

6. Questions to Ministers without notice - The Minister for Treasury and Resources

The Bailiff:

That brings questions on the statement to an end but we move on then to questions without notice, and the first period is to the Minister for Treasury and Resources. What I propose to do and I hope Members think this is fair, I have a large number of Members who have indicated they wish to ask questions so I am just going to carry on down the list but obviously questions may now be about any subject not just about the Budget statement. Senator Ferguson.

6.1 Senator S.C. Ferguson:

Would the Minister like to tell us what the Plan B is if the 5 per cent growth of the Strategic Reserve is not achieved?

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

First of all I have to say that I am probably more of an optimist than Senator Ferguson and I think that with a rising-tide of economic recovery being clearly underway now in the world, notwithstanding the debt that is a problem in the U.S. (United States), that investment returns for the next few years should be more positive. I think that we have always had a Plan A and only a Plan A. Plan A is working despite many people's comments perhaps in the last few years that it would not. Clearly the investment in the hospital needs to be made. The individual draw-downs from the Strategic Reserve will be considered this year of £10 million, next year there will be a sizeable amount withdrawn but we will, of course, make those decisions prevailing at the time but I am setting a clear direction. The hospital can be afforded by the uplift in the value of the Strategic Reserve. The Health and Social Services Department are going to work to improve that budget. They are delivering now everything that we want in terms of single rooms and everything within that budget, and it is a case of working and ensuring that that happens. There is no Plan B. It is going to happen and we are going to deliver value for money from the investment returns from the Strategic Reserve effectively already gained.

6.2 Connétable J. Gallichan of St. Mary:

Firstly, can I thank the Minister for Treasury and Resources for his attention to the *grande projets* which we have often discussed in the past? I think he has taken some bold steps in this Budget and I congratulate him on that. It is however often just the simple things like the duty on cigarettes and alcohol which grab the headlines. Recently I was quite shocked to see the high percentage of cigarettes that actually come as a result of duty-free sales rather than sales on duty. Can the Minister for Treasury and Resources assure me that the necessary modelling has been done to be sure that the proposed increases in duty will result in a revenue increase, that we are not just losing the revenue to more duty-free sales without getting the associated health benefits which I am sure we all strive for?

Senator P.F.C. Ozouf:

Very briefly, the Connétable of St. Mary has been one of those Members that says: "It is all right, Minister for Treasury and Resources, you have put austerity, you have put cuts and you have put tax increases. When are taxpayers going to get something back?" If the *grande projet* is the hospital delivered from the Strategic Reserve then she has been patient and now has her *grande projet*, and I am pleased that she recognises that. In relation to duty-free sales, yes this is an issue and this is a carefully judged issue that we have talked to Customs and Immigration about. I agree with the lobby of the tobacco because duty-free sales are being effectively switched from local Island to effectively off-Island purchases. We need to have a debate about that and I would just signal to Members that perhaps we should as the time is coming for us to look at that duty-free of 200 cigarettes imported. Let us look perhaps at the Australia model which has cut the duty-free import requirement from 200 to 50 cigarettes. There is no duty-free in Europe any more. Let us talk to the industry and tourism to see if that would be a distraction

in terms of not bringing people to Jersey but let us look at innovative ways that we can win the fight against cancer which is caused by tobacco. We can maintain our revenues. We could also deliver money for cigarettes for delivering health care services. We need a debate about this.

[12:00]

6.3 Deputy M.R. Higgins:

I am just going to follow up on what Deputy Hilton and Senator Ferguson said. It is about the 5 per cent return. We all know that investments go up and down and anyone who is forecasting that we are going to have a return of 5 per cent for 10 years when the world has gone through what it has gone through in the last 5 years, and with all the uncertainties despite some signs of growth in some areas there are so many problems out there that it would be ludicrous for us to think we are going to get that return and that money is guaranteed. That is the first comment.

The Bailiff:

A quick question please, Deputy, not a comment.

Deputy M.R. Higgins:

The question is would the Minister for Treasury and Resources not agree that investments can go up and down and with the state of the world there is no certainty whatsoever that these returns will take place?

Senator P.F.C. Ozouf:

No, but we have invested. We have substantial investment returns as already said and I think that he was in the Town Hall assembly room on Friday where the Treasurer of the States did set out ... perhaps he was not there, perhaps I need to get him into the Treasury and Resources Department to get a briefing on the investment criteria and the different scenarios that we have run through, and I am happy to engage with the Deputy. I would say to him is that surely now we can turn to being slightly more optimistic than pessimistic about the global economic situation? We have been through a crisis. That crisis is now looking as though it is coming to an end. We have positioned Jersey in a fantastic place to take as much of the uplift when economic growth returns. That is what we have said. That is what we are doing. We need to turn our attention now to delivering that so he is not concerned about not getting a good return on our investments.

The Bailiff:

So sorry, Deputy. Did you want a supplementary?

Deputy M.R. Higgins:

Are we allowed supplementary?

The Bailiff:

Yes.

6.3.1 Deputy M.R. Higgins:

Thank you. The other part of the question I was going to ask was that there is no doubt that we have had austerity for the last 5 years and our economy has gone backwards, and it is right that people in one sense are getting some benefit for a change, but it does strike me and I will say this, the devil is always in the detail with these. It looks good on paper here. When we start delving through the Budget documents I think we will come up with a different conclusion but what I would say is I happen to agree with Deputy Maçon.

The Bailiff:

Can you come to your question?

Deputy M.R. Higgins:

Yes. Is it not also convenient that your good news is in time for an election? It is fair, it is an election Budget.

Senator P.F.C. Ozouf:

I absolutely do not agree.

6.4 Deputy R.G. Le Hérissier:

Building on the Constable of St. Lawrence's question, with this slew of capital projects there is a glorious opportunity to enhance, to increase the Island's school base and to get rid of all the constant urban myths about white-van men and outside contractors. Will the Minister for Treasury and Resources confirm that in the tendering processes there will be specific conditions put in where contractors and such like people will be expected to contribute without detriment to the quality of the work, to contribute to the development of the Island's school base?

Senator P.F.C. Ozouf:

I think that that is already well underway. The work that the Economic Development Department, the Education, Sport and Culture Department and the Social Security Department have done in this skills executive, the work that is done week-in week-out by Senator Routier in terms of chairing the Migration decision-making for the successor to Reg. of Uns. (Regulation of Undertakings) means that employers are reasonably being asked to employ local labour, to put in apprenticeships, to prepare young people for the workplace in the future. I think that that work needs to continue. The Treasury and Resources Department will support that but other departments are doing that work led by the Economic Development Department.

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

Slight parallel with Deputy Young's question, item 41, the cost of decreasing the marginal rate by 1 per cent is approximately £7.8 million which broadly speaking I am supportive of. I want to link that to then ask a question to the move to Independent Taxation. My recollection and it is really clarification, from the Minister for Treasury and Resources is that in the briefing we were given on Friday that the move to Independent Taxation was at no cost to the States but at a cost to the taxpayer, and therefore the implication is does that mean that is an increase in revenue from the move to Independent Taxation and does that mean one is paying for the other or have I misread it?

Senator P.F.C. Ozouf:

This is complicated which it is difficult to summarise quickly but the report into the feasibility of moving to Independent Taxation is published today. The £7.8 million tax cut of the marginal rate is taken as I have explained to Deputy Young by the existing and improvements in the finances of the States. Further changes to Independent Taxation as the Deputy rightly says are going to be challenging. There is going to be further alignments between the joint system of tax and personal tax, and there is going to be some tradeoffs and there are going to be some costs associated with that. This report informs that subsequent budgets will take further steps to deliver what we are aiming to do which is Independent Taxation and, subject to States finances at the time, perhaps further changes can be made to the margin-exemption system.

6.6 Deputy M. Tadier:

We have record unemployment in recent years with figures going up all the time. We have an economy which has shrunk to 1990 levels which includes the finance industry yet we have a Budget which is predicated on blind optimism for economic recovery. Can I ask the Minister for Treasury and Resources whether he believes that it is not an act of gross negligence to come here to the States and to tell us that he has no Plan B if in fact there is not economic recovery which seems entirely likely from some economists? We do need to have alternatives about how we are

going to fund capital projects going forward if there is not the recovery which he so fervently expects.

Senator P.F.C. Ozouf:

I do not think that I have ever been somebody that could be described as being overly optimistic in terms of costs. In fact, one of the reasons why we have the ability to deliver a tax-cut on the marginal rate is because it could have been said that the Budget that we put forward 2 years ago was overly pessimistic in terms of the return to the economy. I say to the Deputy that he has, if I may say, talked down our financial services industry. He has said that the Jersey financial services industry is something that we should be ashamed of. That is what he has said in a number of other forums.

Deputy M. Tadier:

Point of order, Sir. That is simply not correct, it is also imputing false motives and I would like the Minister for Treasury and Resources to take that back.

The Bailiff:

I do not think it imputes false motive but certainly if it is incorrect then the Minister will ...

Senator P.F.C. Ozouf:

Well, I certainly can read French and I understood what the French articles meant in the English language. But never mind, if that is not what the Deputy meant, if he was misquoted, then fine. I will ...

Deputy M. Tadier:

The Senator needs to make the retraction because he is quoting false information. If he wants to read from any source and quote my words accurately he can do that. But he has conveyed a completely false sense here in the Assembly today and I wish him to remove those statements.

Senator P.F.C. Ozouf:

The Deputy and I do not agree, clearly, on the financial services industry and over the last few weeks we have been getting the message across about the value of Jersey ...

Deputy M. Tadier:

Point of order. It is a very simple statement and I would like the Chair to rule on this.

The Bailiff:

Either you agree you are wrong or you maintain your position. Which is it?

Senator P.F.C. Ozouf:

I think I maintain my position.

The Bailiff:

Well, then it is not something the Chair can resolve.

Senator P.F.C. Ozouf:

I wish the Deputy would be more optimistic about what we are doing in terms of financial services. We are winning business. We are winning the argument about the value of Jersey to the U.K., and that message is now going out wider. We need to talk up Jersey in a responsible and accurate way based upon facts and we need to build our financial services industry for the future, which is what is going on and this Budget supports that. Is it a Budget of confidence? It is prudent. It makes staged withdrawals from the Strategic Reserve and it makes investments that we can afford and for the first time, and I would have thought the Deputy would have welcomed this, we are also borrowing. We are borrowing for housing investment. We are locking in Jersey's low interest-rates.

The Bailiff:

A concise answer, if you would?

6.6.1 Deputy M. Tadier

I have a supplementary. The question was not about the finance industry. It is about economic recovery and how it would affect Jersey. Can I ask the Senator why he has not made any provision for the Social Security Department's budget to increase while we face a middle class who are more likely to become unemployed without the prospect of any benefits of having to sell their homes? How does that affect the voting middle-class who may be facing hardship and selling their houses during a time of austerity?

Senator P.F.C. Ozouf:

This Assembly has voted in the last 10 years for a substantial increase in the amounts of money that we are investing in transfer payments and income support. The Minister for Social Security is putting in place arrangements that elderly people will not have to sell their own homes when they come into care. I think the Deputy needs to balance his remarks. Yes, it has been a difficult economic time but there are more people in work. We have seen a contraction in living standards and this attempts to deal with that by sending a clear signal that we are now on approach of economic growth and reducing the taxation burden not increasing it.

6.7 Deputy C.F. Labey of Grouville:

I would like to congratulate the Minister for Treasury and Resources on focusing on the economy, tax and, hopefully, local jobs. Probably unlike the Constable of St. John who is not altogether satisfied with the amount being spent on roads, although I do appreciate not in this Budget, but I would like to flag up possibly for the future that more should be done to support greener, more sustainable transport measures. So I would like the Minister for Treasury and Resources to confirm his support and encouragement for this area in the future.

Senator P.F.C. Ozouf:

As an Assistant Minister within the Economic Development Department, I am sure the Deputy is well aware and receives representations from the clean-tech green sectors of the Jersey economy and I think that we should not forget the substantial investment that we have made, for example, in homes insulation. I think there is something like £1 million that goes into the Planning and Environment Department's budget to ensure that homes are insulated free of charge for many Islanders. There is more to do. We have received representations, which are not included in this Budget, for a subsidy for electric cars. But the debate on the Budget is lodged today and there is a debate in December. If she or any other Members have other proposals, other initiatives, other ideas and I can see Members nodding their heads. If they want to pull back on some and put some money in elsewhere then I am here to listen and Ministers will consider amendments as appropriate to this important Budget and, yes, she is right, we should be thinking about green and how we can improve the environmental-friendliness of our economy.

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

I would like to congratulate the Minister for Treasury in bringing this forward. I am broadly supportive but I am fairly tentative, as he would expect. Could the Minister for Treasury and Resources explain, although the marginal relief is being reduced, it will not be felt by Islanders until 2015. Does he not agree that it would be more beneficial to the economy to hold-off on any increases in the taxes until the 2015 Budget, and I am particularly referring to the A.M.P.O. (Average Mandatory Provisional Contribution).

Senator P.F.C. Ozouf:

I am grateful for the Deputy's tentative support. I hope that she will become more tentative and optimistic as we explore the detail in the future. She is right about the tax-cut. There is only one way of dealing with our system of tax. We want to move to a current-year basis but currently we do it in arrears and it is only in a Budget that we can change for the next year. But this sends a clear message that we are cutting taxes. Of course, many young people will be on the immediate current-year basis. So there are increasingly lots of individuals who will benefit from that

marginal rate cut straight away. My comments about duties, well, I am afraid that her benevolence and her earnest desire to give something back has not been proven in terms of a policy when we simply freeze or we cut duties and we need to have a debate about that and for that we have a long period of time between now and December. We need to shine the torch into this area to understand how we can cut the cost of living for Islanders, not increase it.

The Bailiff:

You were next, Connétable, but time has run out on you. **[Laughter]**

The Connétable of St. John:

Some of the Members were permitted a second question and my light was on earlier, as you are aware, but can we ask that Standing Orders be lifted so additional questions can be put to the Minister for Treasury and Resources?

The Bailiff:

No, I am afraid it has been held before and that is not possible, Connétable.