# ANTI-INFLATION STRATEGY (P.125/2000): AMENDMENTS

**Lodged au Greffe on 11th July 2000**
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## STATES OF JERSEY

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ANTI-INFLATION STRATEGY (P.125/2000): AMENDMENTS

(a) *in paragraph (f) delete the words after* 2001 *and substitute the words* to 2003 to no more than two and a half per cent a year.

(b) *for paragraph (h) substitute the following* -

(h) to charge all Committees of the States to produce a prioritised list of their current activities, with a view to identifying core services and thereby making more efficient use of States' financial and manpower resources.

DEPUTY J.L. DOREY OF ST. HELIER

**Report**

To call the Finance and Economics Committee's report and proposition superficial and disappointing, would be to heap undeserved praise upon it. The word 'strategy' is stretched well beyond any commonly-understood definition of that term, when it is applied to this farrago of pious hopes, 'wish-list' items, restatements of existing policy and a few proposed actions which vary between the unambitious and the counter-productive.

Paragraph (a) of the proposition, inviting the States to confirm that inflation is a serious matter, takes us nowhere, since it is merely a statement of the obvious.

Paragraph (b), setting an inflation 'target' of 2.5 per cent based on RPI (X), is a 'wish list' item, no more. The lack of actual strategy is *not* concealed by the emphasis on methodology.

Paragraph (c), seeking to limit capital expenditure in both the public and private sectors, relates to a long-overdue initiative, but one which was widely thought to be already in progress; if this was not so, then one has to wonder why not.

Paragraph (c) also represents an implicit acknowledgment that the 'creative accounting' practices promoted by the Committee in recent years - particularly in terms of loan sanctions, which have been adopted in *addition to*, rather than *as an alternative to*, more conventional capital funding methods - have seriously damaged the Island's economic stability and sustainability.

Paragraph (d), the restriction of public sector charge increases to 2.5 per cent, is a restatement of long-standing existing policy - already more honoured in the breach than the observance. It is doubtful whether the use of a Code of Directions (paragraph 21 of the Committee's report), with exceptions for 'compelling circumstances', will change anything.

Paragraph (e), imposing a requirement to find recurring annual productivity savings of one per cent within the public service, has already been in place for some years; far from being a new idea, just such a productivity saving was offered as a prime reason for the introduction, in 1994, of the present VR/VER system. Moreover, annual one per cent productivity improvement has for some time been a standard assumption underlying the annual revenue budget negotiations between Finance and Economics and other Committees. The only new aspect of paragraph (e) is therefore the duty, in this matter, imposed on the Policy and Resources Committee.

Paragraph (f) sets woefully unambitious targets of five to six per cent for future public sector revenue expenditure increases, despite the clear evidence from the Parr report and elsewhere, quoted in Finance and Economics' report, that 'public spending in particular impacts directly upon inflation because it adds to demand pressures and it is therefore of the first importance to keep it under control.' (paragraph 15 of the report, page 9.)

The targets set in the proposition clearly imply that such restriction is in fact at best of *secondary* importance to the Committee. Whatever the resource pressures within *individual areas* of States activity, such as Health, Education and Social Security (paragraph 16, page 10) there can be no justification for allowing *overall* States expenditure to continue to increase by figures far in excess of either the target or reality of inflation. If 2.5 per cent is a reasonable target for inflation, it must be a reasonable target for the public sector revenue expenditure which is a prime cause of that inflation.

(The other principal cause of the surge in inflation over the last two years is, of course, the Regulation of Undertakings Law, as most recently amended. It is pleasing to note that there is some belated acknowledgment of this clear relationship of cause and effect, and that the Industries Committee believes (page 15) that it is 'important in the context of an anti-inflation strategy to look closely at how the Law impacts in practice upon the labour market.' One can only hope that the 'full public consultation' (paragraph 24) on which *that* Committee's new policy will be based, does not follow the model of the amendments last brought by Finance and Economics: on that occasion, the States resolved to 'tighten the application of the Law'; then officers decided what practical form such tightening would take; then the new system was put into operation, generating a chorus of justified complaints; and finally, a year later, documents were drafted, explaining the *operation* of the Law to those who stood to be affected by it.)

Paragraph (g) charges the Industries Committee to do what they are surely already doing, in terms of encouraging competition in the Island's product markets. (Committee Terms of Reference, paragraph 2(g), P.176/99). In the meantime, of course, members will be aware that a Consumer Protection Law (listed in the 1995 Resource Plan as Work in Progress) has still not come forward for debate; and that the decision has recently been taken, by another Committee, to dismantle the Island community's only effective form of consumer protection - the Trading Standards Office - with those posts being reallocated to the bureaucracy of the Regulation of Undertakings Department.

Paragraph (h) has presumably been included in order to suggest that the accompanying report contains many more solid proposals, too bulky to be listed in the proposition itself. Since this is not the case, my amendment deletes this paragraph.

The report in fact largely consists of two elements: Firstly, a general assumption that the problem of inflation will be solved by more working parties, highly-paid consultants, Task Forces and reports - in medical terms, rather akin to weighing the patient and pronouncing him cured; and secondly, a thinly-concealed ‘advance bid’ for greater financial and manpower resources for control and administrative functions rather than useful work.

I believe it is in any case a dangerous practice for the States to adopt every word of a report, rather than to agree to take such specific actions (listed in the proposition) as the supporting report may justify. Endorsement of entire reports can be - and often has been - used to justify subsequent proposals which never entered the minds of those who originally endorsed the report.

My amendment replaces paragraph (h) with a new duty on States’ Committees to examine and *prioritise* their current activity. Many people, both inside and outside the States, believed that this essential task, identifying the States’ ‘core services’ in line with oft-repeated strategic objectives, would be achieved by the programme of service reviews. Sadly, this key task - without which the inexorable growth in the public sector payroll can never be brought under control - was specifically excluded from the terms of reference of the service review consultants.