

20.11.17

14 Deputy T. Pointon of St. John of the Minister for Treasury and Resources regarding the issuing of investment bonds to Islanders (OQ.320/2020):

Will the Minister consider issuing 3, 5 and 10-year investment bonds to residents of the Island which offer a realistic rate of return and, if not, why not?

Deputy S.J. Pinel (The Minister for Treasury and Resources):

I am always willing to consider new and innovative funding solutions. However, the bonds suggested in the Deputy's question are unlikely to be an attractive option for 2 main reasons. Firstly, as a Government, Jersey is able to borrow money at this time at historically low rates. It is highly unlikely that it would be able to offer Jersey residents the rates of return that they would be looking to achieve without requiring subsidies from taxpayers. Secondly, unless it was for specific short-term projects, the Government is likely to be looking to secure large borrowing, such as for the hospital, for a much longer period, typically 40 years. Having said that, I would be happy to directly discuss the Deputy's idea with him in more detail, as the short space of time I am permitted to respond does not allow full articulation of the challenges thrown up by what might appear, on the face of it, to be a simple proposal.

4.14.1 The Deputy of St. John:

Would the Minister agree that by allowing the people of the Island to invest in government bonds, the eventual returns for the investor would remain in the Island and provide stimulus for the economy in future years?

Deputy S.J. Pinel:

Yes, I understand completely where the Deputy is coming from and this has been talked about year on year. But what is a realistic rate of return at the moment when the U.K. base rate is at 0.10 per cent and most savings accounts offer even lower rates, if any interest at all, it would not be an appropriate time to invest, as I said in my opening remarks. It would be, effectively, taxing Islanders in order to pay an investment return to those same Islanders.

4.14.2 Senator S.C. Ferguson:

We had very long-term bonds for the J.E.C. (Jersey Electric Company), for the water company and even De Gruchy's. The bonds and shares for De Gruchy's were still going in the 1960s, 1970s.

[11:30]

If there are arguments as to why we should not do a bond, would the Minister kindly circulate the summary of this to the States Members so that they can understand the arguments taken into account or perhaps we should have the C. and A.G. (Comptroller and Auditor General) and the P.A.C. (Public Accounts Committee) look at them?

Deputy S.J. Pinel:

I think I have laid out the 2 main reasons that exist at present as to why we should not be issuing bonds because the return is negligible. As far as keeping ...

Senator S.C. Ferguson:

Yes, I am sorry, Sir ...

The Bailiff:

No, I am sorry, Senator, please let the Minister conclude her answer and then by all means ask a supplementary question.

Senator S.C. Ferguson:

All right. Thank you, Sir.

Deputy S.J. Pinel:

There is also the concern that any investment in bonds and revenue from them may not stay on the Island. It is not something that has been thrown out with the dishwater, so to speak. It has certainly been discussed, as I said, for years. It is just not a good time at present to issue, I think as the question said, 3, 5 and 10-year bonds when we are looking at a much longer term one for the hospital.

4.14.3 Senator S.C. Ferguson:

Why can the Minister not issue a short report giving the numerical reasons why she is not doing it. It is all right just to tell us you would not get a very good return. Would it not be fairer to let the public and States Members make up their minds? Would it not? A little explanation on the numbers side always helps.

Deputy S.J. Pinel:

I am sure we can issue a short summary of this. But I am very aware, which perhaps the Senator is referring to, the Guernsey Together bond, which is expected to be launched in January 2021. It is aiming to raise £50 million and has been outsourced to an external investment firm to manage. While I accept we could follow a similar model, I believe that the Government Plan and P.128, which is establishing the Fiscal Stimulus Fund, both utilise the £500 million revolving credit facility and are sufficient to support the local economy in the coming years.