well aware that Convent Court is a high rise block that really needs replacing. I am well aware that some of the residents are having difficulty with the windows. The thing is, it has been put back by 4 or 5 years because of the decanting of Ann Court. My department assist as much as they can with all the tenants. I have not had any complaints recently over the current situation of wind and cold coming in, and the heating problems. I have not had one person who has contacted me. But at the end of the day, sir, we will do all we can to assist our tenants but certainly there is no question of any compensation at this present time.

3.9 Deputy R.G. Le Hérissier:

Would the Minister tell the House when it is his department’s intention to introduce the tenant’s deposit scheme?

Senator T.J. Le Main:

The new Tenancy Law is in its final draft. It is being consulted upon but with a very, very poor response from Members of this Assembly. Although we get questions on this on a regular basis I just feel sorry that the questioners have not even responded to the consultation document. But the issue is quite clear that currently on the information that we have gained over a period of time I will be recommending, I am sure ... sorry, the Minister for Housing should be recommending a rental deposit scheme within the new tenancy law that will be coming out and hopefully that will be in the new year some time.

Deputy R.G. Le Hérissier:

Thank you. I wonder could the Minister say what “some time” is?

Senator T.J. Le Main:

The Tenancy Law has finished its consultation, it is all virtually ready to go, but I felt and my Assistant Minister felt because we have a new Assembly coming in this next week or so, it would only be fair and proper that the document and the proposals be put forward to the House for new Members to be able to have an input as well. So, hopefully in January or February.

3.10 Deputy C.J. Scott Warren:

Would the Minister be prepared to re-examine Jersey Home Buy, obviously in consultation with the Minister for Planning and Environment, and would he be prepared to widen the shared equity scheme so that people could purchase, for example, 40 to 80 per cent of the property price, as I believe that is the width of the percentage in Guernsey?

Senator T.J. Le Main:

The position is that the homebuyers' scheme is not cast in stone and I am working very closely with the Minister for Planning and Environment and we are looking at all the options presently. The answer to your question, yes, we are prepared to look at it, and we will continue to look at it in this funny market at the moment. We need to make sure that home ownership is a prime target and first-time buyers in particular.

4. Questions to Ministers Without Notice - The Chief Minister

The Bailiff:

We come now to questions of the Chief Minister. Any questions? Deputy Martin.

4.1 Deputy J.A. Martin:

I will get this in some way. Would the Chief Minister try to get the Minister for Treasury and Resources and the Minister for Housing to sit down and start to think about re-introducing the States loan scheme because whatever rabbits have been pulled out of the hat - homebuyers selling to States tenants - the banks are just not there at the moment. Their 100 per cent mortgages are gone. Will this Chief Minister give an undertaking to put it on the agenda for Treasury and Housing to sit down and look at re-introducing a similar sort of scheme?

Senator F.H. Walker (The Chief Minister):

If they can do it within the next 24 hours, yes. After that it is very much a matter for my successor and the new Council of Ministers but I am sure that every Member of the House has noted the question raised by the Deputy and others, and will be looking at it seriously in relation to possible other measures as well aimed at ensuring the long term health of the housing market in Jersey and the affordability of houses in Jersey.

4.2 Deputy A. Breckon:

Purely coincidence that I follow, I had my light on before Deputy Martin. I wonder if the Chief Minister could say - he has made a number of statements as the Minister for Economic Development - where we are in Jersey with a bank deposit protection scheme? I think there is some confusion out there of whether there is anything in place or not? Perhaps he would like to comment?

Senator F.H. Walker:

There is certainly in place a political guarantee for all Jersey resident depositors in Jersey banks. So far as a wider deposit protection scheme is concerned - compensation scheme - the Minister for Economic Development announced some time ago that he was instigating a review into such a scheme, that remains the case. Research is being undertaken and I assume that a decision will be taken in the relatively near future, early in the New Year, based upon that research. I should say though that one of the motivators, one of the real pressures to introduce such a scheme is really to a great extent fallen away in that now virtually every bank in Jersey, because of the quality of our banking regime has been guaranteed by their home government. I would also add that during the recent I.M.F. (International Monetary Fund) visit we were cautioned not to rush into introducing this scheme but to make sure that when such a scheme is introduced it is thorough, well thought through and will be long-lasting.

4.2.1 Deputy A. Breckon:

I wonder if I may ask a supplementary to that then? The Chief Minister said "a political guarantee", does he mean a Jersey political guarantee or a U.K. political guarantee? If so, what that amount is?

Senator F.H. Walker:

I mean very much a Jersey political guarantee which is based on the fact that because we have been so rigid in the licensing of banks in Jersey that virtually every bank in Jersey now has a home country government guarantee behind them, which is what has enabled us to give the guarantee we gave at a very early stage to all locally based depositors, and which I can say has been very well received.

4.3 Deputy K.C. Lewis:

It has been suggested by senior U.K. Ministers that during the present economic crisis that all immigration to the U.K. should be halted except for essential people coming in. Does the Chief Minister think this should be applied to Jersey?

Senator F.H. Walker:

As far as I am aware that is not U.K. Government policy. It may have been referred to by some individual. This is not U.K. Government policy and nor do I believe it should be Jersey policy. Jersey for many, many years has relied to a great extent on the brainpower and the input of people arriving into the Island. **[Approbation]** The fact is that we have through the Regulation of Undertakings Law and other measures very tight controls indeed, which are very clearly illustrated by recent figures available to the Deputy and all States Members.

4.4 Deputy P.V.F. Le Claire:

I wonder if the Chief Minister might make a few considered points on the reflection that it was commented to me last week during the elections that there are a large number of serving men and women from Jersey in the armed forces to date - 22 alone from Victoria College I am told - and they feel in some way that that is not recognised by the States. I assured them that it is recognised by the States. I wonder if the Chief Minister might speak a few words about the various men and women and children of Jersey who are serving today in Her Majesty's Armed Forces, in theatre and out of theatre?

Senator F.H. Walker:

Yes, I believe that the enormous contribution that those Jersey boys and girls make to the armed forces, and we know of Jersey people who have been recently serving in both Iraq and Afghanistan, I believe that service is recognised. I have been privileged to attend more than one ceremony at Government House where His Excellency has presented awards and recognised the enormous contribution that the Jersey people have made. I think the Deputy has a point, maybe there is scope here for the States themselves to recognise that contribution and recognise the service they give more widely and that is something I would chalk up for the future. I think you have a point. Can I say personally, and I am sure I speak on behalf of every Member of the House, how much I do recognise value and pay tribute to the contribution those young Jersey people are making to the U.K. Armed Services and to the war against terrorism in Iraq, Afghanistan or wherever it may be. They make an enormous contribution and they deserve our full recognition. **[Approbation]**

4.5 Deputy C.J. Scott Warren:

Does the Chief Minister believe that the Ministerial system of government needs to further evolve in order to provide more checks and balances?

Senator F.H. Walker:

It certainly needs to evolve. There is no question of that. We have had so far our first stab at it, our first 3 years. The Isle of Man system where they have a similar structure to ourselves has been in existence for now 22 years and it is still evolving. However, I do not think the existence of Ministerial government is under threat, nor do I think - and this is a personal view - that we need still more checks and balances. I believe the fact that the Executive under the States of Jersey Law has to be in a minority in the States. I believe the fact that we have now a very vigorous and robust

system of scrutiny; I believe the fact that we have a Public Accounts Committee; I believe the fact that we have a Comptroller and Auditor General are easily enough checks and balances. Of course that is a matter for the future States. I believe - I know I am biased, but I will use this last opportunity - that Ministerial government has worked. I believe it has been a success. I believe we do offer co-ordinated government but I accept we can always improve and I look forward to watching it to do so in future from the sidelines.

4.6 Deputy R.C. Duhamel:

If the proposals for the formation of the Jersey Enterprise Board is agreed, will the retiring Chief Minister be offering his services to play a part in the new administration?

Senator F.H. Walker

I think I have already said, I have not been asked, I do not expect to be asked, and if I was asked I would expect the answer to be no. **[Laughter]**

4.7 Deputy R.G. Le Hérissier:

Switching the emphasis, I wonder if the Chief Minister could tell us what has been the high point of his political career in the States and what has been the low point?

Senator F.H. Walker:

I think you might call time on the answer to this question. I have had obviously a number of highs, a number of lows. One of the lows, of course, would be listening to Deputy Le Hérissier far too often. **[Laughter]** I think the lows are pretty well known. The lowest personal low was without doubt the Haut de la Garenne exercise and the Newsnight interview that went with it, although I can say that although I have not personally complained others in Jersey, thankfully, and I am grateful to them, have complained to the B.B.C. and part of a complaint is so far been upheld, which is that Jeremy Paxman did indeed misquote me. The rest of the complaint is before the B.B.C. Trust and I wait to see what the outcome of that is. Obviously that is very personal. The Haut de la Garenne situation was, I think, a low for all us. Also there were some personal allegations made against me and my wife which were very difficult to deal with, but we did deal with them and that was another low. But the highs have been many. The highs have been many and believe it or not working in this House - sometimes anyway - has been among those highs. Working with my team of Ministers has been an absolute experience over 3 years and an absolute high. **[Laughter]** It has very much been a high. That too, of course, has its lows, and the inevitable loss of the Minister for Health and Social Services halfway through. But that apart I have thoroughly enjoyed and been honoured to lead that team and taken a huge amount out of the teamwork that we have evolved. I think the fact that we have made Ministerial government work, even though it undeniably needs improving, is also another high. Believe it or not the introduction of G.S.T. is a high because the Island needed it and by goodness me the Island is going to need it more and more and more in the future. Thank goodness that we held to our guns. So a lot of it has been personal relationships, some, of course, closer than others. Personal relationships, teamwork and I think a general level of achievement and I will look back on it in that light. I will look back on the highs rather than the lows. I am very grateful to all Members who contributed to them. **[Approval]**

4.8 The Deputy of St. Martin:

Would the Chief Minister not accept that probably one of the greatest highs was bowling the Guernsey Chief Minister out first ball and will he pass on his tips to the future Chief Minister? **[Laughter]**

Senator F.H. Walker:

Yes.

4.9 Deputy G.P. Southern:

I thank the Chief Minister for his answer regarding the financial capability of the preferred developer of the Waterfront, but I would ask him to go further. Does he expect his successor to examine carefully in the light of the financial turbulence that we are seeing, the whole *raison d'être* for the Waterfront development as proposed so far?

Senator F.H. Walker:

As the Deputy knows that is pretty much a superfluous question because that is exactly what the Minister for Treasury and Resources is doing now and that process is absolutely ... there is a commitment for that process to continue. Of course, ultimately, as the Deputy also knows, the Waterfront development cannot continue without the sanction of the full House. The Minister for Treasury and Resources has given a wide-ranging number of guarantees on the questions to which he requires answers, the guarantees he requires and only, I know if he, and I assume his successor - I am sure his successor - get those guarantees will it come before the States and then ultimately it will be for the States to decide whether or not it proceeds.

4.9.1 Deputy G.P. Southern:

Supplementary if I may, Sir. No, the Chief Minister misinterprets the question. The question is not just about the financial capability and due diligence investigations but about the wider base, the whole economic case for the Waterfront which was investigated in a very short document by the Economic Adviser and needs revisiting in the light of changed circumstances.

Senator F.H. Walker:

Yes, I agree with the Deputy, and the Minister for Treasury and Resources has already said that he will be taking the economic position and therefore the demand fully into account. I have no doubt at all - I see the Deputy itching to raise another question - that the States themselves will demand that information if there is to be any chance of them agreeing to the development proceeding, and rightly so.

Deputy G.P. Southern:

The Minister for Treasury and Resources is looking very puzzled by these assurances.

Senator F.H. Walker:

That is because he has not had them yet. **[Laughter]** I am very confident that the Minister for Treasury and Resources will be asking all those questions, that the new Council of Ministers I am sure will be asking all those questions, and that the States will be asking all those questions. That is the ultimate position. If States Members as a whole are not completely satisfied with all the issues relating to the development it simply will not take place.

The Bailiff:

If no Back-Bencher wishes to ask a question I will ask for now one final short Ministerial question.

4.10 Senator P.F.C. Ozouf:

The Chief Minister has always been very confident about Jersey. As he leaves this Assembly and moves on to new pastures, does he still maintain his confidence about the future of Jersey?

Senator F.H. Walker:

I wish you had not allowed that question. Yes, I do. There is no doubt that Jersey, in common with the rest of the world, faces the most serious economic challenges that we could possibly ever face. There is no escaping that. We are part of the international economy. However, I genuinely believe and I strongly believe that Jersey is in the best possible place to deal with those challenges. What other government has no borrowing? What other government has the proportion of its revenues in reserve that we do? What other government is looking still... although of course it is liable to

downward marking as the Fiscal Policy Panel put forward, but what other government in this circumstance is looking at balanced budgets for the next 5 years? I know of none. The U.K. Government, of course, as we well know are borrowing to a huge extent. It is quite possible that the States of Guernsey will have to borrow to a fairly considerable extent. I would not want to be where the Isle of Man is today. Jersey is, in my experience, uniquely and strongly placed to meet the challenges that undeniably lie ahead. **[Approbation]**

5. Urgent Oral Question - The Minister for Home Affairs

The Bailiff:

That appears to be a very happy moment to conclude Ministerial questioning. I have given leave to Deputy Power under Standing Order 15 to ask an urgent oral question. Deputy Power.

5.1 Deputy S. Power of the Minister for Home Affairs regarding voting irregularities in the recent Deputies elections:

Can the Minister for Home Affairs confirm whether the States of Jersey Police have received a complaint from a candidate in the St. Helier number 2 poll and what investigation into voting irregularities in any Deputies elections are currently being carried out?

The Deputy of St. John (Minister for Home Affairs):

I can confirm that the States of Jersey Police have received a number of complaints in relation to recent elections. All matters will be investigated and referred, where appropriate, to Her Majesty's Attorney General. In view of the fact that each complaint is subject to further inquiry it is not appropriate to discuss these details or details of each complaint at this time.

Deputy S. Power:

Can I be allowed to ask a point of clarification to the Solicitor General?

The Bailiff:

No.

STATEMENTS ON A MATTER OF OFFICIAL RESPONSIBILITY

The Bailiff:

Very well, we now come to statements. The first statement of which I have notice is a statement to be made by the Chief Minister regarding a meeting with Her Majesty's Treasury on 27th November.

6. Statement by Chief Minister regarding a meeting with H.M. Treasury on 27th November 2008.

6.1 Senator F.H. Walker (The Chief Minister):

Members will be aware that in his pre-budget report delivered last week the U.K. Chancellor of the Exchequer announced a review of the long term opportunities and challenges facing the Crown Dependencies and Overseas Territories as financial centres which have been brought into focus by recent financial and economic events. We in Jersey have, of course, been here before with the Edwards Review in 1998. However, to some extent this time it is different. We are now experienced in the review process. We have already been fully reviewed by the I.M.F. in 2003 and at that time were found to be almost fully compliant with the then international standards of regulation. More recently we have engaged with a review of the Treasury Select Committee in their work on offshore centres. Even more recently we have just concluded a further review by I.M.F. teams looking into our compliance firstly with international standards of anti-money

laundering and countering the financing of terrorism; and secondly with prudential regulation under an I.M.F. review which includes matters of financial stability. We await their reports in due course. In respect of this latest review we are actively engaged in this process from the outset. Last week, together with the Chief Executive Officer of the States, I met the Parliamentary Secretary of Her Majesty's Treasury, Lord Myners, and the Parliamentary Under-Secretary of the Ministry of Justice Lord Bach. Together with representatives from Guernsey and the Isle of Man we commenced the process to agree the detailed terms of reference for the review. In these initial discussions we have already agreed that the review will only look at fiscal arrangements to the extent that they affect stability, sustainability and long term competitiveness. It will not look at taxation rates, nor will it consider any change to Jersey's fiscal autonomy or our constitutional relationship with the U.K. The review will also look at financial supervision and transparency, financial crisis management and international co-operation. It will comprise of 2 parts. The first involving a review into banking deposits, and the requirement for and effectiveness of depositor protection arrangements, and this is expected to report in the spring. There will be a second report covering the full terms of reference with fuller conclusions later in the year. The review will start with the Crown Dependencies and will then move on to the Overseas Territories. It will be separate from the Treasury Select Committee's report into offshore financial centres. It has not yet been agreed who will undertake the review but we have been assured that it will be an individual of high standing and credibility with a comprehensive understanding of financial services and who would operate independently of Her Majesty's Treasury. The review will report to the Chancellor of the Exchequer, copied to the Lord Chancellor, Foreign Secretary and the Governments of the U.K. Crown Dependencies and Overseas Territories. Members may be forgiven for feeling some justified review fatigue. However, the international reaction to current events, which commenced with a meeting of E.U. (European Union) leaders in Paris on 21st October and continued when the G20 met in Washington on 15th November, is a new process that will seek to address the challenges to global financial stability from all angles. As a major and responsible international finance centre we cannot afford to be excluded from that debate. As Lord Myners stated last week, this is a positive opportunity for us to put forward our case. We will co-operate fully with the review and we welcome it as a chance to show the strength and stability of Jersey's financial system, regulatory system and the extent of our international cooperation and transparency.

6.1.1 Deputy J.A. Martin:

It may be presumptuous of me to ask the outgoing Chief Minister but, as the review will not be in until there is a new Chief Minister, I would like reassurances that the review will report to the Lord Chancellor, the Foreign Secretary and the Governments of the U.K. Crown Dependencies. When you say "government", sir, will the Minister make sure that the review is received by all States Members? Because in some terms "government" sometimes means just the Ministers.

Senator F.H. Walker:

I cannot speak authoritatively for my successor but I am sure that will have to be the case. The review will become a public document in due course. It will have to be presented to Members of the States. There will be times, of course, during the preparation of the review and the discussions with the reviewer where meetings will inevitably be held in private and briefings will be given. I am sure it will be presented and available to States Members at the earliest possible opportunity.

6.1.2 Senator J.L. Perchard:

Does the Chief Minister expect a Jersey Government to have any input at all into the terms of reference and if not, when do we expect to receive the terms of reference for this review?

Senator F.H. Walker:

The terms of reference have not yet been released and therefore it would be inappropriate of me to refer to them, but I can inform the Senator and Members that the Crown Dependencies have already not only been consulted, but have had the terms of reference altered at our request.

6.1.3 Deputy P.J.D. Ryan of St. Helier:

Not although directly part of the Chief Minister's statement, could he tell us whether the question of the tax information exchange agreement with the United Kingdom came up during these discussions, and is it likely to in the very near future?

Senator F.H. Walker:

It did not come up in the particular meeting that I attended last week but it is the subject of ongoing discussion with Her Majesty's Treasury.

6.1.4 Deputy P.V.F. Le Claire:

I wonder if the Chief Minister can comment on the suggestions that are being made in some circles that the U.K. Government is not satisfied that the U.K. Government is going to be responsible for the bail-out of any funds that are held in Jersey for the U.K. deposit holders, and that there is some pressure - or there is talk about some pressure - for the States of Jersey to have to contribute something in the region of £15 million a year to the U.K. to protect U.K. deposits in Jersey. Is there any truth behind those allegations that are going on in circles in the Island at the moment?

Senator F.H. Walker:

No truth whatsoever.

6.1.5 Deputy A. Breckon:

I wonder if the Chief Minister would like to comment on the constitutional position of the U.K. Government conducting inquiries into our fiscal and domestic matters?

Senator F.H. Walker:

That has been the subject of most of the discussion between us. There were 2 areas in the announcement made by the Chancellor which could have been interpreted in a number of ways and the Chancellor, for example, referred to the fact that a review would cover fiscal arrangements. Now that, as I said, could be interpreted in all sorts of ways, but we had an absolute positive assurance from Lord Myners and his team that the review would not cover, as I said in my statement, fiscal autonomy and therefore our ability to set our own tax rates. What the review will be interested in is whether our fiscal structures are sustainable long-term and whether we are capable of managing ourselves in a crisis which I am very confident Jersey is in almost a unique position to do. So far as the constitutional situation is concerned, the U.K. Government has made it very clear from day one that this will not be covered in any shape or form by the review. Indeed, Lord Bach - and I think this is significant - himself, wrote a letter of complaint to *The Times* a week before last because Members may have seen an article in *The Times* which suggested that the review was about the constitutional position; it is not and Lord Bach himself, under his own initiative, wrote a letter of complaint to the editor of *The Times* making them aware of their error and demanding a retraction. Whether or not they have had the retraction yet or not, I am not sure.

6.1.6 Deputy R.G. Le Hérissier:

Following on from Deputy Breckon's question, would the Chief Minister not acknowledge that policy says in the States, where it has international ramifications, is indeed reviewable by the U.K. government. This is the right, it seems, they have asserted. Secondly, would he say what the specific concerns were of the U.K. Government representatives? What issues did they raise and did these carry an echo of the kind of thing that President-elect Obama has been saying of late?

Senator F.H. Walker:

The U.K. Government have said, both at the meeting and publicly, that the review is effectively in effect a reaction to the international noise that is currently underway. Not only from President-elect Obama but from other quarters as well. The U.K. Government feel - and if I was in their position I would feel exactly the same - that because the Crown Dependencies have been forced into the limelight because of the failure of Icelandic banks with Channel Islands connections, it is inevitable that the Channel Islands have to be reviewed. It is inevitable that we have to make it clear to the U.K. Government and to the world what we are made of and our ability to sustain ourselves without in any way risking becoming a burden on the U.K. taxpayer, which of course we never have been and never would be. So that is the rationale behind the review. But I would say again that Lord Myners himself was at pains to say that this is an opportunity for us to show how good we are and I absolutely echo those sentiments.

6.1.7 Deputy G.P. Southern:

To what extent did the discussion cover the European Savings Tax Directive and our full co-operation with it?

Senator F.H. Walker:

It did not. But the U.K. Government has previously acknowledged on numerous occasions our full co-operation with the Savings Directive.

6.1.8 Deputy I.J. Gorst:

I perhaps welcome this review because I believe that it will be an opportunity for us to prove that we are a well-regulated jurisdiction and that we have a first class finance industry operating here. However, I wonder if the Chief Minister could give an indication whether he is aware of the potential format of the final report, whether the review will be able to separate jurisdictions, i.e. Crown Dependencies, Offshore Territories or whether we will be, shall we say, batched together with Guernsey and the Isle of Man, because this is something I believe that he and his successor and officers ought to fight vehemently for because we, I believe, are in a field of our own and we need to make that very, very plain?

Senator F.H. Walker:

I absolutely take the point that the Deputy is making. The issue was raised but it was agreed that this would be a matter for discussion with the reviewer; how the reviewer wants to put together his or her report. But I do absolutely agree that it is vital that there is clear air between Jersey and at least some of the Offshore Territories and possibly at least one of the Crown Dependencies. But could I add at this juncture that the co-operation, the level of co-operation between Jersey and Guernsey at this time, not only on this matter but perhaps particularly on this matter, the level of co-operation has never been greater and the sharing of information and working together and the determination to present a united front is stronger than I have ever known it and I warmly welcome that. But at the end of the day, the report on Jersey will need to be a report on Jersey and that is something, I am sure, my successor and others will be discussing with the reviewer.

6.1.9 Deputy J.A. Martin:

Just clarification: the statement says the review will be in 2 parts; the banking deposits and the requirement for the effectiveness of depositor protection arrangements. Am I to take this and this review will be done by the spring, just for clarification, do we have effective depositor protection arrangements already in place in Jersey? Because this statement does not say we do have.

Senator F.H. Walker:

I think I answered that previously. I think it is universally known that Jersey does not have a protection scheme for non-Jersey resident depositors. We do not. But that is a matter that is subject to the review I referred to earlier, commissioned by the Minister for Economic Development and which will report early in the new year. Clearly there will be much discussion

for Ministers at that time to hold with industry representatives and others as to whether or not Jersey needs a full-blown compensation scheme, given the licensing regime of banks in Jersey and if so, in what form?

6.1.10 Deputy J.A. Martin:

Sorry, supplementary. The Chief Minister said for non-Jersey residents, so do I take it then we do have a full effective deposit protection scheme for Jersey residents with monies in the banks in Jersey?

Senator F.H. Walker:

We have given a guarantee to all Jersey-based residents who invest in Jersey banks that their deposits are safe. That guarantee was given some weeks ago and remains in force.

The Bailiff:

That concludes the time allowed for the questioning of the Chief Minister on this statement. I understand from the Greffier that there has been some mismatching of the statement to be made by the Chief Minister in relation to T.I.E.A.s (Tax Information Exchange Agreement) for which I apologise. This is being rectified as I speak. I wonder if Members would accordingly like to move on to the next statement and we will now hear then from the Minister for Home Affairs who will make a statement regarding the suspension of the Chief Officer of the States of Jersey's Police. The Minister has ...

Deputy P.J.D. Ryan:

I beg your pardon. On a point of order, does not this ask: "With your permission I wish to ask Members whether they are happy to take the statement as read?"

The Bailiff:

Well, we cannot read it if it is not there ... take it as read if it is not there. So ...

The Connétable of St. Helier:

Further point of order before you clear the Chamber. Would it be possible for me to propose that Standing Orders are lifted in respect of the restriction of questions for 10 minutes?

The Bailiff:

We are not there yet, Connétable. I was about to tell Members that the Minister for Home Affairs has directed the Greffier to circulate the statement that he is about to make as soon as maybe after it has been made. Minister?

7. Statement by the Minister for Home Affairs regarding the suspension of the Chief Officer of the States of Jersey Police.

7.1 The Deputy of St. John (The Minister for Home Affairs):

This Statement gives me no pleasure but I wish to inform the Assembly in accordance with my powers under Article 9 of the Police Force (Jersey) Law 1974, on 12th November 2008 I suspended the Chief Officer of Police from duty pending an inquiry under the Disciplinary Code applicable to the Chief Officer. The terms of that code place on me obligations of confidentiality and there is little that I can say about this matter at this time. I can, however, say that pursuant to that code I have taken steps to put an investigation in hand into matters of concern and that investigation is part of a process that when completed will result in a decision on the part of my successor as to what steps should then be taken. I am sure that Members will entirely understand that it would be most inappropriate to discuss any of the substantive matters that caused me to suspend the Chief Officer and to initiate the procedure under the Disciplinary Code. I cannot comment on them and I would

ask the Assembly not to seek to explore them at this time. At some stage at the end of the process, my successor, whoever it will be, will need to make a decision about these substantive matters and he or she should not be influenced in any way by any views expressed by Members of the Assembly. In addition, of course, the Chief Officer cannot comment and has not yet had the full opportunity that the process allows to answer to these matters and to defend himself. Any debate would thus be unfair to him as the full facts are not yet known. I am sure, however, that Members will readily understand that a suspension in these circumstances is a neutral act and implies no finding one way or the other, but is rather an entirely prudent course to preserve the integrity of the investigation. If the Assembly wishes to ask questions I will endeavour to be helpful, but I do not propose to answer any questions that will breach the obligations, confidentiality or that I will disclose the detail of any of the substantive matters under investigation.

The Bailiff:

Now Members will be aware, I am sure, that the Police Force (Jersey) Law 1974 requires that any discussion in the States regarding the suspension of the Chief Officer shall take place in camera and I must, therefore, ask the transmitters to close down the transmission and ask those in the public gallery to withdraw so that the period of questioning allowed by Standing Orders may take place.

[Questioning proceeded in camera]

LUNCHEON ADJOURNMENT PROPOSED

Senator L. Norman:

I propose the adjournment, Sir.

The Bailiff:

If Members are agreed we will adjourn until 2.15 p.m.

LUNCHEON ADJOURNMENT

The Bailiff:

The Greffier has passed to me 2 projets: the Draft Public Employees (Contributory Retirement Scheme) (Existing Members) (Amendment No. 10) (Jersey) Regulations 200- and the Draft Public Employees (Contributory Retirement Scheme) (New Members) (Amendment No. 13) (Jersey) Regulations 200- which have been lodged today by the Chief Minister and no doubt will be circulated to Members in due course. We come back to the statement of the Chief Minister in relation to T.I.E.A. and you wish to take this statement read, Chief Minister, do I understand?

8. Statement by Chief Minister outlining the latest Tax Information Exchange Agreements (T.I.E.A.'s)

8.1 Senator F.H. Walker (The Chief Minister):

Sir, with your permission and that of the House yes, I would. It is, as Members would have seen, a very long statement and I feel, if Members agree, it could well be taken as read, but obviously I would be happy to answer questions as appropriate.

The Bailiff:

Are Members content to allow the Chief Minister to treat this statement as having been read and to proceed straight away to questioning of the Chief Minister? Very well, Deputy Breckon.

8.1.1 Deputy A. Breckon:

I would ask the Chief Minister if he would like to comment on the fact that Iceland are included with their attitude to some of the banking crisis with their own national bank and the treatment of depositors, if it was in fact considered to take Iceland out of there and give them some of their own treatment back.

Senator F.H. Walker:

I had difficulty in hearing that, but I think I understood the question is what is my view on Iceland being one of the signatories? Is that pretty well the question?

The Bailiff:

Would you mind repeating the question? I must say I found it difficult to hear too, Deputy.

Deputy A. Breckon:

Iceland are included in that for the Tax Information Exchange Agreement and the question to the Chief Minister is, was it considered taking them out in view of their national attitude, their national government attitude, to the banking crisis?

Senator F.H. Walker:

I understand the question now. No, it was not. Iceland is one of the 7 Nordic states with whom we signed the T.I.E.A. and there was no suggestion at that time that they should be taken out. There was a huge amount of discussion going on between the Finance Ministers of the Nordic countries at the time we were there, and indeed with the media, on the question of Iceland, but I see no reason at this juncture not to maintain the T.I.E.A. I assume the States will clearly want to keep a close watch on the situation as it evolves.

8.1.2 Deputy A. Breckon:

Could I ask a supplemental on that? Will the Chief Minister then see that as a gesture, if you like, on our behalf not to take any action and hope that they would reciprocate by sorting out their banking situation and review their situation, especially with the U.K.?

Senator F.H. Walker:

There is no question from what we gathered at the meeting and the discussions that were held with the Icelandic Treasury Minister that they are doing everything possible to sort the issue out with, in the main at least, the support of their fellow Nordic states. What will eventually emerge, I do not yet know; I do not think anyone yet knows. Very clearly, Iceland is aware of the absolute importance of resolving the situation both for depositors and indeed for their own reputation.

8.1.3 Deputy I.J. Gorst:

I just want to welcome the Chief Minister's statement albeit unspoken. T.I.E.A. has not always had a smooth ride either in this Chamber or at large in the Island. However, I think in the current climate they are proving their worth in gold and I wonder if he would confirm that his successor, whoever that might be, will continue his cautious, but firm, approach in signing more of these agreements in the future?

Senator F.H. Walker:

I am sure the Deputy will understand I cannot speak for my successor, but I cannot believe that Jersey would wish to do anything other than to continue with this approach. The Deputy is right, it has been a little bit of a bumpy ride at times and the industry - certainly elements of the industry - has not always been in favour of the signing of these T.I.E.A., but I think now the way the international climate has developed, there is very much more support for them than previously there was. I agree with the Deputy entirely: they are now worth their weight in gold and basically we need more and I am confident we will have more in the near future.

8.1.4 Deputy P.J.D. Ryan:

Just quoting from the Chief Minister's report, the action the Island has taken in signing T.I.E.A. has shown to the international community the commitment of the Jersey authorities to the international principles of information exchange and transparency, and I think could probably be added to that the Island's commitment to regulation as well. That is all in the context of developing our international identity and also in the parallel context of the review that is being carried out by the U.K. Government of our regulation that we know is coming. Can I just refer the Chief Minister to - it was in fact 1998 - 10 years ago, where we had the Edwards Report: we are now getting a report in 2008. Does he think that at some time in the future, perhaps in 2018 - 10 years hence - we should be seizing the initiative and committing to appoint our own independent reviewer of our regulation in order to seize the initiative perhaps from the U.K. Government on these matters?

Senator F.H. Walker:

The Deputy is quite right when he says this is about the development of our international identity and our regulation, but it is also about more than that. It is also demonstrating the position that Jersey wants to hold in the world and this is being increasingly recognised by the member states that we have signed T.I.E.A. with - by the E.U. leaders' meeting in Paris, by G20 - and what we are now looking for is for action to be taken against those jurisdictions that have not signed T.I.E.A. We think here particularly of Switzerland, Luxembourg, Singapore and so on. We are encouraged, at last, by the signals we are getting from member states of the E.U. and the O.E.C.D. (Organisation for Economic Co-operation and Development) that action is indeed being taken and the pressure is being ratcheted-up. As for our own independent review, I am not sure what weight it would carry in the international climate. In a way, we are having that because we invited the I.M.F. to come to Jersey to undertake their review so in a way we are having our own independent review. I can see, as I said in answer to an earlier question, why the U.K. Government feel that a review of the Crown Dependencies and Offshore Territories is necessary at this time. I cannot see forward to 2018. Members of the States will have to judge the climate for themselves at that point, I think.

PUBLIC BUSINESS

9. Draft Budget Statement 2009 (P.158/2008)

The Bailiff:

Very well, that concludes the Question period for the Chief Minister's statement and we come now to Public Business. The first item of Public Business is the Draft Budget Statement 2009 (P.152/2008). Could I ask the Greffier to read the proposition?

The Deputy Greffier of the States:

The States are asked to decide whether they are of opinion: "(a) to approve the estimate of total taxation revenue in 2009 of £598,340,000 as set out in summary table A on page 32 of the Budget Statement, with the sum to be raised through existing taxation measures and the proposed changes to income tax, impôts duty, stamp duty and land transactions tax for 2009 as set out in the Budget Statement."

9.1 Senator T.A. Le Sueur (The Minister for Treasury and Resources):

I present this budget today against probably the most challenging global economic background for decades. Financial markets are in crisis and worldwide recession appears inevitable. Some countries have gone bankrupt effectively and had to be bailed out by the International Monetary Fund. The U.K. and America, already deep in debt, are going even deeper. Some neighbouring countries do not have the tax revenues to fund even their basic public services. In contrast, Jersey has none of these problems. We are in a far better position to weather the storms ahead than any of our neighbours. We have no debt we have no deficits. We have substantial reserves. Because the States had the courage and foresight to reform our tax structure we will have the tax revenues to continue to fund our schools and hospitals, pensions for the elderly and benefits for those in need

and when the need arises we will still have funds to invest during any recession. We should not, however, be complacent about the challenges facing us. Last year I highlighted the uncertainty about how the world economies would fare in the face of the emerging credit crunch. In recent months the situation has become clearer. Several major international banks have been forced to cease trading or have been taken over. Financial markets are experiencing volatility unseen for decades. Central banks and national governments have had to intervene on an unprecedented scale. The likely result is a recession in several major economies that could last for months if not years. Indeed, the I.M.F. is predicting that the U.K. and the U.S. (United States) economies and the E.U. will contract in 2009 and that the forecasts for global growth are little better. Although Jersey cannot be immune from these global events, especially as much of our economy is based on financial services, indications to date are that the local economy has been holding out well. Despite the onset of difficulties in the global financial sector in the second half of 2007, Jersey's economy still managed to grow, and for a second year in a row, by 7 per cent in real terms. This continued strong growth took the size of the economy past where it was previously in 2000 and has been achieved within the 1 per cent workforce target. In other words, we have managed to achieve economic growth without a comparable increase in the workforce, and that has been through increased productivity. Of course, by far the biggest contributor remains financial services which contributes over £2 billion to our overall economic activity. In March of this year financial sector firms were still expecting to see profits exceed 2007 levels. However, much has changed in the intervening months and the implications of those developments for Jersey's financial services sector are unclear. For example, the crunch and inter-bank lending is unlikely to have the same effect here as it has in the U.K. and the reason for that is that Jersey's financial institutions tend to be deposit takers rather than lenders so we have not suffered from the toxic debt experienced by institutions elsewhere. Furthermore, the threat of indirect effects such as significant restructuring by parent banks could be offset by opportunities as well. Undoubtedly some businesses will be adversely affected, but conversely some institutions and activities could be relatively immune or perhaps even benefit. To further demonstrate that every cloud has a silver lining our tourism industry could also benefit from the decline of the pound against the euro and the dollar as this has made Europe and America far more expensive places for U.K. residents to go on holiday so they may come here instead. Finally, in this sector, let us not neglect the importance of contributions in other areas. Outside of financial services, construction was once again the biggest performer in 2007 with growth of 8 per cent in real terms. There was also a strong performance from the wholesale, retail and agricultural sectors. We should be clear that we all share in this economic success. It is not simply about company profits. It is local people who will be sharing the proceeds of this growth with average earnings over 10 per cent higher in real terms now than they were in the year 2000. Local people have benefited from the increase in job opportunities and the growth in employment, indeed the highest level of employment for 10 years. Critics might suggest that has been fuelled by significant inward migration. I would remind Members that of the total increase in employment between 2002 and 2008, 2,400 of those jobs - which is 95 per cent - have been for locally qualified people. That said, it would be remiss of me to ignore the contribution made by people who have come into the Island to play a part in the Island's prosperity over recent years because they have helped facilitate the economic growth which has benefited all of us. Low and stable inflation has been a critical part of our economic success. In order to cement this performance a new anti-inflation strategy was agreed by the Council of Ministers at the beginning of this year. Although the underlying rate of inflation has picked up during the year, here and elsewhere, the causes are well documented and with the exception of G.S.T. are largely outside our control. The significant increases in global commodity prices, particularly for fuel and food, have fed through to local prices paid by Islanders. But let us be clear about the effect of G.S.T. This caused a one-off increase in prices. It is estimated to have raised inflation by about 2 per cent, but it will drop out after 12 months. If we take out the effect of G.S.T. then notably we see that the inflation figure for September is lower than the equivalent figure in the U.K. or Guernsey. This shows that the improved inflation performance in Jersey in recent years has been maintained. I also

believe that the recent temporary increase in R.P.I. will prove to be a temporary blip and that the rate will fall significantly in the coming months. Islanders have already seen a significant drop in fuel prices. Interest rates have come down and with the likelihood of a further slow down in the economy and reduced demand for commodities then prices should come down further. As a result, I am confident that by next June inflation will have fallen back much closer to our 2.5 per cent target. However, we must continue to be vigilant and continue to employ the policies that have served us so well. In particular, the Fiscal Policy Panel has warned that one of the biggest risks going forward is unaffordable wage demands stoking-up the rate of inflation and it is the responsibility of all of us - States, businesses and employees alike - to make sure that does not happen and it is for us as the States to take the lead in this. The current pay claims by certain pay groups are neither appropriate nor affordable. We must contain pay awards, particularly if we are to succeed in encouraging the private sector to follow suit. I just mentioned the Fiscal Policy Panel which is a key part of our fiscal framework, is fast becoming a cornerstone of Jersey's economic policy, and has been a guiding star certainly for this budget and hopefully many budgets to come. Many people do not realise that Jersey is leading the way in terms of this aspect of economic policy. With the credibility of U.K. fiscal rules being stretched to the limit, if not broken, the clamour is growing among the leading economic commentators of the introduction of a similar panel to Jersey's. In Jersey we are ahead of the game and I must thank our panel of independent experts (Joly Dixon, Marian Bell and Christopher Allsop) for the important contribution they have made this year. I am grateful, and I know they are too, for the assistance they have had from many officers and particularly from business and interest groups. I also hope very much that those who have not yet taken an active interest in their work will do so at the earliest possible opportunity. It is worth reminding ourselves of the key recommendations that the panel made in the recent update to their report that they presented to us a couple of weeks ago. They recommended that we transfer the vast majority of this balance on the Consolidated Fund - our current account - to the Stabilisation Fund which is the reserve to be used in times of recession. There are 2 key reasons why they have said this. Firstly, they feel that we really need more money in that fund if it is to be of real use in an economic down-turn. Secondly, because economic conditions have not deteriorated here as fast as elsewhere and the Island economy is already experiencing a number of factors which will boost the economy next year, we have decided, for example, to cut some taxes or are proposing cutting taxes and increasing spending and that will stimulate the economy. The interest rate cuts will stimulate the economy. Food and oil prices are starting to fall. Finally, the weaker pound should help our finance and tourism industries. So, although the Fiscal Policy Panel gives a range of forecasts for 2009, their present expectation is one of a small but continuous economic growth. Therefore, we should not simply blindly follow measures such as tax cuts proposed by other countries who are currently forecasting negative growth. The panel is, at present, still forecasting low levels of positive economic growth and recommends that the States should not, as yet, be cutting taxes in order to stimulate the economy. The panel does recommend, however, that contingency plans be put in place in the eventuality of an economic slow down and, as I mentioned in question time this morning, I have already initiated that process and the panel gave some guidance as to what we should do when the time comes, what they call the 3 Ts: timing - when will the impact of the decision be felt (not too soon, not too late); targeting - who is to benefit from the policy and will they respond in the right way; and temporary - the intervention must be of short term, temporary in nature, otherwise it impacts on our desired funding. I have added a fourth T which is T for trigger for action, which is not now but on the advice of the Fiscal Policy Panel and the Economic Adviser. Now, I think I am a prudent Minister for Treasury and Resources - or so-called Chancellor - and certainly I think I am more prudent than another so-called Chancellor whose imprudence is now coming back to haunt him as the Prime Minister. But let me be clear, I will have no qualms whatsoever about loosening our purse strings when the time is right in order to stimulate the economy. That time may be soon but it is not yet. In relation to the budget today, we really should not be considering giving further tax giveaways at this time. That is not my view. That is the view of the Fiscal Policy Panel, those 3 eminent economists who have done a detailed

analysis of our economy. I turn now to international affairs. As we have just heard, Jersey has continued to negotiate international tax agreements and has signed T.I.E.A.s with Germany and 7 Nordic territories including Sweden, Norway, Denmark and Finland. Negotiations continue with France, Australia, Ireland and the U.K. This process and progress has resulted in the Secretary General of the O.E.C.D. highlighting Jersey as one of a small group of co-operative jurisdictions. Equally importantly, he has urged all O.E.C.D. countries to encourage and reward places like Jersey that have made progress and to re-examine their treaties with other countries that have refused to comply with the O.E.C.D. requests for standards. The G20 summit in Washington in November focused on global economic stability and review of world financial institutions and conduct. While this is inevitably bound to change the shape of the landscape, there was no evidence of the anti-offshore rhetoric produced at the Paris summit. Based on the communiqué from that meeting, it is clear that - as far as we are concerned - the focus will be on information exchange and, therefore, Jersey needs to continue with measured leadership on information exchange and continue to position itself as an open and co-operative jurisdiction. There is a growing opportunity for all jurisdictions to be treated not just on the basis of their size or their so-called offshore status, but on the basis of their active commitment to international standards of regulation, transparency and international co-operation. Jersey today faces the opportunity to position itself there more distinctly from poorly regulated or unco-operative jurisdictions. So we should welcome the U.K. Treasury review announced last week as a positive opportunity to demonstrate the strength of Jersey's regulatory system and the extent of our international co-operation and transparency. The coming period will require Jersey to work hard to get our message across to key commentators and opinion-formers and position ourselves carefully as a potentially new international financial environment continues to unfold. But, I repeat, this is an excellent opportunity for the Island to demonstrate its strengths. I now turn to the financial forecasts which are on page 14 of the Budget Statement, which are based on the approved spending levels and currently show us achieving balanced budgets. This is despite the initial investment in public services and the approved benefits which we agreed in the Annual Business Plan in September and has been achieved because of an improvement in our revenues. This improvement is partly through income tax revenues driven by the higher than expected economic growth in 2007 but also due to the yield from G.S.T. plus improved returns from the State investments in its utilities. The forecasts appear robust through to 2009 as they are largely based on profit and earnings already delivered but beyond 2009 there is much greater uncertainty. The first uncertainty is the extent of the loss of revenue from the move to our Zero/Ten corporate tax structure in 2010. We are continually reviewing the effect of our new tax structure and Members may wish to note that a side effect of recent improved corporate tax revenue forecasts is that the midpoint forecast of our Zero/Ten loss has now increased to over £100 million. The second and far greater risk is the loss of tax revenues arising from an economic downturn. The Fiscal Policy Panel advised in September that low levels of real economic growth could be maintained in the short term and the forecasts in this budget are based on those assumptions. The panel did, however, identify that the risks to our financial position are very much weighted on the down side and I think we probably echo their views. Their most recent update suggests that those risks have increased and reading the financial press, even in the last few days, I think that is maintained, if not worsening. However, they have confirmed that all the available indicators suggest that continued positive economic growth, albeit at very low levels, is still possible at the current time. So before I turn to this year's budget proposals I just wanted to take stock of where we are. Our finances are in exactly the shape we planned for in the fiscal strategy. We have short-term surpluses, we have increased reserves and we have balanced budgets going forward. This means that whatever the risks that do lie ahead we are correctly positioned to deal with them. I turn now to this year's budget proposals. These are consistent with previous years in that they will continue to aim for an increased equity and fairness within the tax system. But this year I am also introducing measures to off-set the effects of G.S.T. and to assist first-time buyers. So, as Members will be aware, I am announcing additional relief to those taxpayers on low to middle incomes, extended discounts for stamp duty for first-time buyers

and those in the Jersey Home Buy Scheme, a freeze on fuel duty which will benefit lower income households the most and improve equity by introducing stamp duty on share transfer residential properties. Before I turn in detail to this year's proposals I would like to outline some plans for work for the coming year. First, environmental taxes. The decision we took during the Annual Business Plan debate leaves an action for a new environmental tax or taxes to be identified to provide funding for the environment spending initiatives beyond 2009. This will be taken forward by the Minister for Planning and Environment and environment groups to identify options which will be discussed at a public consultation next year. This will include further consideration of a land development tax. The intention is to return to the Assembly during 2009 with preferred proposals which, if approved, could be included in next year's budget. Secondly, my initial intention had been to include a deemed rental charge in these budget proposals to ensure that non-locally-owned trading companies would contribute under the Zero/Ten tax structure. However, following discussions with the Corporate Services Scrutiny Panel, I am deferring consideration of those proposals to allow further time for the impacts to be examined and considered. Also, I intend to consider, again, together with the Economic Development Department, the arguments for and against retaining the current concessions for marine fuel and the duty on fuel. Finally, in respect of stamp duty, there have been a number of amendments in recent years and other proposals which I would have liked to explore. However, because the focus has been on fiscal strategy and, more recently, identifying tax on share transfer, these have slipped. But, now those measures are in place, it is my intention to conduct a general review of stamp duty which would include the recommendations of the Corporate Services Scrutiny Panel to consult further for tax on commercial property share transfers, further bands of stamp duty for higher value properties, the level of duty and maybe a reduction of the level of duty on borrowings and the level of duty on probate and particularly how that can be used to enhance the competitiveness of the financial services industry. The aim will be to have those proposals developed in time to bring them back in next year's budget. I turn first to the proposals for income tax. Last year I announced an increase in the exemption limits of 3 per cent for each of the years 2008 and 2009 to keep more of those on lower incomes out of the tax net and provide some benefit to middle income taxpayers. Today I am proposing an additional 2 per cent on top of that 3 per cent for 2009, raising that to 5 per cent. These increased tax exemptions, together with the proposition alongside this budget for £3.4 million to be spent by Social Security in additional targeted benefits, will form the package of measures which the States agreed to be funded as part of projet 138 brought earlier this year by Deputy Le Fondré. With these latest increases in exemptions and those in the recent years, a married couple where both husband and wife are working and with 2 children - one at university and one at school - with mortgage interest payments of £7,500 a year, would not pay income tax until their income reached over £41,000 in 2009. The increase in exemptions means that 27 per cent, or almost 18,000, of the people on the income tax database will pay no tax at all. I mentioned this morning that tax-targeted benefits in the event of recessions, therefore, would not have any effect on those 18,000 people who do not pay income tax. Let me repeat that for those who believe that middle earners in Jersey are being overtaxed. It is possible for a family in Jersey to earn over £41,000 a year and pay no income tax at all. I announced last year my intention to consider proposals to introduce childcare tax relief for the services of nannies registered through the Jersey Childcare Trust. I am pleased to say that this work is complete and will provide help for those parents with young children. I also announced last year that I would carry out a review into tax legislation relating to pensions. I am pleased to announce in this budget a number of proposals aimed to provide improved incentives to save for retirement. In particular these include raising the contribution levels available for tax relief, recognising the employers' contribution into personal pension products and increasing the tax-free sum payable to 30 per cent of the fund value. I am also pleased to say that the work I mentioned last year to progress electronic tax returns is well underway and they will be available from January 2010 and that will enable automatic self-assessments. Those personal taxpayers who opt to follow this route can have the benefit of a 20 per cent discount on their tax bill if they submit their form electronically. That is assuming they got a tax bill of £20 or more, of course. Further

information and guidance will be available well in advance of that coming to fruition. There are also a few minor proposals in respect of income tax. Firstly, to harmonise the definition of charities in respect of both N.P.O.s (non-profit organisations) and the income tax legislation, further improvements to I.T.I.S. (Income Tax Instalment System) such that in future, ultimately, all taxpayers will be on a current year basis. I think that has been an issue of concern for many people. It will not happen all at once but there are objectives over a period of time that this will come into effect; provisions to balance out the tax on profits from furnished lettings as compared with lodging house accommodation and provision to equalise the penalties and fines between the Income Tax Law and the G.S.T. Law. I now turn to proposals for indirect taxes and to this year's proposal for impôt duties. When considering the impôt duty proposals my intention is to maintain the policies of previous years with increases in duty which are consistent with raising sustainable levels of revenue while considering the impact on the local economy and the health and environmental benefits and strategies set out in the alcohol and tobacco strategies. I get the feeling that those strategies have been in place for quite a time now and it may be appropriate that we should review both of those in the near future, possibly in the context of an overall health strategy. But the current alcohol strategy states that increases in impôt duties should be at or above the rate of inflation and in this budget I based the proposals on the June 2008 inflation figure of 5.6 per cent. So I am proposing that the full rate of duty for all alcohol and alcohol-related products goes up by 5.6 per cent and those for tobacco, again consistent with the tobacco strategy, are for an increase of 6 per cent because the tobacco strategy is for an increase above the R.P.I. The Health and Social Services Department and the Economic Development Department have been consulted and support these increases. The States Economic Adviser considers that the modest increases proposed are unlikely to work against the Island's economic interest and will only add roughly 0.1 per cent to the R.P.I., a figure very similar to that last year and, therefore, should have no effect on the rate of inflation. This year, as I said, I am proposing to freeze road fuel duty for 2009, even though we have now seen the price come down considerably. I think this proposal, together with the package of spending measures in the Business Plan, will help those on low incomes and recognises the increased costs that they face. All those proposals will provide some welcome respite for those people. It does come at a cost to the States, something like £1.2 million in duty that we have not otherwise collected. The Customs and Immigration Service will continue to monitor levels of duty-free importation as residents are now likely to be maximising their duty-free allowances. However, there is no evidence or information to suggest that people are abusing this. They are simply using up to the maximum as the opportunity arises. So, to summarise, the impôt duty proposals for 2009 are equivalent to increases in duty of 49 pence for a bottle of spirits, a litre of spirits, 6 pence on a bottle of wine, a penny on a pint of beer and 18 pence for 20 cigarettes. I turn now to stamp duty and the main proposals for stamp duty in this budget are to provide further help to first-time buyers to get on to the property market. Last year I increased the level at which first-time buyers could receive a discount but this year I am going further, particularly as a reaction to the borrowing restrictions in the lending market. I am extending the level of property at which a first-time buyer can receive discounts to £400,000 and also proposing a total removal of stamp duty for all buyers of properties up to £300,000. To provide further assistance to first-time buyers and to further stimulate the housing market, I have also proposed a small amendment to the budget to exempt the Jersey Home Buy Scheme from stamp duty. Under these proposals a first-time buyer will save £4,000 of stamp duty on a property worth £300,000, £5,000 for a property £400,000 and, with the expected value of those properties in the Jersey Home Buy Scheme, first-time buyers of those could save even more. I am sure these savings would be welcomed by those people, particularly given the current housing market and the difficulty in finding affordable funding. Again, those proposals cost money, roughly £1 million a year. But one of the areas I said I would be reviewing next year is stamp duty. So we might have a possible higher band for higher value properties which could offset the loss of stamp duty revenue from lower value properties. But that is a subject for next year's review and I am not going to pre-empt the outcome. I am also pleased that the States has accepted the proposals for a land transaction tax, some of which has been on the books for longer

than some people would have liked. Once Privy Council approval has been received, that tax can be implemented from next year and that additional revenue, again, should go to offset some of the stamp duty foregone from these first-time buyer benefits. So I conclude this year's proposals by confirming that I am accepting the Fiscal Policy Panel's advice on the transfer of money from the Consolidated Fund to the Stabilisation Fund and there will be a separate proposition to transfer £63 million from the Consolidated Fund to the Stabilisation Fund. In conclusion, I have got to say that this has not been any easy term of office for the Minister for Treasury and Resources. There have been times when I have thought: "Why me? Why did I have to be the first Chancellor in decades to constrain spending and introduce a new tax?" Sometimes I thought: "Why on earth did I take up this thankless task?" But what kept me going was knowing that it had to be done for the long-term good of the Island. **[Approbation]** I know in my heart that, while some people are probably cursing me at the moment, far more will be thanking me in years to come for doing what was necessary to maintain the Island's long-term prosperity. **[Approbation]** None of this could be done without the help of many people. I must thank the senior officers of my department, those of the Chief Minister and the excellent teams of professionals we have had to help us. I would particularly like to thank the Council of Ministers and the Chief Minister for their unstinting support in these difficult times. Finally, I would like to thank my fellow States Members who have never been slow in producing the robust political challenge within our democratic process. But, through that proper process, it was the States Members who ultimately supported the proposals I put forward and it is, therefore, the States Members that can share my pride in Jersey's enviable financial position. Let us remind ourselves of just what we have achieved in the last 3 years. We have increased spending on health and social services in real terms. We have commenced a £100 million investment plan to improve the standards of social rental housing. We have increased pensions by well above the rate of inflation. We have increased social benefits by 25 per cent over 3 years - 25 per cent. We have introduced the winter fuel scheme and home insulation grants. We are investing an extra £2 million a year on higher education and skills training and an extra £1.5 million a year shortly in nursery education. We have managed a challenging loss of £100 million a year in corporate tax revenues by implementing a more diverse and competitive tax base while increasing the support to the less well off as part of that process. Despite all this and unlike all those countries around us, despite all this, we continue to live within our means and we are uniquely in a strong financial position to face the challenges ahead. That is a record I think I can be proud of and I commend this budget to the Assembly. **[Approbation]**

The Bailiff:

Is the Treasury Minister's proposition seconded? **[Seconded]**

10. Draft Budget Statement 2009 (P.158/2008): second amendment.

The Bailiff:

There are a number of amendments to the proposition to which the Assembly now turns and the first for consideration is in the name of Deputy Ferguson - amendment (2) - and I ask the Greffier to read that amendment.

The Deputy Greffier of the States:

Page 2, after the words "as set out in the Budget Statement", insert the words "except that income tax exemption thresholds for the year of assessment 2009 shall be increased by 5.4 per cent", rather than by 5 per cent as proposed by the Minister.

10.1 Deputy S.C. Ferguson:

I appreciate that there are some people who consider that this amendment is fiddling at the margins. I can assure them that the effects of this amendment will help to benefit those who have been dragged into the marginal tax band by fiscal drag and greatly deserve our consideration. As the

Minister for Treasury and Resources stated, the Fiscal Policy Panel had a mantra: target, temporary and timing. The panel was most insistent that we should restrain spending - not a new mantra for me to say anything about - we should not make significant changes to the tax structure and, where necessary, we should target assistance to the sections who are hardest hit. My amendment is specifically targeted and is fiscally neutral. Originally I was going to suggest amending the marginal relief rate. Marginal rate is one of those esoteric efforts by the Treasury to graduate the effect of moving from not paying tax to paying tax. But this would only have affected those already in the marginal tax band, a fixed number of people. Amending the allowances means that some people will fall out of the marginal tax band at the lower end and some at the higher end will drop in. I can see eyes glazing over at the mention of things like paying tax and the mechanics of marginal relief. Yes, it is a tricky bit of taxation but I hope those who understand it will bear with me. Perhaps I could just explain to those do not understand it what it is. The mechanics of the marginal relief process are that personal income tax is calculated 2 ways. One uses the standard calculation which includes all the '20 means 20' amended allowances. The other one uses the exemption allowances, which is what we are talking about today, and, importantly, includes certain allowances at the full rate pre-20/20; including, for example, wife's income relief at the full rate of £4,500 instead of £1,800 under '20 means 20' and the full interest relief for mortgages up to the £300,000 cap. The tax payable is the lower of the 2 calculations made. The important factor to remember, if you cannot remember all of the mechanics of the calculation, it is more advantageous for middle Jersey to fall into the marginal relief tax band rather than pay tax at the full 20/20 rate. The Minister for Treasury and Resources has talked of targeting 60 per cent of the £5.8 million that was allowed under P.138 at those on income support. I have divided it up evenly. One of the reasons which the Minister for Treasury and Resources gives is that he has increased the exemption allowance significantly in 2008 and 2009. He states in his comments that he has increased the exemption allowances to allow for G.S.T. but he bases his comments on a 2-year record. He has totally ignored the effect of fiscal drag. Has the effect of fiscal drag really been considered? There is a graph on the board over there. I am sorry it is so small, I only have a little printer. **[Laughter]** I have a copy which I can pass round. You can see that there are 2 sets of lines. There are some steadily rising ones which is the retail price index and there is one that is flat and goes along the bottom for most of the time and that is the exemption allowance, which means that people paying tax have been paying more and more tax and really been caught out. If you reckon between 2000 and 2008, average earnings have gone up almost 38 per cent and the R.P.I. and R.P.I.X. (Retail Price Index excluding mortgage interest payments) have increased between 30 per cent and 34 per cent, but the exemption allowances have gone up by 11.5 per cent. That is fine if you are at the top of the income scale but the people at the lower end of the income scale have been dragged into the tax net, particularly pensioners with small savings and the less well-paid family units. This is the core of the community, middle Jersey. Are we really treating them fairly? They are running faster and faster to stay on the same spot. Pensioners are falling behind. If we do not help them now, fairly shortly they will all be falling into the income support bracket, especially in the current economic climate. Surely we want people to feel they have retained their independence and they are not reliant on welfare. The cost of this amendment is £500,000. This is all we are re-allocating. I think it is the informational content of this amendment more than the amount. It shows that we have not forgotten middle Jersey and the pensioners who are falling behind. We are not talking large sums but they are sufficient to make life easier for those at the bottom end of the marginal relief tax bracket and they also, in some small way, reduce the effect of fiscal drag. The bulk of the changes that were proposed in income support have not been touched. We have heard much about the disregard on earnings, et cetera. If you refer to my amendment to P.163, you will note that that amendment leaves those important priorities untouched. My amendment only reduces the amount which was an allocation to mop up the balance of the allocated monies. The original intention of P.138 was to amend income support and allowances to allow for the effect of G.S.T. on food and fuel. The Social Security Department has already received allowances of some £1.75 million to cover G.S.T., not to mention £150,000 additional allocation to winter fuel allowances. In fact, as

the Minister has said today in the answer to a question, the income support budget has increased from £65 million to £77 million in 2008. The Social Security Department already has the benefit as well as these extra sums of an automatic increase in benefits in line with R.P.I.Y. (retail price index excluding mortgage interest payments and indirect taxes), I think it is. Please keep this in mind. All we are discussing here is £500,000. The Social Security Department's argument makes great play of the way this amendment will affect the basic rates payable to 4,200 income support households. Now, I am not unsympathetic to them but what the department has not done is demonstrate what has not been affected. There is a £150 G.S.T. refund to taxpayers not paying any tax. This is equivalent to G.S.T. on expenditure of £5,000 a year. This has not been affected. The changes on all the disregards and the personal care components originally proposed have been unchanged. These were the areas where the Social Security Department felt that more assistance was needed; increase the earnings disregard to 10 per cent, introduce a 5 per cent disregard on long-term incapacity benefit income, introduce a 5 per cent disregard on pension income and so on and so forth. So that these 7 priorities, which are in my amendment to P.163, have been unchanged. The table provided by the department in their comments only mentions the additional benefit. This is shroud-waving of the most despicable kind, only to give us half the story. I am sorry, that does not wash. It is also specious to talk about reducing benefits. The benefits have not yet been agreed. I rather regret that this is another occasion where corporate thinking is out of the window and we are still in silos. I am cognisant of the necessity to look after the least well off in our society but, as I have said, there are a considerable number of pensioners and low income families in the marginal tax band who are being seriously affected by fiscal drag. I would remind Members that the exemption allowances have only increased by 11 per cent from 2000 to 2008 against an increase in R.P.I. of 30 to 34 per cent. Even with this year's increased exemption allowances, this is still only half the increase in the cost of living; whereas, as I have said, income support is automatically increased by one of the R.P.I. measurements. I maintain that the section of the community in the marginal relief band, particularly those at the lower limits, must be considered as they do not have the advantage of the automatic increase as does income support. My amendment caters for this, not in a large way but in a practical way. Provided the Assembly accepts the converse of this amendment, then the whole effect is budget-neutral. It is in line with the Fiscal Policy Panel recommendations and it is targeted to those who have been ignored. It is only a small amendment in money terms but I believe it is equitable and assists, particularly, members of the public who have been woefully neglected over the past 9 years. I ask Members to support both of my amendments to demonstrate to middle Jersey that they have not been forgotten and will be kept more firmly in mind in the future, particularly when the Minister for Treasury and Resources loosens his purse strings.

The Bailiff:

Is the amendment of Deputy Ferguson seconded? **[Seconded]**

10.1.1 Senator T.A. Le Sueur:

I am grateful to Deputy Ferguson for bringing an amendment here as a matched pair which is ultimately budget neutral and, as I think Members should be well aware, this is simply a question of finding the best way of carving up the £5.8 million which we agreed could be spent in the context of the proposition brought by Deputy Le Fondré. The amendment suggests that, on a mathematical application, a 50/50 split between those in the marginal tax bands and those on income support is a fair way of doing it. Well, I accept the mathematics of it perfectly. I understand them quite clearly. But I think I am more interested in the human element of who is most in need of this slice of the £5.8 million. Is it those at the marginal tax rate; those who, by definition, have an income high enough to suffer some tax; or is it those at the income support end who maybe wish they could pay income tax but do not have enough income to do so. Now, this is only one measure against a number of others and I accept that there have been benefits given in other ways, both to marginal rate taxpayers and to people on income support and, indeed, to those in the middle through the

G.S.T. bonus scheme. At the end of the day, it is for Members to decide for themselves which is the better split - the mathematical or the human - and I leave that entirely into Members' hands so long as we appreciate, as the Deputy does in proposing this, that this is ultimately a cash neutral amendment. I would just like to correct one matter when it is suggested that maybe this would drive more people into the income support net. The proposals in the budget lift the number of people not liable to income tax to 27 per cent. I think the argument about the income support net is not relevant to this particular discussion. It is a very simple question for Members to decide. Do they want to give a greater slice of this £5.8 million to low income support? Do they want to give it equally to those between income support and income tax? Looking at the ways in which the money given to income support could help benefit those people in need and perhaps achieve some of the objectives that the Scrutiny Panel at the time raised but could not be funded, if that can help to deliver some of those things I believe that that is money well spent. It is ultimately for Members to decide so long as they understand that this has to be taken in conjunction with the second part of the amendment to make it overall cash neutral. I leave it for Members to decide which way they go. I have made clear the reasons why I propose that £3.4 million should go to those on income support and £2.4 million should go to those in the tax net.

10.1.2 Deputy G.P. Southern:

The Deputy of St. Brelade, Deputy Ferguson, made an interesting case and examined the impact of the proposals brought by the Treasury and Resources Minister on both fiscal drag and on G.S.T. and the costs of those. The Treasury and Resources Minister, in his own speech on the main debate, talked of this mythical family with 2 children and a mortgage of a certain size and said these people would not be paying tax until their income was over £41,000. One question I need to have answered at some stage today is these new measures proposed by the Treasury and Resources Minister have moved that boundary from where? So not until their combined income is over £41,000 will they be paying tax. Where was it before? Because that is where you need to look to see what in absolute terms, and I believe it is a single figure, would be the benefit delivered by this change, by the 3 per cent originally proposed or now by the 5 per cent. What is that margin? That is important because this family with 2 children and their mortgage will be paying an additional £880 per year in G.S.T. at the very least and that is a significant sum. Now, my recall is that the 3 per cent originally targeted here over the 3-year period delivered approximately just over £300. So it went some way to the extra cost. The 5 per cent over this year, obviously, will go some further way towards that extra cost. The question is how much is that extra benefit to these taxpayers because with over £880 extra going out every year from this family, how much better off will they be? On that figure rests the argument as to whether this proposal, this amendment, is worth supporting because if that is seen as not meeting the demand at all, £880 each and every year over the next 3 years is getting towards £3,000. Now, the benefit back is nowhere near that and on that nub rests how much more is it appropriate to put in to these taxpayers which this proposal is suggesting. So I need to get some answers to how much that sum is from somebody at some stage. I realise that the Treasury and Resources Minister has sat down but he is ...

Senator P.F.C. Ozouf:

Would the Deputy give way?

Deputy G.P. Southern:

I will give way.

Senator P.F.C. Ozouf:

Could I just clarify? I think the Deputy said that families were going to pay £880 in G.S.T. Could he just justify exactly what that figure is because I am afraid he completely lost me there because I cannot see how anybody on that sort of income is going to be spending £880 on G.S.T.

Deputy G.P. Southern:

The average household with children, according to the Treasury and Resources figures, are paying £880 additional tax. Treasury and Resources figures, not my figures: Treasury and Resources figures. The average household in Jersey is paying £600. If you have got kids it is more likely £880. That is the reality, £880 a year.

10.1.3 Deputy A. Breckon:

It is a shame really we are having this argument because P.163 was a lifeboat at the time. It was a diversion from what I believe we should have done, which was removing G.S.T. as proposed by the Deputy of Grouville. Now, as I thought would happen, we are fighting over the crumbs here. It is literally crumbs because when you look at what Deputy Ferguson is proposing in table 5.1 in her report, it equates to 80 pence a week in the top line, less than £1 a week in the second line, £1.30 a week in the third line and about £1.50 ... and I say crumbs, none of that will buy a loaf of bread for an average family, some of the premium stuff. So really what is this about? G.S.T. was not about having red tape, being uncomplicated and it was easy to administer. Where are we now? Where are we now with this? This is absolute nonsense, arguing over this, and what will come back is exemptions will happen in the new House so I would suggest to Deputy Ferguson we are respectfully wasting our time.

10.1.4 Senator P.F. Routier:

This amendment obviously to the budget is to transfer over about £500,000 from income support claimants to better-off marginal rate taxpayers. If this amendment is agreed by Members then the Treasury and Resources Minister and I will obviously accept the consequential amendments to P.163, the income support G.S.T. food cost bonus. The amendments will remove funds from income support to ensure that the total cost of the package is maintained. So with that in mind it is important that perhaps I should just take a little bit of time to set out some of the information in P.163 so that Members can make, as the Minister for Treasury and Resources said, an informed decision. Members will recall that we voted overwhelmingly in favour of Deputy Le Fondré's proposition, P.138, in September. This proposition identified the sum of £5.8 million to be made available to provide targeted help to local residents facing large increases in food and fuel costs. Deputy Le Fondré made the argument that increases in the cost of these essentials has a greater impact on lower income families and financial assistance should be targeted to make sure that these families can afford to meet their basic needs. The proposals put forward by the Minister for Treasury and Resources in P.163 achieves these aims. Of the total of £5.8 million, as we know, £3.4 million has been proposed to go to people who do not pay any income tax and £2.4 million to people who have higher incomes and are liable to the marginal rate income tax. So I would like to concentrate on the £3.4 million to the non-taxpayers. £400,000 has been earmarked to increase the G.S.T. rebate. Deputy Ferguson's amendment, as she quite rightly says, does not affect that at all. The remaining £3 million has been allocated to income support recipients. The 3 main principles were employed in designing the package of measures though what we really wanted to focus on was, first, that all income support households should receive some benefit. Secondly, that as far as possible increases in the benefits should be provided through incentives to encourage greater financial independence. Finally, additional support should be provided to those who are less able to find work. The individual measures are set out in the report that accompanies P.163 and perhaps I should very quickly run through those because if Deputy Ferguson's amendment is accepted obviously it will effect what happens to P.163. So the work incentive we will be increasing from 6 to 10 per cent of gross earnings. There will be additional disregards against pension income, including an allowance for the first time for people aged below 65 who have a pension income. A disregard will also be introduced for maintenance income to encourage lone parents to obtain maintenance agreements and chase for payments. There will also be a disregard introduced for people receiving long-term incapacity allowance and the moderate and high personal care elements will also be increased. So those are all in the bank, I think, as far as hopefully this debate is concerned. The area that is affected by Deputy Ferguson's amendments is the increase in the basic

components. So the proposals that we have put forward are designed to ensure that every income support household would receive at least £1.47 per week extra. This works out at £76.44 a year and which is roughly equivalent to the increase in the G.S.T. bonus payments which is available to people outside of income support. In order to reduce the total cost of the income support package by approximately £500,000, Deputy Ferguson is proposing that the basic components are only increased by even a smaller amount than that. This will reduce the minimum additional payments for income support households to just 35 pence a week or £18.20 a year. Under Deputy Ferguson's proposal some income support households would receive less additional benefits than households with higher incomes who are eligible for the G.S.T. bonus payment. As explained in our written comments, the impact of Deputy Ferguson's amendment is felt disproportionately by pensioners and families. These groups make up 64 per cent of the income support households but they will bear 77 per cent of the costs of the reductions. I am pleased to say that Deputy Ferguson approached the department before submitting her amendment and during those discussions between the Deputy and the department she asked that individual measures be placed in an order of priority to help her formulate her own proposals. This was done. The Deputy has included this information in her report. It is important to remember that this list was drawn up at the Deputy's request, to help her decide the most important area to reduce the available funding. As far as I am concerned, all of the areas are the highest priority. Deputy Ferguson has made play in proposing her amendment in order to reduce the costs by £500,000 of income support. The cuts she has made to the income support package proposed are in accordance with priorities which our department have identified. I would like to make it clear that the basis upon which we prioritise the measures was one which prioritised highest those measures which we were most likely to improve yet further the income support scheme through encouraging independence where possible and providing those with the least opportunities with additional benefit, recognising the barriers that they face. The priority list would be totally different if Members were to, quite rightly, insist that every household must receive at least the equivalent of £75 per annum, which is the same as the G.S.T. bonus scheme. This point, I believe, was made clear to Deputy Ferguson as was the fact that there would be households under income support that, after her proposed amendment, would not receive the equivalent of the G.S.T. scheme. Having said that, of course, the householders which would not be in receipt of at £75, even under Deputy Ferguson's amendment, would be perhaps the unemployed adults of working age without children and some people who may have a diagnosed impairment which might reduce their opportunity to find work. It is very important to recognise though that just because those adults do not have any impairments does not mean to say that they do not face very real barriers to getting employment; a point which is too often overlooked by those wishing to conveniently blanket all such people as perhaps benefit scroungers. Deputy Ferguson is asking for £500,000 to be transferred from income support recipients to marginal tax rate payers. Increasing income tax thresholds by an additional 0.4 per cent will have a very small impact on tax bills. A single working-aged person will see a reduction of up to £10.80 a year. That is about 21 pence a week. The biggest reduction will be for pensioner couples who will be better off by just under 42 pence a week. To receive these very small reductions in tax liability, the proposals for income support households need to be cut back considerably. In comparison, a pensioner couple will be £1.89 worse off under Deputy Ferguson's proposals compared to our original proposal and a family with 2 young children will be £2.87 a week worse off compared to our original proposal. I attended the presentation a couple of weeks ago from the Fiscal Policy Panel. As the Minister for Treasury and Resources said in his opening remarks about the budget, they emphasised that government funding in the present economic circumstances must be well targeted and should be aimed at supporting the poorest households. The package of measures which are in P.163 has been carefully thought through and I urge Members not to reduce the impacts of that package by diverting funds to other schemes. I would urge Members to reject the Deputy's amendments because I believe that what we have brought forward does help the poorest in our community and it will not divert money to people who have higher incomes and who are able to perhaps support better than those who have lower incomes.

10.1.5 Deputy C.J. Scott Warren:

While I believe that this amendment was brought with good intentions for people who are above the level of income support - for middle Jersey - I cannot support this amendment because I feel that this additional funding is more needed by those who are at the lowest end of their financial budget each week, for those on income support.

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

I would just like to make a few comments. Certainly as I have spent my time looking into our tax regime and exemptions limits and marginal tax relief areas, I have come to realise that as a matter of course we need to review our whole tax regime, especially following the introduction of G.S.T. as there are many anomalies in the system. One of which is that quite rightly, as Deputy Ferguson has pointed out, exemption limits for various reasons - all made, in fact, following decisions made by this House at the time back in 2002, 2003, 2004 and 2005, I think it is, prior to the introduction of G.S.T - sought to include more people in the area that would pay tax. Therefore tax exemption limits were frozen, wage values were allowed to rise, average earnings level, they were roughly running at over a 5 or 6 year period at 4 per cent a year. So we have drawn people into the area of paying tax because of it. The other thing that is equally important to note is that we have different bandings for single, married, single over 63, and married over 63, and there is a question as to whether the bandings and the figures that we have attributed to all of those areas are correct. Is this right? If I read the amendment I do not see anything in this amendment that suggests that we cannot have, in effect, both. The Minister for Social Security has suggested that we cannot have one without the other. This amendment just accepts income tax exemption thresholds shall be increased by 5.4 per cent rather than 5 per cent. So it is quite plain to me that is the decision that is left for this Assembly to make and if this Assembly believes that in this case it is important that we increase the exemption threshold more than is proposed by the Minister for Treasurer and Resources then there is only one choice, you support this. Thank you.

10.1.7 Deputy R.C. Duhamel:

I cannot help being reminded of the saying about greater fleas have lesser fleas on their backs to bite them and lesser fleas have smaller fleas and so on *ad infinitum*. [Laughter] The Deputy of St. Brelade appears to be trying to suck the life blood from the Chancellor in some respects but I am really worried, Sir, I mean what are we talking about. The effects of this amendment are entirely marginal. They are too small, they are too late, I do not think they are worthwhile discussing it. We should really move on to the next item.

The Bailiff:

I call upon the Deputy to reply.

10.1.8 Deputy S.C. Ferguson:

Senator Le Sueur talked about who is in most need and so on. Well, that is a philosophical question and we can no doubt discuss it over a drink at some stage. I would remind people that income support is automatically upgraded and the exemption allowances are not. Pensioners on fixed incomes are falling further and further behind so somebody on ... what is the income ... we are talking about an exemption allowance, a small income relief it used to be called. It was much easier to understand. We are talking about £14,000 or thereabouts. They will soon be falling into income support. Frankly, if I had had more time I would perhaps have split the money differently but I did not have time for all the calculations that were required. Deputy Southern wondered what the increase was not paying tax. I am not sure of that. I know a couple of years ago I think it was something around 38,000 but I would not like to say. Deputy Breckon reckons that we are wasting time. Well, if he was a single pensioner on £14,159 a year I do not think he would be saying that. Senator Routier seems again to have forgotten the automatic R.P.I increase in cost of living for benefits as opposed to the exemption allowances which have been kept flat. Again, I would remind

you of the single pensioner who pays tax of £14,000 a year or thereabouts. I would remind him that the department has already said that if you increase the basic components then this reduces the effect of disregards. So how much are we going to have to balance them both to lift them all? Deputy Scott Warren, again, I would say ask a pensioner about who requires help with their heating bills and so on. I note the comments of the Deputy of St. Ouen. Yes, I understand there have been 36 per cent more people brought into the tax net, another 20,000 or so. No, the increase in the number of people paying tax has gone up by 36 per cent but the increase in the tax payable has only gone up by 10 per cent. So we are pulling-in all the low paid people. The question as to banding, I think that is a very good point. I would remind Members of this House that single people are subsidising all the married people, so think about that. I was being fiscally neutral over that. Yes, it may seem little and insignificant to Deputy Duhamel but if you are a pensioner every little bit helps, and I would ask the House to support this amendment.

The Bailiff:

Standing vote or appel?

Deputy P.V.F. Le Claire:

I ask for the appel, please, Sir.

The Bailiff:

Appel. Very well, I ask all Members who wish to vote on this amendment to return to their seats. The vote is for or against the amendment of Deputy Ferguson and I ask the Greffier to open the voting.

| POUR: 14 | | CONTRE: 31 | | ABSTAIN: 0 |
|-----------------------------|--|------------------------------|--|-------------------|
| Connétable of Grouville | | Senator F.H. Walker | | |
| Connétable of St. Brelade | | Senator T.A. Le Sueur | | |
| Connétable of St. John | | Senator P.F. Routier | | |
| Deputy G.C.L. Baudains (C) | | Senator M.E. Vibert | | |
| Deputy J.A. Martin (H) | | Senator P.F.C. Ozouf | | |
| Deputy S.C. Ferguson (B) | | Senator T.J. Le Main | | |
| Deputy of St. Ouen | | Senator F.E. Cohen | | |
| Deputy of Grouville | | Senator J.L. Perchard | | |
| Deputy G.W.J. de Faye (H) | | Connétable of St. Mary | | |
| Deputy P.V.F. Le Claire (H) | | Connétable of St. Clement | | |
| Deputy J.A.N. Le Fondré (L) | | Connétable of St. Helier | | |
| Deputy D.W. Mezbourian (L) | | Connétable of Trinity | | |
| Deputy A.J.D. Maclean (H) | | Connétable of St. Martin | | |
| Deputy K.C. Lewis (S) | | Connétable of St. Saviour | | |
| | | Deputy R.C. Duhamel (S) | | |
| | | Deputy A. Breckon (S) | | |
| | | Deputy J.J. Huet (H) | | |
| | | Deputy of St. Martin | | |
| | | Deputy C.J. Scott Warren (S) | | |
| | | Deputy R.G. Le Hérisier (S) | | |
| | | Deputy J.B. Fox (H) | | |
| | | Deputy G.P. Southern (H) | | |
| | | Deputy P.J.D. Ryan (H) | | |
| | | Deputy of St. Peter | | |
| | | Deputy J.A. Hilton (H) | | |
| | | Deputy of Trinity | | |
| | | Deputy S.S.P.A. Power (B) | | |
| | | Deputy of St. John | | |
| | | Deputy I.J. Gorst (C) | | |

11. Draft Budget Statement 2009 (P.158/2008): Fourth Amendment

The Bailiff:

Now, we come to the next amendment for consideration which is in the name of the Deputy of St. Ouen and I ask the Greffier to read the amendment.

The Greffier of the States:

Fourth amendment, No 2, page 2, after the words “as set out in the Budget Statement” insert the words “except that the progressive withdrawal of income tax allowances and reliefs as part of the ‘‘20 means 20’’ proposals approved by the States on 18th July 2006 shall be suspended for one year with no withdrawal for the year of assessment 2009.”

11.1 The Deputy of St. Ouen:

Normally I would not be promoting temporary tax relief for those who could be classed as better off in our society but these are exceptional times. I, like many Islanders, have been shocked by the events of the last 4 months and have real concerns about the effect the financial market crisis will have on the future prosperity of our Island. Due to the uncertainty that exists, all sectors of our society are seeking assurances from the States that we not only understand their concerns but will provide whatever assistance we can to soften the blow of an economic downturn. The Minister for Treasury and Resources has also prior to this spoken about the collapse of the stock market coupled with a banking crisis which is bound to affect our community in some shape or form. The world financial system is already changing and the finance industry will become less profitable in the immediate future. Due to our limited resources the Island cannot continue to grow at the same rate as experienced in recent times. This, in turn, will limit what we can do to minimise the effects of any economic recession. Thankfully this Assembly is already committed to helping the less well off in our society. We have introduced a package of measures that will help insulate those on income support from the effects of G.S.T. and the high cost of fuel and food. As part of last year’s budget we agreed to raise tax threshold levels by 6½ per cent in advance of the introduction of G.S.T. to further help those on low incomes in 2009. In addition the States have approved an extra £5.75 million over 5 years to ensure that those receiving protected benefit payments will not see a reduction in benefits until October 2009, this is on top of the £22.5 million already allocated for transitional relief designed to support this group over the next 3 to 5 years. I absolutely fully support the actions that we have taken. However, there is a sector of our society who is facing substantial tax increases brought about by the phasing in of ‘20 means 20’. If we are to help this group of taxpayers - who, by the way, number approximately 14,000 - even temporarily, we need to consider doing something today. The reason for bringing forward this proposition is that although amendments can be made to the Income Tax Law during the year, any changes to allowances and relief can only be made at budget time in order to affect next year’s income tax assessment. Due to our present tax regime the States are required to consider what the financial climate will be like in 12 months’ time and react accordingly. The signs are, as we have already been told, that 2009 will be difficult as the world economy goes into recession. Although there may be a time lag before Jersey experiences the effect of a slow down, history shows us that we will not be immune. In the last few months we have had 2 excellent reports from the newly appointed Fiscal Policy Panel. Some Members, including the Minister for Treasury and Resources, might choose to put forward the view that my amendment is contrary to those expressed by the panel. However, I aim to show just how misleading that argument can be and why Members should support my amendment. In the panel’s first report issued just prior to the Business Plan debate, one of the main recommendations was that the States should not approve decisions either - and I repeat - either as part of the Business Plan or the Budget that undermine the tax base or commit to expenditure growth greater than that currently forecast. Sadly, the Council of Ministers initially chose to ignore the panel’s advice and

brought forward amendments to the Business Plan to increase expenditure by approximately £10 million, even though the States had previously agreed to restrict the level of expenditure to that proposed in the 2008 Business Plan for 2009. I ask you, is that a sign of a Council of Ministers and a Minister for Treasury and Resources that are paying attention to their expert panel that they themselves have set up? I do not think so. As a result of that decision the panel is now concerned that the changes made to the Business Plan will lead to a permanent worsening the fiscal position, the one thing that they highlighted prior to our Business Plan debate. The panel goes on to say that should the economy slow down dramatically, our ability to loosen the tax burden and, therefore, help our population, has been limited because of those decisions and yet we have heard already today Ministers standing up and waving the latest Fiscal Policy Panel report as the document that we should follow. I say shame on you, Sir, and others, for not considering that report the first time around. We obviously now face somewhat of a dilemma. In the first report the panel gave advice on how the States should manage a sharper and more protracted slow-down in the economy being predicted at that time. They proposed that natural forces should be allowed to work before contemplating plans to change tax revenues and/or spending. In other words, basically they were saying: "Allow time for tax revenues to fall and benefit costs to rise before taking any further action." They go on to suggest that in any event the States should avoid policy decisions that would either permanently weaken the tax base or raise overall expenditure levels. I believe that my proposal reflects the advice give by the panel and that the amendment simply asks to temporarily suspend the phasing in of the reductions for one year only. Furthermore, due to the time lag involved, the majority of individuals will only gain a benefit from the tax relief proposed, and if we agree it this year, in 2010. This will allow obviously the natural forces to work over the next 12 months. I am mindful of the fact that in the most recent report the panel states that there should be no further withdrawals to fund discretionary tax reductions until the full extent of the economic slow down is known. This is all well and good but our ability to react, as I have said before, is limited especially if we were to wait for another 12 months. As mentioned earlier, our tax system only allows the States to make certain changes to tax thresholds, allowances and certain other relief once a year. Furthermore, for the majority of taxpayers the benefits arising from those changes proposed for 2009 will not be realised until a year later. That is the tax system that we are in. If we wait until the full extent of the economic slow down is known, it will be too late to react. The panel is already of a view that the Jersey economy will slow significantly in 2008 and they are already stating that 2009 could be worse. Let us not forget that we are experiencing a rapidly deteriorating economic outlook on a global scale, the likes of which have never been seen or experienced before resulting in severe consequences for the real economy. In my view it is imperative that we act now and use the tools at our disposal to help support our local economy and those who benefit from it. I accept that for some States Members suspending the phasing out of allowances and relief for those in the "20 means 20" bracket for a year may not seem particularly well timed as the majority of people in this group will, as I said before, only benefit a year later.

The Bailiff:

Deputy, if I may say so you are becoming repetitious, please wind it up if you can.

The Deputy of St. Ouen:

I apologise, I will move on. I accept that some may question why I am targeting this group rather than concentrating on the less well off. My response to them is that the States already provided help for those less well off and we will have the ability to do more in the next 12 months, if required. My concern is that we should not neglect the important part middle to high earners play in helping to sustain the overall economy of the Island. They are, after all, the engine of our economy. They are the ones who keep our businesses, small builders, craftsmen, and other self-employed individuals in work. They are the ones who ultimately ensure the employment of the many individuals who work in the goods and services industry. They are the ones who help to fund our private schools and support our health service. It would be wrong to ignore the contribution

these people make. Prior to knowing about the severe consequences brought about by the rapidly deteriorating economic outlook, the Fiscal Policy Panel acknowledge that Islanders were experiencing the most painful part of the Zero/Ten fiscal strategy. Recently, one of the symptoms was highlighted by the Comptroller of Income Tax who announced on 13th November that many Islanders will receive a nasty shock when their tax bills arrive in the next fortnight. He added that many middle and high earners will see tax bills rise significantly as allowances and reductions and mortgage relief begin to be phased-out. This is the reality for many. If Members support my amendment we can offer some temporary comfort to these taxpayers. Do not be misled into believing that all those in this group are necessarily well off or high earners. Most are parents with children who are working hard to provide their family with a home and a good education. Pensioners also fall into this category, especially those who own their own homes and rely on funds set aside for their retirement. My amendment, although temporary, is designed to restore confidence and provide some relief for these individuals. I cannot confirm whether the figures provided by the Tax Department are accurate. However, whatever the figure, Members must consider whether it is reasonable to take up to £3.8 million out of the economy in 2010, especially at a time when we are facing a recession. It should be noted that even if the cost is the attributed £3.8 million, this is less than the additional amount recently approved by this Assembly to be spent on environmental issues included the 2009 Business Plan. Further, that expenditure will be ongoing and is linked to the introduction of more taxes on our population. This does not fit with the advice received from the Fiscal Policy Panel. Do Members really believe that this is of greater priority than sustaining our economy, especially at this time? It should be remembered that the Minister for Treasury and Resources has the ability to reallocate funds or delay expenditure if it is deemed necessary or prudent in the short term. It is my view that the cost of doing nothing could be far greater in the medium term. People are already being made redundant. Shops and businesses are closing down and many self-employed people are experiencing a reduction in demand for their services with staff being laid off. Suspending the phasing-out of allowances for a year will allow individuals to enjoy having some extra cash in their pocket rather than locking it away in States coffers or spending it as we probably will do on further additional expenditure. We all know that the public are far more astute when it comes to spending money than government. They are the ones who will naturally seek out the more competitive businesses and direct their money to those who provide good service and value for money. At the time of the “20 means 20” proposal there was no hint of an economic downturn. Today is a different story. One of the most important objectives of good government is to ensure the smooth functioning of the economy during the ups and downs of the real world. Supporting this amendment would, I believe, be such an action. It is now that the government needs to anticipate and react accordingly before the economic effects are clearly visible. Otherwise, as I said before, it could be too late and I do not apologise for repeating myself. It will be too late. I ask Members to support my amendment.

The Bailiff:

Is the amendment seconded? **[Seconded]** Senator, Le Sueur.

11.1.1 Senator T.A. Le Sueur:

I think Members may recall that at the time of the fiscal strategy there was quite a bit of opposition and concern in certain quarters to the “20 means 20” proposals. But the States agreed those proposals on the basis that they enabled the overall tax package to be broadly progressive. That was really the only one of the fiscal measures in this strategy which did improve the progressivity of the tax system. The reason for this particular amendment at this particular time appears to be nothing to do with the physical strategy but to do with the current state of the economy. In other words, the strategy is still the right one, the policy is still correct, it is the current timing which is the issue. I think the Deputy makes that clear in the preamble to his report and I acknowledge what he is saying. But he then goes on, quite rightly, to commend the work of the Fiscal Policy Panel. I think he has been one of the greatest supporters of the work done by that panel and I thank him for

the interest that he has shown in their output. But it does strike me, reading his comments, that at times he has come to a different conclusion to what I thought the Fiscal Policy Panel were trying to say. If I can I would like to try to help put him right because I think he is suggesting that he knows more about the timing, size and scale of an economic downturn than the 3 economists of the F.P.P. (Fiscal Policy Panel) do. He may be right but, on the other hand, as somebody behind me said, he could be wrong. **[Laughter]** I much prefer not just to rely on the views of the panel but also of the logic behind the panel's thoughts. The Deputy says that there are something like 14,000 taxpayers who will be affected by this measure and that is in accordance with the figures that I have in my records as well. Of course when you look at those people, who are they? Well, as the Deputy said, they are a cross-section of the community. There are parents with children at school, there are parents with pensioners, there are couples with both people working in good jobs. There are a whole wide variety of people with one thing in common, they have an income which brings them into the tax net so they are not in the bottom quartile of society's earners. They do not pay tax at the marginal rate which means they are not in the second quartile or the third quartile. No, these 14,000 people, despite the variety of incomes they may have and the variety of different circumstances, are all in the top quartile of taxpayers. So, when I look at the Fiscal Policy Panel recommendations I read what they say and come to somewhat different conclusions to those of the Deputy of St. Ouen. He quite rightly says that the advice of the panel is that now is not the time to increase expenditure or cut taxes. So what is he proposing to do? Well, cut taxes. It is only temporarily so it is not so bad, is it? No, the advice of the panel was quite clear, we do not increase expenditure, we do not cut taxes. His second line of argument is, well, that was their advice in September we ignored it then so why do we not ignore it now on the basis that at least we would be consistent that way. I think the answer to that one again is no. In September when that happened we also had an increased expectation of tax revenue of a similar amount going forward and the budget still remained balanced. If this £3.8 million comes out for the year 2010 we will not any longer have that balance. But I take Members back to the actual comments of the Fiscal Policy Panel. They say if and when there is an economic downturn the measures that the Island needs to take should comply with the 3 Ts and the Deputy of St. Ouen was at the presentation that the panel gave a couple of weeks ago so he will not need reminding what those 3 Ts are and I have mentioned them already twice today. But the panel were quite clear at that presentation that measures had to fulfil all 3 Ts. So the first requirement was that it should be temporary. Well, in that respect I have got to give the Deputy of St. Ouen one out of 3 because his proposals would only be for a 12 month period, they would be temporary. But what about the other 2? Timing, when you have an economic downturn you need to be able to apply a remedy straight away. If we apply this remedy when will it take place, when will it take effect? Next week? No. Next year? No. November 2010, by which time quite possibly the economy would be coming out of recession and going back up again. So timing, that does not score. How about targeted? The panel says that when you have got these economic downturns you will get most benefit by giving any additional resources to those most in need. So who are they going to be? Are they going to be the marginal rate taxpayers? Are they going to be those on even lower incomes who do not pay tax? According to the Deputy of St. Ouen they are going to go not to those groups but to the people paying at the top rate of tax. So in terms of targeting, again, afraid not. So one out of 3, not bad but not very good. No, I am sorry, if the Deputy is going to propose measures which will have an effect should there be an economic downturn, really he has to do better than this. I am well aware that there has been mutterings and murmurings on the doorsteps from those who have been canvassing over the last 2 months, just as there has been mutterings and murmurings up and down King Street for the last 2 years about the G.S.T. No one likes paying more taxes; whether you are poor, middle or rich, no one likes paying more. But if we are going to have to do something to deal with the economic downturn, let us at least direct our resources where they have most effect. This is well meaning, it is a nice, if you like, sop for those electors in the top income band but it does not follow logic, it does not follow the advice of the Fiscal Policy Panel, it does not even follow the normal advice

given to me by the Deputy of St. Ouen. So there we are, what more can I say? Apart from reject the amendment.

11.1.2 Deputy P.J.D. Ryan:

The Deputy of St. Ouen is quite right to point out that during the Business Plan debate the States, and particularly the Council of Ministers, ignored the advice of the Fiscal Policy Panel. So he is right. Unfortunately this amendment I think he is suggesting would mean that 2 wrongs would make a right. I am afraid not. He is wrong. The Council of Ministers were wrong during the Business Plan, so were the Assembly, and he is wrong as well with this amendment and it does not make a right. On that basis, I would myself be voting against it. But in front of Members there is the 15th Scrutiny Panel review that I have carried out. Had I been re-elected and the Assembly willing, I would have possibly done a 16th one as a review of ‘‘20 means 20’.’ We did not get time to do it in the 3-year period. It would probably have been the next one. As Members know me quite well they would know that I would not be contemplating that or had been contemplating that unless I had done a certain amount of preliminary research. One of the things that I have researched on a preliminary basis was the question of the mortgage interest tax relief under ‘‘20 means 20’.’ This is what I would say to the Minister for Treasury and Resources, and this is what I would say to the Deputy of St. Ouen as well if he is unsuccessful with this particular amendment. That is that it should be considered next year, and here I am going for 3 out of 3: timing, targeting and what was other one? Temporary, thank you. I am going for 3 out of 3 or at least 2 and a half out of 3 because the targeting may be slightly suspect. But what I would say to the Assembly is that there are a huge number of middle income and some lower income people who are locked into long-term mortgages at a high rate and a high capital value. These people have borrowed money to buy houses. They are largely and very often younger people, sometimes people without children even, who will be affected by ‘‘20 means 20’.’ I would suggest to the Assembly that it would be right to consider spreading the mortgage interest tax relief element of ‘‘20 means 20’’ over 10 years rather than 5. This gives that section time to work their way through the problem. I would suggest strongly to the Assembly that they look at that next year. So that is principally why I am standing up. I think that is at least 2 and a half out of 3, Mr. Treasury Minister. Thank you.

11.1.3 Deputy G.P. Southern:

It is a great pleasure to rise to my feet to speak in support of the Deputy of St. Ouen. I often call him the gun slinger from the West. He comes in shooting in all sorts of directions and only very occasionally hits the target. This time he has hit the button right on the bell. This is perfect. In fact if I was not busy running an election in the past 2 months this is the sort of proposition I would have been in queue to formulate before he did. He must have had an easy time in the last 2 months to be able to put so much work into such a proposition because it is very well targeted. It raises the issue of ‘‘20 means 20’’ and the way in which ‘‘20 means 20’’ has been introduced and the complexity that the Minister for Treasury and Resources has introduced into our tax system when he takes pride hitherto in having a simple tax system. The fact is the elephant in the room that we are all avoiding talking about is a thing called supplementation. If you want to introduce more progressivity into our tax system then address supplementation at the top end. Clearly targeted at the top end, clearly progressive, which is not now. Instead of addressing that question, and it has been a question that has been around, to my knowledge, for at least 10 years, but certainly since I entered the House in 2002, when it stood at some £45 million of supplementation, it now stands at £63 million and rising and still this Minister for Treasury and Resources and his Minister for Social Security have not even attempted to tackle the problem. Had we done so we would not have needed this fiddly, complex ‘‘20 means 20’’ which is now going to impact at exactly the wrong time upon middle earners. Remember when ‘‘20 means 20’’ was first knitted or whatever it was - was first created - the levels in which were being proposed were absolutely ridiculous. It started below the average wage, and yet it was supposed to be targeted at middle to top earners. We quickly dismantled them and shoved them further up the scale but they still need shoving further up

the scale. They do impact upon what you and I and the average man in the street would call the average earners. That is the reality. To listen to the Minister for Treasury and Resources, he wrung his hands earlier in his main speech, saying: "Why has this fallen to me? Why is this chalice in front of me? Why me?" he said. Why me? Because when he introduced G.S.T. which will impact on every household in the land, when other people introduced indirect taxation in other places, they always took a tax away to make it easier for themselves to introduce the new tax. What have we done here? We have taken tax of business and put it on ordinary people. Ordinary people, the low earners, those on benefits, those middle earners paying yet more. But to listen to the Minister for Treasury and Resources, he says the Deputy of St. Ouen has completely misinterpreted the Fiscal Policy Panel's annual report update. Far from it. I will just read a very short passage from their report, there are no page numbers: "The panel's central expectation: there is as yet little evidence to suggest that growth is slowing more rapidly. Indeed compared with the situation in September prospects for growth have been boosted by the amendments to the Business Plan, lower interest rates, the recent sharp decline in Sterling and the support to real incomes from lower expected inflation." That, you might think, supports the Minister for Treasury and Resources' case that it is not the right time to make further moves. But look at that. Amendments to the Business Plan were appropriate. Those amendments included easing the burden on low to middle earners. Let us look at the rest. It then goes on, and listen to it carefully: "Nevertheless the panel believes that the risks to the outlook are firmly on the downside for 2009." Firmly on the downside. How many times did you hear that from the Minister for Treasury and Resources himself this morning? Several times. "Even more so than at the time of the annual report. Despite the stronger than anticipated economic growth in 2007, despite that growth, and fairly resilient optimism of the financial services industry in these extraordinary times, the negative world economic outlook overshadows this." So in terms of timing this is appropriate, that is what the Fiscal Policy Panel seems to be saying. Timing is right. The signs are all on the downside, recession could and perhaps will be on the way. So timing is right, and the Minister for Treasury and Resources himself admitted this is a suspension of action. So it is therefore temporary. I urge Members to pay attention to middle to high earners who are feeling the pinch just as much as those at the lower end and to give them some breathing space at this time. The dangers are there, we could suspend "20 means 20", which is a temporary and, I believe, a well-timed move and do the economy some good. The Deputy of St. Ouen should be supported.

11.1.4 Deputy J.A. Martin:

I was not sure whether I was going to support this amendment, at the moment I am leaning towards supporting it but I do have a couple of questions for the Treasury. I know the Minister has spoken. He talks in his comment about - on page 2 - the proposal to delay "20 means 20" by a year would be a £3.8 million tax giveaway to the highest 24 per cent of earners in Jersey. But he said in his speech, it is about getting a balance. Now, who are these 14,000 households? Are they the low to middle higher earner? I am talking about the family that is struggling with a £425-500,000 mortgage paying nearly £15-20,000 in childcare for 2 children under 5 and these fall in the tax bracket. My question to anybody who has not spoken is where does '20 mean 20' kick in because I do know it was proposed to be around the £80-90,000 but the fifth quintile ... it should have been a quintile not a quartile, but anyway I will not pick on little figures like that. The Minister for Treasury and Resources said it affects the top quintile only but then, again, said about balance and some of these will be families, some of them will be pensioners, some of them will be young families with large mortgages and small children and they are all expected to pay this "20 means 20". So I really find myself, when I listen to balance, and I did support the amendment from Deputy Ferguson because we seem to have gone so far ... the balance out there on the street is that we keep trying to kick the middle to high earners and some are struggling. Many are struggling so much that I know that stress and too much work and too much paying out will easily and could easily force them back, having their house repossessed, their marriage break up and one of them not working, which will then fall as a burden on the State. Now, you have really got to think about

balance ... and when the Minister for Treasury and Resources stops whispering and laughing, it is his balance we are talking about. I am interested, and it might seem funny that I am following Deputy Southern and we are looking at social justice for those who are going out there asking for £450,000 mortgages, paying the very high childcare and only asking for a temporary break because, by any means, the taking away of the mortgage interest relief, that has come in by the back door under ‘20 means 20’, when Senator Walker tried to do it as ... well, he was President of the Finance and Economics Committee, we had a very big outcry. So what did we do? We went away and we looked at it again and slowly - over only 5 years, as pointed out by Deputy Ryan - we are trying to take away something that took 20 years in U.K. to take away. Their prices, their house prices, their mortgage and their childcare, is nothing like our high or middle earners have to pay. So when you talk about balance, think about the people who are subsidising a lot of people. From the other comments I want to know, out of the top 25 per cent of households that fall within the ‘20 means 20’, who are they? Do not just talk about figures. I want to know how many of these 14,000 households are with young families and high mortgages and hanging on in their by the scruff of their neck, I would say. Just by the skin of their teeth. Because I really am concerned, and this why ... I mean I very, very rarely agree with the Deputy of St. Ouen on a lot of his amendments but I am leaning, after knocking doors and talking to people ... and the Minister for Treasury and Resources may laugh and say: “Well, of course you will be doing that because you have been out campaigning and you have been listening to people who are finding it hard.” When I look at their houses, I think: “Nice house, yes.” When I hear what they are paying, when I hear what they are going through having to drop their children off at 8.00 am and picking them up 6.00 pm and what they are paying, these are these people that you are laughing at. Sorry, well they are laughing at me then. The people I am concerned about are the people that were talking to me and I am very much ... unless I get some decent answers because all I am getting is figures here, 25 per cent of the highest earners will get a big bang if this goes through. No, they will not. I am sorry, that is the way I talk, Senator Cohen, and that is the way it would seem to me. I do not think we are asking the earth and unless I can be persuaded by someone, because I think Senator Ozouf is dying to have his say, I really think that we are missing the balance when we talk about the hard working middle to high earners, and I keep repeating it, with young children paying extortionate childcare. Thank you.

11.1.5 Deputy G.W.J. de Faye:

I am not entirely sure how many shadow Treasury Ministers I have been listening to so far during this debate and which parties they represent, the declared parties or the closet parties. I would take issue though with Deputy Southern. Before he starts handing the chalices around I think I am the master of the chalice and I am well aware of which is the most poisoned, before he hands one over to the Minister for Treasury and Resources. I think Members need to understand the Deputy of St. Ouen and be sympathetic to his confused position. He is after all a farmer and he is used to having it both ways. He is used to having the generous agricultural loan, the various States subsidies on fertilisers, this that and the other, and of course he is used to taking the profits when it is a bumper season. So it is not unusual to expect a gentleman farmer from St. Ouen to want to have his cake and eat it. But regrettably this is not the way forward on this particular amendment. Reflecting again on some of the fascinating speeches I have been hearing from the front bench, it is a most interesting turn around of view to see that many Members so recently elected are now supporting the hard pressed, hard working higher earning members of our community. It is nice to know that successful people are finally being recognised for their contribution to the Exchequer in general. To explain my own position, I earlier supported Senator-elect Ferguson in wanting to divvy-up a bit more cash, slightly biased towards middle Jersey, as we are coming to call it, because I do think to some extent that is an area of our community we may be overlooking. But let us not fool ourselves. It is tough times. Times look as though they will be tougher and everybody is going to be suffering in one way or another. If there is an opportunity to take an amount of money from one section of the community without causing too much distress that should be done. This is such an opportunity.

I indicated to Members I supported Deputy Ferguson's proposal because that was money we had in a pot already and it was really a question of how we were going to divvy-up that pot of money, how the bias would be handled. This is money that we will not have in the pot and if you do not have the money there is nothing you can do with it. So I want to remind the Deputy of St. Ouen of some of the more unusual fiscal positions he has taken over the past. The Deputy was among those Members who wanted to put a cap on States spending. A very blunt instrument in terms of controlling departmental spending. Something which had been, and still would be, much more properly determined by a thorough review of how departments spend individually. The Deputy convinced you all, not so long ago, to insist on the Transport and Technical Services Department bringing forward a plan for extending all the mains drains. What schemes were there, what are the projects? Well, I can remind Members there are well over 100. But on the one hand the Deputy wants to push in the direction of that particular area of capital spending, on the other hand he is prepared to give £3.5 million back for no real reason. Now, I say to the Deputy this is not farming in St. Ouen. This is a problem. We cannot do what he wants in terms of pushing forward our sewage system without extra cash. The Deputy even highlighted, for example, the problems facing smaller businesses, I do not disagree with him. There will be problems facing all sorts of businesses. There are likely to be problems facing our financial services industry. We may be seeing some redundancies appearing there. How are we going to pay for employment benefit for people who have just lost their jobs, if we are not going to collect the over £3 million that this tax would bring in? I do need to remind Members that there are difficult times ahead and they are going to face some extremely difficult situations because the bills are going to start coming in. Simply the changes over to G.A.A.P. (Generally Accepted Accounting Principles) are going to see a new emphasis on the amount of money the States would be required to spend on maintenance and on the amounts of money the States is going to have to start depreciating on both properties and equipment. This is all going to come at additional cost. This, I regret, is no time to start handing money back. So I strongly advise Members that in terms of taxes ... and goodness knows this House in my experience over the last 6 years has struggled to find taxes that have the least impact possible. G.S.T. at 3 per cent is one obvious example, despite the fact that we still want to fiddle around with that, and "20 means 20" is another example of how we may be able to get some more tax in a relatively painless way. I strongly advise Members this is not the time to start stepping back from that because the fiscal pressures are going to get tougher and not only Members in this House but our community at large are going to have to wake up to the unfortunate realisation that Jersey is an under-taxed community. We are expecting enormous results from our public services but we are very tight about putting any extra money in to do that. I am afraid that the one thing we do not need to do at this time is lose an opportunity for an extra £3.4 million to support the existing services that we have and to anticipate the pressures that are likely to come around the corner. So I strongly advise Members vote against this amendment.

11.1.6 Deputy C.J. Scott Warren:

One of the main problems with this amendment is that it will not come into effect until the end of 2010. It will not help any of us next year. I believe that the suggestion by Deputy Ryan to lengthen the demise of mortgage interest tax relief to a 10-year period does have merit and I hope that the new Assembly may give this further thought, especially if a financial downturn continues and starts to bite hard. I also believe that other measures to help other sectors of the community may be appropriate. Because I believe this money, which is a large amount, would be lost in 2010 is needed for those poorer sectors of the community, I cannot support this amendment.

11.1.7 The Deputy of St. John:

This is very seductive. I from the outskirts of this Chamber lobbied quite hard so that "20 means 20" would be delayed and a lot of consultation took place with the business community about middle earners, as has been described to us this afternoon, and the Minister for Treasury and Resources relented and it phases-in at a much lower rate than before. I think Members have

forgotten that. So this has already been done to a certain extent. This has, of course, all been brought forward on the back of a world decline in economic activity; something which we could not have predicted when the Minister for Treasury and Resources first delayed the introduction of this “20 means 20’.” I think Members should remember that. I am not a gentleman farmer but I am from St. Ouen originally and I am, I think, a middle earner and there are other Members here that are middle earners. I feel it is slightly disingenuous we should even be debating this, perhaps we should all be declaring an interest. It is a difficult one. It is seductive but I would urge Members to resist it in the same way that many Members resisted fiddly with G.S.T. There are tough decisions we have all had to make over the last 3 years. Difficult decisions like this are not popular: “20 means 20” is not popular, G.S.T. was not popular but we have a strong demand from our constituents to keep a very high level of public services going and I think as Deputy de Faye inferred we are not quite meeting that demand at the moment and we certainly cannot meet it if we reduce our income further. I would support, if I was here - sadly I will not be - Deputy Ryan’s suggestion about mortgage relief. We are now seeing quite a downturn in the property market at the moment and lack of transactions will of course result in less stamp duty, so there will be hole there. So things should be done to encourage that and I do hope that the Minister for Planning and Environment, who is smiling away there, does see a benefit in passing more sites that have more stock in the Island - that is another matter but with that will come transactions, I hope, and some stamp duty. But it will not happen if people simply cannot afford it. So I do support the idea that we should relook at this in the next House and try and phase in the relief for mortgage at a slower rate. It was intimated by another Member that in the U.K. it was phased-in over a much, much longer period and that was something that was raised during the consultation process over “20 means 20” and to a certain point accepted by the Minister for Treasury and Resources, which was why it was delayed to a certain extent, but in my opinion not delayed enough. I do urge Members, if you have the opportunity in the next House to push that forward. Another economic item which is tearing Members to a certain extent is that inflation is likely to come down; we could even be in a deflationary position in 12-14 months time. One of the reasons why tax is a benefit in this type of economic cycle is because it takes money out of the economy and it does create deflation. We will continue to take money out of the economy with “20 means 20” and other taxes. But do not let that seduce Members into thinking this is a good idea if you have thought about that particular issue. Without pain there is no gain. I am afraid we have been here before with a number of other tax remedies that have been suggested in recent years. Deputy Southern suggested that whenever you introduce a new tax you should take away another one. I am sorry, you do not do that if you are trying to raise additional revenue when you have a black hole. The Deputy is talking there about the Australian model whereby they did replace one tax with another for other reasons. We had a major fiscal problem here which needed to be plugged by a number of measures, “20 means 20” was one of them. I would also remind Members that in any developed economy it is always the middle earners that pay the most because in our society, in Western Society, it is often the largest and of course it has some of the largest income. So without taxing them at a reasonable rate, which is still low compared to most other Western European countries, you simply will not get the revenues that we need to run our public services. So I would urge Members to resist this, as seductive as is, because it is a slippery slope if you start removing bits of the fiscal strategy and creating more holes which cannot be plugged any other way. It will have to come from somewhere else, either cuts in services or another tax. So I would suggest to Members that they resist this rather seductive suggestion that we should start fiddling with “20 means 20’.” Thank you.

11.1.8 Senator P.V.C. Ozouf:

I have learned one thing in the last couple of weeks and that is to beware of labour politicians bearing gifts. The U.K. Chancellor may have had no other option but to attempt to jump start the British economy with his very large fiscal stimulus. I hope it works. It certainly will be good for Jersey if it works but one thing is absolutely for sure, the bill that he inflicted on the U.K. economy is going to have to be paid for. Taxes for especially the higher earners are going to go up in the

United Kingdom of which there is no doubt. Interestingly Deputy Southern is also, I think, one of those Labour politicians that we must be careful about in bearing gifts. He seems to be bearing a gift for those people who are on the “20 means 20” and he also slipped into his remarks that fact that he wants to do exactly the same slight of hand as the U.K. Chancellor in raising National Insurance or in fact Social Security contributions on the higher earners. So just beware of Deputy Southern’s J.D.A. (Jersey Democratic Alliance) bearing gifts. They may be gifts in the short term but certainly they will have to be paid for. Certainly we are thinking here, and we are discussing a huge amount of money, £3.8 million. As the Minister for Treasury and Resources has explained, we cannot afford £3.8 million in terms of our objective of balancing our budget going forward. I want to remind Members that at the heart of the fiscal strategy which was approved by this Assembly, and very clearly said, I think, by Deputy Scott Warren, unlike some there was a debate about G.S.T., there were options considered and G.S.T. was chosen as the least worst option but most importantly it was not chosen in isolation: it was a package of measures. Yes, economic growth; yes, some government expenditure cuts; yes, G.S.T. but also “20 means 20” and I would urge great caution in tinkering with what I thought was a promise to the Island community that we would be putting in place a package of measures which would insure a broadly progressive tax system. If we throw away, if we kick away, if we even defer one of those legs I think we break the contract that we made with the people of Jersey to ensure that we had a progressive system. We have introduced G.S.T. and we also said that we were going to raise taxes on the higher earnings. To answer Deputy Martin’s question about who is going to be affected by this, well, broadly speaking - and I have got these figures from the Minister for Treasury and Resources - 25 per cent of our community do not pay tax, 50 per cent pay at the marginal rate and 25 per cent pay at the top rate. Therefore it is absolutely clear that this £3.8 million is directed - is targeted - to the higher earners in our community. We really have to consider whether or not, if we were going to be engaging in a giveaway of £3.8 million, we would be targeting that at the top 25 per cent of earners, without any corresponding benefit to other people at the same time. Would we give £3.8 million to higher earners? I am not sure that that is right. I have to also question one of the other major planks of the arguments of the Deputy of St. Ouen - to which I have to say normally I agree with some of his economic logic - but he is, I think, proposing for some sort of fiscal stimulus for effectively higher earners. Deputy Scott Warren was absolutely quite right when she said that this would not benefit - and this really does need to be understood by Members - the economy in 2009. This will benefit the economy in 2010. I accept that as far as current taxpayers, new taxpayers, they will see a reduction in their I.T.I.S. payments - a small reduction on their I.T.I.S. payments - next year. But the vast majority of the £3.8 million, I do not have the percentage, but I imagine well in excess of 75 per cent of it, will not enter people’s pockets in 2009 rather it will be 2010. Of course at that 2010 timeframe we very much hope that we are going to be out of any economic recession. If we do need to engage with fiscal stimulus, if we do need to implement some of the potential recommendations of the F.P.P. would we be putting a fiscal stimulus for 2010? I do not think so. I also do not think it would be targeted to this group of people. In summary, this targets higher earners, it will not stimulate any benefit, it will not have any benefit to middle earners in 2009 but I think most importantly it breaks the package, it breaks the covenant that we had with our Island community that we would be implementing a broadly progressive tax system and it would be breaking that promise in terms of our commitment to also levy tax on higher earners. I urge the Assembly to reject the amendment.

11.1.9 Deputy S.C. Ferguson:

My problem with this is that the effect of relaxing “20 means 20” or delaying the implementation is to lower the higher end of marginal relief so that your middle 50 per cent shrinks. It is not targeted. Well, it is only targeted to the top 25 per cent because if you are in the 50 per cent middle then you are not affected by it. Deputy Scott Warren talked about the poorer members of society. Well, my thoughts are what about the people who are going to be squeezed out of marginal relief and taken into the full tax rate band. You know, I am sorry, I really cannot see that this is targeted.

It is not specifically targeted at middle Jersey and I do not think, I am afraid, I can support on this occasion the Deputy of St. Ouen.

The Greffier of the States (in the Chair):

Does any other Member wish to speak? I call on the Deputy to reply.

11.1.10 The Deputy of St. Ouen:

Thank you very much. At times like this I wish I was still a farmer in St. Ouen rather than an out of work Deputy from St. Helier, but anyway. [**Members: Oh!**] That is enough of that, I will not say any more. Senator Le Sueur made much play about the fact that I was confused. I could agree, sometimes I do get confused. I get confused with words that I hear and I read in various reports and presentations that come out of the mouths of Ministers, Ministers for Treasury and Resources or otherwise, that say one thing one time, alter further along the line, change, adjust, twist, turn. It is, I think, almost a desire to confuse generally. However, I hope that I have gained some clarity of thought and the clarity of thought is that I thought that I can trust the Fiscal Policy Panel, I can trust what they say, I can get a real feeling of what we should or should not be doing. I come back to the Fiscal Policy Panel and the Minister for Treasury and Resources goes to timing and he gives me one out of 3. I am going to tackle that in more detail shortly. Right, let us talk about timing. We are, as I said in my speech, in very uncertain times, absolutely. So uncertain that I can pick up 2 Fiscal Policy Panel reports, 3 months only - or maybe even less - in between those 2 reports and they tell 2 very, very different stories. Indeed the Fiscal Policy Panel themselves at the briefing said that even though - even though - they had highlighted the fact in the first report that the economic slow down could have been more severe, even then the severity that they identified in the first report was greater than they are seeing now. Those are 3 renowned experts. Yes, there is a judgment call to make and the judgment call is that the tools only allow us to deal with allowances and reliefs once a year. No one, but no one, speaking against this amendment has given or provided an option of saying how we help these individuals if we do not take the opportunity now. No one. So we just forget, we say: "I am sorry, the timing is not right." I come to the 3 Ts. Temporary: it is only one year and do not lose sight of that. Timing: although there are about 14,000, it could be 16,000 - it depends what the difficulty is, as you will find out if you delve into the depths of facts in our system and everything else. Facts and figures are difficult to achieve because we talk about different years of assessment which do not relate to the current year and so on but if we take a figure of 14,000, because of the introduction of I.T.I.S. a third of that 14,000 will benefit in 2009. So there will be an immediate benefit for some. Sadly not all. Part of the reason why we cannot change our allowances and reliefs as we used to do in the distant time before we had I.T.I.S. is that we introduced I.T.I.S. and we have got a part of our taxpayers paying a year in arrears and part paying current. That is why there is the difficulty adjusting the release and the allowances that we now find ourselves with. I am not saying it is wrong to introduce I.T.I.S., do not get me wrong. I think it is the best thing we ever did but it causes the problem. Targeting: I would say I am absolutely targeting the people that we want to help. These are the people. Believe me or believe me not, they are the ones that go to the restaurants, they are the ones that buy the conservatories, they are the ones that pay for their cars to be washed, they are the ones that have the window cleaners come, the cleaners and so on. Now, ask yourselves, and this is really a simple question, what is cheaper, allowing those people to retain the £3.8million, whatever figure is it - and I really do question the figures the Tax Department has produced - but you tell me if they are able to maintain and keep those people in work, who then contribute to our economy and their businesses that provide money to fund future services, what is best? To keep people in work or just go: "No, sorry, we are going to take that money and do not worry if you get unemployed, we will pay you that then." How does that work? Is that a responsible government? Is that the way that we really want to behave? I do not think so. Deputy Ryan brings up one absolute point, this issue of mortgage relief and many people out there are suffering. What I find confusing with this logic is that he says: "Well, do not do anything now but in 12 months' time do something." Hang on, if we

do something now we are going to say we have got the opportunity in the next 12 months to look at all this, readdress it, sort it out, get it in place and then away we go with everything else but a mortgage tax relief in place that is extended over a further period. That is the logic. I would ask Deputy Ryan to reconsider his views on whether he should support my amendment or not. I thank Deputy Southern for his comments, and he again draws attention to the timing of the amendment and how it fits. Deputy Martin absolutely says: “I want to help support those hardworking families.” I am telling you that this will. This will. She speaks about the balance. Yes, I would absolutely say that in this group there are going to be a small percentage of very wealthy individuals. The large majority of the individuals are quite likely to be represented, you know, if you walk out the front door of this States building any lunch time. They are the hardworking couples with the children who have bought their home, they have entered university, they have gained their degrees, they are filling the more high powered or well paid jobs, they are paying for their children to go to private schools or ultimately university and these are the people, that is the group, that you will be able to help. Plus, do not forget, you have got a whole group of pensioners that have been prudent enough to put money away, have been fortunate enough to again have saved money, purchased their home and are now suffering because of it. Do not believe me, I wish I had bought them, I have had a number of emails and more than several letters all from individuals including pensioners who have said: “Thank goodness, thank goodness, one States Member is paying attention to us, this group.” They fully support “20 means 20” but the times have changed and I will not carry on and on and on for much more. **[Approbation]** I thank others for the comments. All I will say is that we have an opportunity to do something today which, if we do not, and there is no other options on the table, the opportunity will be lost, the pain will be faced. We are in very uncertain times and it is obviously for States Members to judge whether we help this group of people or not. I ask for the appel, Sir.

The Greffier of the States (in the Chair):

Very well, the appeal is called for. I ask Members to return to their seats. The vote is for or against paragraph 2 of this fourth amendment in the name of the Deputy of St. Ouen. I ask the Greffier to open the voting.

| POUR: 19 | | CONTRE: 32 | | ABSTAIN: 0 |
|-----------------------------|--|----------------------------|--|-------------------|
| Senator L. Norman | | Senator F.H. Walker | | |
| Connétable of St. Mary | | Senator T.A. Le Sueur | | |
| Deputy A. Breckon (S) | | Senator P.F. Routier | | |
| Deputy G.C.L. Baudains (C) | | Senator M.E. Vibert | | |
| Deputy P.N. Troy (B) | | Senator P.F.C. Ozouf | | |
| Deputy R.G. Le Hérisser (S) | | Senator T.J. Le Main | | |
| Deputy J.B. Fox (H) | | Senator B.E. Shenton | | |
| Deputy J.A. Martin (H) | | Senator F.E. Cohen | | |
| Deputy G.P. Southern (H) | | Senator J.L. Perchard | | |
| Deputy of St. Ouen | | Connétable of St. Ouen | | |
| Deputy of St. Peter | | Connétable of St. Peter | | |
| Deputy P.V.F. Le Claire (H) | | Connétable of St. Clement | | |
| Deputy J.A.N. Le Fondré (L) | | Connétable of St. Helier | | |
| Deputy D.W. Mezbourian (L) | | Connétable of Trinity | | |
| Deputy S. Pitman (H) | | Connétable of St. Lawrence | | |
| Deputy A.J.D. Maclean (H) | | Connétable of Grouville | | |
| Deputy K.C. Lewis (S) | | Connétable of St. Brelade | | |
| Deputy I.J. Gorst (C) | | Connétable of St. Martin | | |
| Deputy of St. Mary | | Connétable of St. John | | |
| | | Connétable of St. Saviour | | |
| | | Deputy R.C. Duhamel (S) | | |
| | | Deputy J.J. Huet (H) | | |

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|--|--|------------------------------|--|--|
| | | Deputy of St. Martin | | |
| | | Deputy C.J. Scott Warren (S) | | |
| | | Deputy S.C. Ferguson (B) | | |
| | | Deputy P.J.D. Ryan (H) | | |
| | | Deputy of Grouville | | |
| | | Deputy J.A. Hilton (H) | | |
| | | Deputy G.W.J. de Faye (H) | | |
| | | Deputy of Trinity | | |
| | | Deputy S.S.P.A. Power (B) | | |
| | | Deputy of St. John | | |

Senator T.A. Le Sueur:

As a point of clarification, it has been suggested that in my speech I may have inadvertently communicated to Members a suggestion that those people filing their tax returns electronically would get a 20 per cent discount. **[Laughter]** Now, I repeat, Sir, I am a prudent Chancellor and if that was the message I conveyed that was not the message I intended to convey. The message I intended to convey was £20 not 20 per cent. **[Laughter]** So if anyone was getting excited, I am sorry to disillusion them.

The Greffier of the States (in the Chair):

Very well. It sounded too good to be true.

12. Draft Budget Statement 2009 (P.158/2008): third amendment.

The Greffier of the States (in the Chair):

We come now to the third amendment also in the name of the Deputy of St. Ouen. I will ask the Greffier to read that amendment.

The Deputy Greffier of the States:

On page 2 after the words “as set out in the Budget Statement” insert the words: “Except that the full higher rate personal allowance in respect of children in higher education shall be given for the full year of assessment in which a child leaves higher education irrespective of any income earned by the child after graduation.”

12.1 The Deputy of St. Ouen:

This will be shorter. I do not propose to go over all of the points raised in the report accompanying my amendment. Instead I would simply like to address the objections raised by the Minister for Treasury and Resources in his comments. If ever I have seen a set of comments that was designed to confuse and complicate a simple amendment then this must be it. In the main the objections made against my amendments are, for the most part, not relevant and highlight the fact that our present system is already complicated and needs to be reviewed. The whole aim of my proposition is simple. To remove an obvious injustice in a system. It is not designed to address all the inequities and problems associated with the existing interpretation of the income tax legislation. The first objection to my amendment suggests that it is wrong to make a distinction between secondary school leavers and graduates. Why? Any parent will tell you that there is a massive difference. I would ask Members to consider the likely cost of sending a child to university with that of sending a child to secondary school and decide for themselves whether the distinction between these 2 totally different groups is appropriate. In any event, the report goes on to point out that if both groups were treated equitably it would not work either. Hardly an answer or solution. The second point made in the report suggests that my amendment somehow allows parents to use tax planning to avoid or minimise their tax liability. The amendment has nothing to do with trust income or tax planning. These are entirely separate issues, furthermore the Minister seems to lose

sight of the fact that most parents do not and never will fit into this category. Most parents make relatively large sacrifices in order that their children can go to university. If there are any individuals who are avoiding paying their full contribution for their child's further education then this obviously must be addressed but it should not - and I repeat - should not be linked to this amendment which only seeks to provide some additional assistance for the majority of parents with children at university. The third point suggests a possible inequity brought about by those who continue in further education after achieving a degree. I am at a loss to see how my amendment will affect this situation as the issues raised here are, in general, exceptional circumstances that would have occurred in previous years. Surely if a student continues in further education after gaining a degree then one would expect the parents to continue to benefit from the higher education allowance. In any event, these exceptional circumstances should not be used as an excuse to prevent fair treatment for the vast majority of parents with graduates in typical situations. The fourth point made in the report questions the rationale behind the amendment and argues that the initial cost of sending a child to university is greater than at the end. Even if this is the case, which is highly unlikely, any parent will look at the whole cost of sending their child to university over the entire period not just one year at a time. The suggestion that this proposition is irrational because it does not address another issue is absolutely absurd. I accept that higher education allowances were raised by £1,000 in last year's budget. However, in recent times parents with children at university have been faced with increases in fees as well as other ancillary costs, including accommodation, food and travel. Furthermore, top-up fees have also been introduced which have added to the substantial amount required to support a student at university. The Island places a great deal of emphasis on encouraging students to improve their education by attending university and many of the skilled jobs advertised locally required the person to have a degree or similar. If we are to maintain the level of students attending university then we need to ensure that financial support is provided where necessary. Higher education allowances are one of the methods used to offset the cost of higher education and I would argue that in a relatively minor way my proposal will provide some assistance to the parents. Be left in no doubt, whether a parent has one, 2 or more children at university, this amendment will provide some additional financial assistance where little is available at present. If providing additional assistance to parents with children at university is considered to be illogical then I am guilty as charged. The fifth point raised is hardly relevant as it relates to the date of graduation. My amendment allows for this in that it only affects the year of graduation, whenever it may be. Other issues raised in this section rightly need to be dealt with but they should not again be confused with my simple amendment. I would suggest that my proposition helps to clarify the ambiguity which currently exists in that it focuses solely on how higher education allowance is managed in the year a student graduates. Finally, the last argument used to not support this amendment is based around how those being educated by distant learning are catered for and is yet another red herring and has no bearing on the amendment in front of you. I welcome the commitment of the Minister to instigate a review to be carried out in conjunction with the new Minister for Education, Sport and Culture to consider ways in which support can be provided to mitigate the increased costs faced for parents with children in higher education. This review is essential, whatever the outcome of this debate, and I believe it has already started. However, this commitment should not delay the introduction of this amendment which will provide some additional financial relief to parents who have children at university. This amendment can be achieved simply and very quickly by inserting a few extra words in Article 95 of the Income Tax Law. There is no reason for further delay when effective remedy has already been identified. I therefore ask Members to support my amendment. Thank you.

The Greffier of the States (in the Chair):

Is the amendment seconded? [**Seconded**] Senator Le Sueur.

12.1.1 Senator J.A. Le Sueur:

I think there is no doubt that at the present time parents with children at university are facing significant increased costs and the prospect of even more increased costs. I recognise that just as the proposer of this amendment does. I think, like him, I agree that there is a need to review the way in which we give assistance to university students through the tax system and I confirm that we are already looking at ways in which this can be done. Pending the outcome of that I did last year propose, and this House agreed, to a substantial 20 per cent increase in the rate of tax relief in respect of university students. We are all well aware of these increased costs. I also point out to the proposer that my comments on his amendment are quite brief. There is an appendix with a lot of supporting information but the comments are really what is the meat of my concern. My objective in the past as Minister for Treasury and Resources and before that as President of F. and E. (Finance and Economics) was to achieve greater fairness and equity in the tax system. At the present time the child allowance in respect of university education is a bit obscure and unbalanced and it needs to be remedied. I make no bones about that. But to add this little bit of assistance at this particular time does not improve the equity and fairness, it just creates another layer of confusion which we then have to peel away over the next 12 months. If I look at the present arrangements and the present university term arrangements, the normal action is for someone to go up to university in about September/October time, spend one term there in the first tax year, 3 terms in the second tax year, 3 terms in third tax year and his or her final 2 terms in the fourth tax year, finishing their education some time in the summer of that third academic year, fourth tax year. So they have 3 years at university and what do their parents collect? They collect the university allowance in full in the first year when there is only one term's activity. They collect it in full in years 2 and 3 when the student is there all term. They collect it in full in year 4 when the student is there until the summer. So there you have an anomaly already. In my preliminary discussions with people who have been concerned about this, I suggested that if we are going to disregard the parental income in that final year then maybe we should also look a bit more closely at the whole thing. Because trying to solve one part of a problem and ignoring another part of it is a piecemeal solution. I think that there is scope for looking at students and parents as separate individuals of it, maybe in the way that in the year of marriage you get an allowance up to the date of marriage when you are treated as a single person and then after that you are treated as a married couple. We could perhaps look at those sorts of activities. What I do not want to do at this stage is to create a further layer of difficulty when we know that we are going to be reviewing the whole of the child tax relief situation anyway. So I am very sympathetic to the proposal that there is something wrong with the present arrangements. Yes, I think there probably is something wrong with the present arrangements but this, sadly, does not put it right. It may change it slightly, it may make it a little bit better, in my view it probably makes it a little bit worse, but it certainly does not solve it. Rather than tinker and come up with an incomplete, imperfect solution, let us, in conjunction with the Education Department, come up with what I believe is a more comprehensive solution and if in 12 months' time I have not got it right, if the Deputy is still concerned, then let him come back and chastise me through the Minister at that time. But I repeat we have in the last 12 months increased the allowance in respect of university fees by 20 per cent. We do recognise the increased costs of sending a student to university. We do see the need for students to be encouraged to go to university but doing it by an inequitable tax system is not the answer.

12.1.2 Deputy G.W.J. de Faye:

Over 30 years ago I was a very pleased and lucky recipient of a full States education grant to take me into tertiary education that covered both the fees as well as a maintenance grant. It was only when I took up tertiary education I realised that other students did not enjoy the same level of support. Many were means tested and told me how their parents faced difficulty keeping them at the place they had won on a tertiary course. Indeed there were instances of students who were obliged to give up their courses because their parents refused to continue payments, which was very unfortunate. Certainly at that time I was a great believer in an entitlement to full fees and maintenance grants for anyone who could get on to a properly certified degree course. But that was

over 30 years ago and times have changed and regrettably it seems to me the approach by the U.K. Government has rather turned around the values of tertiary education, as well as the costs, and we now live in a very different world. Indeed, although I do not own a dog or ever dine with dogs, we are faced in terms of student grants with what I would describe as a bit of a dog's breakfast. It is after all quite extraordinary that here we are looking at aspects of child allowance. Nineteen year-old students are still children? After we now give them the vote at 16, give them driving licences at 17, let them into pubs at 18 but 19 and 20 year-old students are still children for income tax purposes? It seems we have got something rather cockeyed here and I am pleased to know that there is going to be a review because I think we do need a full review. Why on earth, in fact, should students be regarded as children? It seems to me they have rather largely become adults and yet we are finding ways of penalising them according to their parents' income, which is quite an interesting approach if Members care to think about it. But maybe it is correct that the sons and daughters of the wealthy should not necessarily get the same assistance as the sons and daughters of the not very well off, especially those who have got academic ability. So I think that clearly there are some major problems here. But where I really part company with this particular suggestion is, in effect, after someone appears to have graduated and are into earning a salary this is going to be disregarded. Now, I really cannot believe under any circumstances that that is the correct approach, whether you are looking at the parents' income or whether you are looking at the students' income. The whole point of being assisted by the States in the way that assistance is offered is in order to attain higher qualifications which allow you to earn more money. Once you are earning all that additional funding ... I do not really follow the Deputy of St. Ouen's argument to continue carrying on with the allowances. I think that is where consideration has to be terminated. But, as I say, I think this is a much bigger issue. I have indicated at some of the problems, should students be regarded as children; should they have their finances determined according to their own means or according to their parents' means, and indeed, in respect of the Island's requirements, to what extent should there be a determination made upon whether or not they come back to the Island or continue to use the benefits of their education elsewhere? Would it be fair to penalise someone for doing that? This needs a lot of unravelling and in the light of the unravelling that is going to be required I do not think we should start adding to the complications at this particular stage so I would urge Members to vote against.

12.1.3 Deputy C.J. Scott Warren:

I would appreciate it if the Minister for Education, Sport and Culture or the Minister for Treasury and Resources could inform us when this review will be completed and come to the new States Assembly. It does seem wrong to reduce a tax allowance that has been given to a family depending on the immediate post-graduate income. It would seem more sensible to give a tax allowance for the part of the year that the student remains at university. I do have a concern if this review is going to be ongoing over several years. Depending on the answer to that question I will vote either for or against this amendment. Thank you. **[Laughter]**

12.1.4 Senator M.E. Vibert:

Can I say I like the Deputy of St. Ouen and I had hoped that, and I still hope, possibly I could vote for one of his amendments in my last sitting of the States. I know he would really like to have my job in the new States. Because of that I hope he will listen to some words of advice from the departing Minister for Education, Sport and Culture. Those words are that there are far better ways of really helping young people and their parents with the rising costs of higher education than what he is proposing today. We are working on it and I have been working on with the Treasury and the Minister for Treasury and Resources. To give some assurance to Deputy Scott Warren, it was always planned and it still is planned that the work would be completed by next summer for inclusion in next year's budget. It really is important that we get it right and we do not do something in the short term that could prejudice against making the correct changes next year. Discussions are ongoing and it is quite a complex area as the Minister for Treasury and Resources

has been saying, and Deputy de Faye referred to a number of issues with it. There was a 20 per cent increase in the allowance last year to try to give some relief and we should look again and wait until this work is completed. One of the areas that is being looked at as to whether it should be a nominal sum of an allowance, for example, at present £6,000 or whether there can be some way of looking at the real cost to parents which **[Interruption]** Perhaps Senator Le Main's £10 could go towards student grants in future. I would hope that one of the areas that could be looked at, as I was saying, is whether allowances in future could be linked to real costs of parents of supporting their young people at university, how much they have to pay in fees and a figure for the living expenses because that would reflect far more the different cost that different people have to put up with depending on the cost of the course and the cost of living expenses. There is work to do, it is ongoing, it is the way to do it properly not to do a very quick attempt at a fix. It is not going to solve the problem, it is going to make it even more complex and add to the difficulty when we are working on trying to sort it out properly. There was a 20 per cent increase last year. I believe that good progress will be made to having a much better and new way of dealing with this in the future and I think the Deputy of St. Ouen will be well advised, if he becomes the new Minister for Education, Sport and Culture, to work closely with the Minister for Treasury and Resources on the lines I have indicated.

Deputy I.J. Gorst:

Before the Minister sits down, I wonder if I could intervene and ask him, he has very kindly illuminated us there with a piece of ongoing work, I am not sure if I heard him correctly by saying that he felt that work would be completed in time for next year's budget, is that correct?

Senator M.E. Vibert:

That is correct. It has always been hoped it will be completed by early next summer so it can be included in the budget proposals for next year.

The Greffier of the States (in the Chair):

Does any other Member wish to speak?

12.1.5 Connétable K.P. Vibert of St. Ouen:

I have to say that I would normally follow the line of the Minister for Treasury and Resources because I have total belief in his ability to handle our fiscal affairs but I have to say I struggle with his reasoning. His reasoning for opposing this was that its inclusion at this stage would make it more difficult to come to an overall decision in a year's time, maybe more. It seems to me that accepting this at this moment will help in this coming year and it will be quite easy when the new policy comes out merely to rescind this particular item should it be accepted today.

12.1.6 Senator L. Norman:

Just briefly, I do understand what the Deputy is saying but like others I do fear that this amendment would make a bad situation even worse. The problem as I see it, or what has created the problem, is that academic year is different from the financial year. The academic year starts in September, the financial year starts in January. So what happens now, as is clear in the Minister for Treasury and Resources' comments, is that the taxpayer gets full allowance for the first year despite the fact that the student is only at college or university for one third of that year, starting in the September. Then the taxpayer gets the full tax allowance in the second year, fair enough, the student is there the full year. Gets the full allowance in the third year, fair enough, the student is still there. Gets the full allowance in the fourth year when the student is only there for 2 terms. So the taxpayer is getting a pretty good deal. He is getting 4 years of full tax relief when the student is only on a 3 year course. What is the answer? The answer is quite simple to my simple mind - it is not exactly rocket science - that the allowances should follow the academic years. In other words, get one third of the allowance in the first year and two-thirds of the allowance in the fourth year and that will be equitable for everybody. Equitable for the taxpayer, for the student and, indeed, for the family

involved. The amendment of the Deputy of St. Ouen is not the answer but a simplified system as I am suggesting would be fair to everybody. Thank you.

12.1.7 Deputy J.A.N. Le Fondré:

Just briefly, I am feeling a little bit like a pendulum. I have wavered so many times in this argument but I am swayed now by the Connétable of St. Ouen. I have to say it has been raised with me by parishioners over the last couple of years where they felt it was a problem. Not a significant problem but a problem they have encountered. At the end of the day we are confusing to an extent the difference between the parents who generally incur the cost of sending their child to university and, at the end of the period, the student or graduate by that point who then starts earning some income, and if that income is too significant the parents who have incurred the cost then lose the allowance. That is, I understand, the position. I would also point out I do welcome the prospect of the review, I do welcome the idea of relating it to the absolute amounts of the course incurred at university but I do take the point and that is what has persuaded me the other way now to support the amendment. I take the point of the Connétable of St. Ouen that this would assist parents for this particular year and I think it could then be addressed after one year when the review has been finalised. I am going to support the amendment. Thank you.

The Greffier of the States (in the Chair):

It is 5.30 pm, do Members wish me to call the Deputy to reply tonight. Very well, I call the Deputy to reply.

12.1.8 The Deputy of St. Ouen:

Thank you. Just picking up a few points. At the moment the present system already covers the 4 years, do not be confused. This is not an additional year or anything like that. All it is is addressing a particular issue where the child leaves university on the final year, the year of graduation, gets a job and then the Tax Office goes: "Well, the parent loses out now because your child is working." Those that do not work, those that go off and do other things, those that have a break, have a holiday whatever, the parents do not lose their allowance. It is that simple an amendment. All it deals with is to put everybody on the same footing. You could argue, if you start taking tax from the graduate after leaving university why should you then remove money from the parents in the form of the allowance, but we are not dealing with that. We are just trying to simplify the system. We hear: "Let us leave it another 12 months." It is not 12 months, I have underlined this fact in the first amendment that I brought. It is only once a year so it is a 2-year delay. We do something now it will take 12 months to take effect, leave it a year it is 2 years. Is that the answer? I do not think so, I have put forward, I believe a simple solution to the problem which at least will address some of the equities that have been raised and highlighted in the report that was provided by Senator Le Sueur. The Constable of St. Ouen is absolutely bang on when he says: "What are you worried about?" If you are going to come out with a review, if you are going to sort everything out, if you are going to make the provision of financial support for people that go to university far more equitable, which you have to do, then so be it. Put this in place, sort it out and then you are going to change it anyway. There is no hidden gross here, there is no hidden agenda, it is a simple thing that will clarify the situation for all people; all graduates that leave university once they have graduated so that all people will be treated the same. There could be a bit of a saving because the Tax Department will not have to go and have to investigate because all parents will be treated the same. Can I just ask Members, please, you have an opportunity here, albeit a small opportunity, to do something to help parents who are struggling with the increased cost of university so I ask you to support this amendment. I call for the appel.

The Greffier of the States (in the Chair):

The vote is for or against the amendments of the Deputy and the Greffier will open the voting.

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| POUR: 34 | CONTRE: 14 | ABSTAIN: 0 |
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| Senator B.E. Shenton | | Senator L. Norman | |
| Connétable of St. Ouen | | Senator F.H. Walker | |
| Connétable of St. Mary | | Senator T.A. Le Sueur | |
| Connétable of St. Helier | | Senator P.F. Routier | |
| Connétable of Trinity | | Senator M.E. Vibert | |
| Connétable of St. Lawrence | | Senator P.F.C. Ozouf | |
| Connétable of Grouville | | Senator T.J. Le Main | |
| Connétable of St. Brelade | | Senator J.L. Perchard | |
| Connétable of St. Martin | | Connétable of St. Peter | |
| Connétable of St. John | | Connétable of St. Clement | |
| Deputy A. Breckon (S) | | Connétable of St. Saviour | |
| Deputy of St. Martin | | Deputy R.C. Duhamel (S) | |
| Deputy G.C.L. Baudains (C) | | Deputy J.J. Huet (H) | |
| Deputy P.N. Troy (B) | | Deputy G.W.J. de Faye (H) | |
| Deputy C.J. Scott Warren (S) | | | |
| Deputy R.G. Le Hérissier (S) | | | |
| Deputy J.B. Fox (H) | | | |
| Deputy J.A. Martin (H) | | | |
| Deputy S.C. Ferguson (B) | | | |
| Deputy of St. Ouen | | | |
| Deputy P.J.D. Ryan (H) | | | |
| Deputy of Grouville | | | |
| Deputy J.A. Hilton (H) | | | |
| Deputy P.V.F. Le Claire (H) | | | |
| Deputy J.A.N. Le Fondré (L) | | | |
| Deputy D.W. Mezbourian (L) | | | |
| Deputy of Trinity | | | |
| Deputy S.S.P.A. Power (B) | | | |
| Deputy S. Pitman (H) | | | |
| Deputy A.J.D. Maclean (H) | | | |
| Deputy K.C. Lewis (S) | | | |
| Deputy of St. John | | | |
| Deputy I.J. Gorst (C) | | | |
| Deputy of St. Mary | | | |

STATEMENTS ON MATTER OF OFFICIAL RESPONSIBILITY

13. Statement by Chief Minister regarding a meeting with H.M. Treasury on 27th November 2008.

The Greffier of the States (in the Chair):

Very well, just before the adjournment I have given leave to the Chief Minister to make a brief addition to the statement he made earlier about the U.K. review. I understand Chief Minister you have news on the name of the reviewer, for example.

13.1 Senator F.H. Walker:

Yes, Sir, I do. I am pleased to announce that the U.K. Government has today announced that the Chancellor has asked Michael Foot CBE to lead the review. That is not the former leader of ... **[Laughter]** Sir Michael Foot has had a distinguished career in international finance including at the Bank of England and the Financial Services Authority. Indeed he was one of the architects of the F.S.A. (Financial Services Authority) and he is already well known to us in Jersey and Guernsey. I can also announce that the terms of reference have, I understand, been published on the Treasury website as amended by the suggestion put forward by Jersey and Guernsey. Further to

that the announcement will be accompanied by quotes from Lord Myners from the Treasury, Lord Bach from the Ministry of Justice and Gillian Merrion from the Foreign Office, welcoming the review and providing assurance that constitution arrangements and fiscal autonomy are out of the scope of it. I will get full details to Members as soon as possible, which will probably be tomorrow morning.

Senator F.H. Walker:

Can I propose the adjournment, Sir.

The Greffier of the States (in the Chair):

Yes, the adjournment is proposed. The Assembly will adjourn until 9.30 am tomorrow morning.

ADJOURNMENT