

5.11 Deputy S. Pitman of St. Helier of the Minister for Treasury and Resources regarding contingency plans should there be a ‘double-dip’ recession in the U.K.:

Given renewed fears of a double-dip recession in the U.K., will the Minister advise what contingency plans, if any, he has in place should this also prove the case in Jersey? Further still, given the cuts already planned for public services, will he urgently look at progressive taxation measures for those individuals on high incomes above £100,000 and extracting tax from businesses currently contributing nothing to the economy?

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

Although the G.D.P. (Gross Domestic Product) figures from the U.K. last week were weaker than expected, they certainly do not indicate a double-dip recession is likely in the United Kingdom. They do, however, highlight the fragile nature of the recovery but double-dip recession is not indicated by the central forecast for the U.K. or for the Jersey economy. In fact, the latest forecasts we have from the F.P.P. (Fiscal Policy Panel) is that the Jersey economy will grow in the region of 1 per cent this year. However, I would say that in the event that economic conditions were to deteriorate further, then I would of course seek advice from the F.P.P. as to whether further action over and above that action which we took last year with fiscal stimulus is merited and, if so, the extent and nature of it. Given the very strong position of our public finances, as a result partly of the sensible and responsible decision taken by the Assembly last year, we, unlike other jurisdictions, do have flexibility, if the circumstances were to prevail, to undertake further policy measures to support the economy. On the higher rate of tax point, I have ruled this higher rate of tax out. I reiterate my strong and settled view that the 20 per cent rate of tax is the cornerstone of our post-Occupation economic success. The Deputy questions about business contributing nothing to the economy. Frankly, I find this surprising and somewhat insulting. It ignores the crucial role in businesses providing employment and economic growth to Jersey. This too has been debated in this place at length. There are reasons that some of our biggest taxpayers, banks and trust companies and funds administrators have presence here and employ significant numbers of staff and pay significantly in the Island. We must not lose the sight of the fact that although they pay no direct tax on their profits, their presence here contributes significantly to the tax revenues of the Island. So I committed in the budget debate to bring forward proposals to increase fees and taxes, however, by some of these companies in 2011, and I will do so in a timely manner based upon proper research and the outcome of any of the Code Group assessment.

5.11.1 Deputy S. Pitman:

May I just correct the Minister? I said “some businesses” and not “all businesses”. From his answer, I would presume the Minister supports the statement that Geoff Cook made at the recent Oscar-winning performance of Jersey Finance that Jersey is now out of recession.

Senator P.F.C. Ozouf:

I do not think that sarcasm helps in terms of a proper political debate, so I agree with the Chief Executive of Jersey Finance and indeed the evidence backed up by the Business Tendency Survey, which we have now seen for a couple of quarters of increased confidence in our financial services sector. That is a result of the

confidence that finance firms have in Jersey, the handling of the economic crisis, the handling of issues of Zero/Ten, and I am confident that the Minister for Economic Development and all his team, including Jersey Finance, are going to do everything possible to position Jersey to take as much of the possible upturn in the economic recovery when it happens and I extend those comments to the non-financial services industry too.

5.11.2 Deputy M.R. Higgins:

The Minister just said a few moments ago that the Fiscal Policy Panel gave a forecast for economic growth this year of 1 per cent. Can I ask what additional information he has that makes him believe that that figure is achievable, bearing in mind the cuts that he is pursuing under phase one C.S.R. (Comprehensive Spending Review) have not yet started and the banking sector will not recover until interest rates in the U.K. rise?

Senator P.F.C. Ozouf:

The economic forecast for the economy, which was published and confirmed by the F.P.P., is based upon considerable amounts of empirical research carried out by the Economics Unit and the Statistics Unit ...

Deputy M.R. Higgins:

When was it taken?

Senator P.F.C. Ozouf:

... and then overall verified.

Deputy M.R. Higgins:

When was it taken?

Senator P.F.C. Ozouf:

I am not going to be interrupted. The Deputy questions the consequences of the C.S.R. I would remind the Deputy that this year - and this has been criticised - we are withdrawing £12 million worth of spending from States limits. The full £65 million is designed to be achieved over 3 years. That is designed and timed in order to coincide with the economic recovery. It may be the case that interest rates may not return to previous levels for longer than expected. Frankly, that reinforces all of the measures that this Assembly has taken for a responsible approach to public finances.

5.11.3 Deputy M.R. Higgins:

The Minister did not answer the question. I asked him what additional information he has from the time of the Fiscal Policy Panel report which was many, many months ago, that leads him to believe that we will still retain the 1 per cent growth.

Senator P.F.C. Ozouf:

It was not many months ago. The Fiscal Policy Panel produced their annual report in advance of the budget debate. I recall that that was probably in the third or fourth week of November if not the first week of December. That was the latest available information. Of course we are constantly assessing global trends, forecasts for interest rates and we will provide, in the normal timetable of publications and statistics, updates of financial forecasts for the economy for tax revenues throughout the year.

5.11.4 Deputy G.P. Southern:

The Minister once again is selective with his use of statistics. Will the Minister agree that despite his positive outlook, he says, from the finance sector - for example, construction confidence through the floor, retail sector confidence through the floor, and across-the-board employment figures and future employment predictions the worst ever for the last 12 months - is it not the fact that there is no evidence that we will not remain in recession, the recovery is not here? Has he got any hard evidence that the recovery is present yet?

[10:45]

Senator P.F.C. Ozouf:

In relation to the construction industry, certainly there has been a fall-off in confidence, and I think that very much is because the fact that the fiscal stimulus money, which was certainly assisting the economy and particularly the construction industry, is now being withdrawn. However, I am responding to the construction industry lack of confidence by positive and proactive discussions with departments, including the Minister for Housing, and responding to the issue that Deputy Green raised, for example finding a solution for Pomme d'Or Farm. If we can bring forward capital spending earlier than anticipated, that will help the construction industry. I would say that everything that I have said in relation to C.S.R., yes, there are difficult decisions about spending reductions that are required and yes, that is a requirement of trimming back jobs in the public sector, but we will compensate those job reductions by creating jobs in the private sector and E.D. (Economic Development) is doing a good job in creating the positions to do that.

5.11.5 Deputy G.P. Southern:

If I may, a supplementary. The Minister talked about funding for house building and house repairs. Is it not the case that he has cut the capital spend from the Housing Department for exactly that purpose and to pretend otherwise is to mislead the House?

Senator P.F.C. Ozouf:

I am not misleading the House at all. The fiscal stimulus package last year put additional £4 million, I believe, in terms of maintenance, and indeed we paid for the Le Squez refurbishment. There is certainly some discussion, going forward, with the housing programme and, yes, because of higher priorities of Health and Social Services, some money previously allocated for housing is going to health. That means monies in the construction industry are over and above; I am trying to find other solutions for finding some of the solutions for housing, which is going to boost construction.

5.11.6 Deputy A.E. Jeune:

I would ask the Minister would he not agree that the presentation given to Members last Friday by the Jersey Finance Limited, that the industry in fact openly endorsed the work of the Chief Executive of Jersey Finance and his team? Thank you.

Senator P.F.C. Ozouf:

I thought the briefing for Members and to politicians for Jersey Finance was very useful. There was an interesting dialogue. I think one of the points that I got from the members of the industry that I spoke to was the importance of not being complacent. There is a competitive world. There are 42 centres such as Jersey competing for the legitimate work of international finance and we need to constantly raise our game, put

the right legislation in place and compete. I think we are doing a good job in positioning Jersey to take as much of the upturn as possible, but it requires consistency, it requires investment by this Assembly and hard work by all the members in the financial services industry.

5.11.7 Deputy M. Tadier:

The Minister seemed to say 2 things which were mutually exclusive earlier and perhaps he can clarify. On the one hand, he was saying that the C.S.R. was predicated on a 3-year period so that it was timed deliberately so that we would be coming out of recession. Then, a moment later, he said: “But even if we are still in recession in 3 years’ time, even better.” So could the Minister explain the logic in that and how that makes sense?

Senator P.F.C. Ozouf:

I think I was very clear, that I believe that the States needs to trim back on expenditure but needs to do so over a realistic timetable for preparing departments for the difficult and necessary changes in budget reductions. I would also remind the Deputy that the C.S.R. is not just about cutting spending. It is also about modernising, revitalising the public sector, making it more responsive, providing better service but also providing this Assembly the opportunity to reallocate resources to higher-priority areas. All departments, all organisations need to continue to raise productivity and do the same for less. That releases money for other political priorities for this Assembly to respond to health or education requirements in the longer term. That is responsible government, not the irresponsible approach of just putting our head in the sand and saying everything can remain the same.