

STATES OF JERSEY

OFFICIAL REPORT

THURSDAY, 11th SEPTEMBER 2008

PUBLIC BUSINESS – resumption	2
1. Goods and Services Tax: exemption or zero-rating for foodstuffs and domestic energy (P.103/2008) (Continued)	2
Deputy F.J. Hill of St. Martin:	2
1.1 Senator P.F. Routier:	2
1.2 Senator W. Kinnard:	4
1.3 The Very Reverend R.F. Key, B.A., The Dean of Jersey:	6
1.4 Deputy D.W. Mezbourian of St. Lawrence:	6
1.5 Deputy P.N. Troy of St. Brelade:	7
1.6 Senator F.E. Cohen:	8
1.7 Senator M.E. Vibert:	9
1.8 Connétable G.F. Butcher of St. John:	10
1.9 Connétable M.K. Jackson of St. Brelade:	10
1.10 Senator F.H. Walker:	11
1.11 Deputy G.P. Southern of St. Helier:	15
Connétable K.A. Le Brun of St. Mary:	15
Deputy G.P. Southern:	16
1.12 Deputy A. Breckon of St. Saviour:	18
1.13 Deputy R.G. Le Hérisier of St. Saviour:	19
1.14 Deputy A.E. Pryke of Trinity:	20
1.15 Deputy J.G. Reed of St. Ouen:	20
1.16 Senator T.J. Le Main:	22
1.17 The Connétable of St. Mary:	23
1.18 Senator P.F.C. Ozouf:	25
1.19 Deputy A.J.H. Maclean of St. Helier:	27
1.20 Deputy I.J. Gorst of St. Clement:	29
1.21 Senator S. Syvret:	30
ADJOURNMENT PROPOSED	34
The Deputy Bailiff:	34
ADJOURNMENT	36

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

PUBLIC BUSINESS – resumption

1. Goods and Services Tax: exemption or zero-rating for foodstuffs and domestic energy (P.103/2008) (Continued)

The Deputy Bailiff:

Very well, we return to the debate on P.103.

Deputy F.J. Hill of St. Martin:

Could I overindulge of the House before we start, Sir, and ask possibly that we could raise the Standing Order on P.138 and that is Deputy Le Fondré's proposition and ask that we debate it today? There are a number of reasons, I think, partly because ...

The Deputy Bailiff:

Well, Deputy, is that not something to do at the end of this debate? We are in the middle of a debate on ...

The Deputy of St. Martin:

Well, I know, but it was just to give an indication so we would know that if this debate was going to be concluded we would then be able to run on to the next one and I thought maybe if we asked now rather than later on, it might have made it clearer in people's minds.

The Deputy Bailiff:

I think it is a matter to be dealt with later on. You have indicated that you will attempt to do it.

The Deputy of St. Martin:

Thank you, Sir.

1.1 Senator P.F. Routier:

Well, we have had some debates in this House and I think this one takes the biscuit; whether it is plain or chocolate covered, I am not sure which it is. But debates in the States and politics never fails to surprise and even frustrate us, I am sure. When the R.P.I. (Retail Price Index) figures were published in the early summer, the Council of Ministers decided that we wanted to find a way to have a package or a number of ways of helping to support people who have to face the extraordinary inflation of food and fuel prices. So, we thought about how we could achieve this and with the increased revenue from the G.S.T. (Goods and Services Tax) receipts it was felt that we needed to find a way to do something. I have to say I have been really impressed by some Members who are now realising that what the Council of Ministers was saying originally was right. There has been a change of mood listening to the debate yesterday that people now, who previously were saying that what the Council of Ministers was suggesting, is no longer the appropriate thing to be doing. Of course the Council of Ministers' comments which support this proposition is one of the various options which the Council of Ministers discussed along with other options along the lines of Deputy Le Fondré's suggestions. I think the inescapable facts which I hope Members recognise is that the Council of Ministers does want to help people who are finding it difficult to meet the additional costs caused by fuel and fuel inflation. We first had to think about what Members and the community would think about spending more money - the Le Fondré option - or whether they would consider reducing the tax on food. We came to a conclusion, as you know from the comments that we have made, that having listened to the debate yesterday perhaps that conclusion we came to was wrong. So, we felt that Members were more likely to support the exemption on food rather than supporting tax benefits for middle earners and increasing benefits for those non-taxpayers. So, from what I have heard in this debate is this; not only some Ministers who have had a change of heart; it is other Members as well. So, I do not think criticising the Council of Ministers for perhaps having a different thought process now is something that they

should be criticised about. We are all on a learning curve. This is the fifth time we have debated this. The public are on a learning curve. They are learning about the tax and so are we as Members. So, whichever way Members vote on this issue today, I know that whatever we do, we are all really trying to help the community to face the increases in food and fuel prices. The G.S.T. debates I think really prove the fact that it is this House that is the one who have the supremacy. There have been many, many debates and many issues that the Council of Ministers just have their way and get on and do whatever they want. Well, I think this proves the point. It is this House that are the ones who decide what happens within the Island. So, if anybody ever says to me again that the Council of Ministers just bulldoze their way through things, it is impossible. It is always the House has to have the final say. Income support has been mentioned a few times during the debate and although it is not a direct matter we are debating today, I feel that I do need to comment on just some of the issues that have been raised about the effectiveness of income support.

The Deputy Bailiff:

Well, Senator, is that necessary?

Senator P.F. Routier:

There were certainly some concerns that income support was not hitting the target during yesterday's debate, I recognise and it is just a general overview. I am not going to any detail of it, Sir, and that is why I opened up in that way because I recognised that it was something, but there have been some comments about the effectiveness of income support. But I would just like to remind Members where we have come from. We did have 14 separate benefits in the Parish system which did create disincentives for people to save and to work. Those disincentives have gone. Deputy Southern is shaking his head yet again. The disincentives have gone. There are now small incentives for people to work and to save. We are supporting 8,000 households and we are paying out £125,000 per day. When we had the previous system, including the Parish welfare, there were more appeals than there are currently under the system. So, for example, there has only been one appeal in 6 months. We have had a number of requests for second determinations, but these have been resolved and have not led to an independent appeal. As I have said before, whatever system is in place we will be faced with changing demands and challenges and we have to meet that and we will be meeting those and they will be addressed. The beauty of the income support system is that the framework is sound and can be moulded to changing needs. In fact, Members will have seen the proposition - I am moving off the direct reference to income support now - which I have lodged at the request of the Council of Ministers to increase the level of the winter fuel allowance which will effectively provide a 28 per cent increase on last year's winter fuel allowance. This will come into effect in January if Members support the proposition when it is debated next month. The Deputy of Grouville in her opening remarks commented that we were only proposing an increase of 20 per cent in the winter fuel allowance. She is of course correct, but only so far because the 20 per cent is on top of already agreed increases which, in total, will make it a 28 per cent increase. Whatever the outcome of this debate that will proceed, and I hope Members will support the proposal when it is debated. The Deputy also made a comment that she did not like the 26 page application form - this is one other reference to income support - and I would just to like make a couple of observations about that. The real experience that we are having within the department is that when we offer to sit down with people and to have a discussion face to face, which is the way which we offer people, they in turn would say: "Well, I would like to take the form home with me and discuss it and sit down and think about it and fill it in, in my own time" and that, we are finding, is the way people would really prefer; some people do want to go with that. I have to say that the suggestion that people have to fill in 26 pages is way off the mark. The majority of people fill in about 5 or 6 pages. I have not yet met an elderly person with disabilities, with children, with lots of savings, but yesterday we had quite a bit of criticism about income support, Sir, so I just felt I needed to say that. Moving on, the Constable of St. Martin challenged me to do something now and he highlighted the regulation which would enable income support to be increased. I have to

say that G.S.T. was covered in the earlier part of this year. We increased income support to ensure that people who were paying G.S.T., they were covered. We also have another increase coming in, in October, which the States have already agreed which makes a total increase of 6.8 per cent. So, on top of that, there will be the significant increase in the winter fuel allowance which I hope Members will support, and the Constable mentions a few things that he would like to discuss with me, so I am very happy to do that at any stage. Deputy Scott Warren asked whether the proposed extension to the protected payments in the income support system would still be maintained. It is certainly my desire to do that and I have spoken with the Minister for Treasury and Resources and I can confirm that the transition payments will continue to be protected until October of next year. Moving on to how I am going to vote today, I have thought about it long and hard and I believe that I should continue to go along with the Council of Ministers' comments and support the proposition that is before us today. I recognise that it is a very finely balanced decision to be making. I think we have all gone around the houses on this and I respect everybody's views on the way they wish to vote on this and I make my position clear.

1.2 Senator W. Kinnard:

Yesterday the proposition of Deputy Le Fondré seemed to be on a bit of a roll, but I think it is mainly because many of us had not had an opportunity to look at the detail of it because of course it was not down for debate. But having, overnight, spent some time looking at it, I think I would like to pass on a few comments for Members to consider in relation to the specific issue of its provisions, as opposed to the provisions provided in the proposition of Deputy Labey. Members yesterday seemed to think that what was being offered was something of a "free lunch", but I have to disabuse Members of that view because any change to a tax, whether it is a new tax or an existing tax, of course involves things like administrative burdens and these include the amount of work that is required to determine the liability, the frequency of payment and the levels of deductions and allowances. So, there is no "free lunch" with this alternative proposition. So, it is not just direct costs that one might be concerned about. There are costs to society that need to be considered in the wider perspective. In an alternative proposition such as the one proposed by Deputy Le Fondré there is also a lack of visibility and it is a very "blunt tool", whereas I believe that the removal or the zero rating of G.S.T. on food is open to scrutiny; it is highly visible; everybody understands exactly what the effect is as a shopper. Tax concessions are by contrast comparatively hidden from scrutiny, and there are 2 particular problems I think with tax concessions and the main one is that not everyone claims the entitlement and indeed may not even claim the full entitlement even if they are aware of their entitlement. I do not have the figures here for Jersey, but certainly for the United Kingdom we know that the average taxpayer pays an extra £155 in unnecessary tax each year as a result of failing to claim their tax credits and other benefits. We also know that it is particularly the very proud members of our community, the elderly in particular, who we know are on fixed incomes who are the ones most likely to suffer as a result of the imposition of G.S.T. and they are the ones who are often less likely to claim the entitlement to which they are deserving. So, that does cause me great concern and I do not therefore see the alternative offered by Deputy Le Fondré as fitting the bill in that respect. Tax reductions also remain in place, quite often for a long time after the case for them is either diminished or completely disappeared. I have in mind here, Sir, the length of time that mortgage interest tax relief was in place and I think there is a prime example there of a very generous tax that was probably in place for far too long in Jersey. So, the point I make there is that over time it may well be forgotten about and when it should be changed very little will be done to change it because, as I have made the point, it is a far less visible way of dealing with this issue. We also know that G.S.T. is a very strongly regressive tax. It takes a bigger share of the income of the lower and middle income families than it does from those on higher incomes and the figures are there for all to see; in fact in Deputy Le Fondré's proposition. Whereas removing G.S.T. on food would make it a much less regressive tax and would, in fact, go some way to redressing the balance and reducing the relative inequalities that we see in our community, and we do know, much research shows, that

in a time of hardship it is families who suffer disproportionately. This is a point that is important and Members ought to think about this one quite carefully because the proposition offered by Deputy Le Fondré and others that were supporting it yesterday seem to assume that all income within the family is pooled and used jointly in the family, and therefore that all will benefit from tax allowances for example. But this assumption is often implicit in people's thinking and generally is unrealistic. There has been consistent research, Sir, on this issue from the London Food Commission in 1988 up to the present day and indeed we have our own research here in Jersey from the C.R.I.S.P. (Centre for Research into Social Policy) research that was done on behalf of Social Security into the incomes and the needs of families on the Island, and one of the issues is around gender inequality and the effect that this has on families, particularly on children in families. We know that children's experience of poverty, including food poverty - and I will come on to that in a moment - is very much linked to their mother's life chances and their mother's response to that poverty. Mothers frequently - in the research it has been shown - will go without basic items such as food for themselves to shield their children from many of the harsh effects of low income. Indeed this was recognised as way back as 1945 with the introduction of the welfare state when child benefit was given directly to mothers rather than to fathers because of the concern that they had even then that income was not necessarily equally distributed within the family and that there was a need to ensure that children were properly protected from poverty. We also know that it is still the case, unfortunately, that most tax forms and most dealings with tax and handling of allowances still does tend to be the man's preserve. We do therefore have to take a view that there are occasions when perhaps the women who have the greater responsibility often for the family shopping and the care of the children may not always be aware, let alone have a share in, the allowances that might be coming back to the family. So, I think that this is an important issue because when we are talking about the removal or the zero rating of food that is the direct benefit to those that are most likely to be doing the shopping and the food preparation and the day to day care to ensure that children in families are not exposed to the dis-benefits of low income and food poverty. Those we know who are on lower incomes, do in fact spend a higher percentage of their income on food than those on higher incomes. That, we think, is well established and I think another point that is important that has not been addressed is that also the nutritional value of the typical diet also goes down as income goes down so that the poorer you are, the more proportionately you are obliged to spend on food, but the less well you eat. So, while there is an argument perhaps that could be put, that has been put, in terms of efficiency in terms of what has been proposed by Deputy Le Fondré, I do not accept that because I think there is an issue about moral values here and it seems to me that I, personally, am much more persuaded by the argument of identifying who is responsible in the family for doing the shopping; who is responsible for doing their best to protect the family from the effects of poverty and it seems to me that it is a much more direct and much more targeted way to do that through the zero rating of food rather than through some sort of tax and benefit approach. Also, from a moral point of view it seems to me that in a situation where it is the less well-off who are having to spend proportionately more, it seems to me that those issues around G.S.T. on food in particular should be treated more leniently especially when we know that food prices are due to continue to rise at their presently highly inflated level due to global conditions. But if Members are not persuaded by any of the moral arguments then I think the realisation that this proposition of the Deputy of Grouville is likely to come back to this House again and again and again in some form or another. We heard only yesterday Senator Shenton making a commitment that if this proposition does not get through in this form he will bring it back to this House, and I am sure that there are other Members who will come back again and again and again. The concern that I have about that is one that I think those Members who think that they are able to, if you like "kick it into touch again and again" I think they need to think quite carefully about this because what we will find is that the public will want "both and ...". They will want both the tax allowances and they will want the G.S.T. off food and indeed this House then, and indeed the public because indeed it is the public money we are talking about here, will end up, I believe, paying twice through this system because the public will want and will lobby for

a “both and ...” approach. So, the issue of G.S.T. in this form has not gone away, it will not go away and I think that we are in danger, if you like, of doing the “both and ...” at some point in the future. So, these are a number of reasons why I believe that Members should support the Deputy of Grouville’s proposition today in preference to waiting for Deputy Le Fondré’s proposition some time next week. But ultimately one of the reasons that I think Members really ought to focus on about why it is preferable to go with the Deputy of Grouville’s proposition is because the proposition of Deputy Le Fondré ultimately is not targeted at those who would benefit most in families, and I believe it would cost the public more. It is not targeted because of the issue that I talk about, about the assumption that income is equally shared among families, particularly tax allowances, which I do not believe to be the case. I believe that Deputy Le Fondré’s proposition is a very blunt tool when dealing with this issue and I would much prefer that Members went with the direct and visible approach that is being proposed by the Deputy of Grouville.

1.3 The Very Reverend R.F. Key, B.A., The Dean of Jersey:

I will make a very short speech, if I may. We have just come back from an excellent holiday in France and I had my first experience of using satellite navigation and at night as we went along just after it had said: “Turn right down the ramp on to the N164” and I had not, it said: “Recalculating” followed by: “When you can, perform a u-turn.” I performed a u-turn and my wife did not say to me: “You have had a leadership crisis. What you should have done was to go on the wrong way even if it meant we never got to our destination.” I want to make a couple of very simple, ethical comments and the first is there is nothing wrong with a u-turn. If you think you are going in the wrong direction or circumstances prove you are going in the wrong direction and you do a u-turn, that is not a crisis of leadership; it can mean you are listening. Now, I say that not because I have just been appointed press officer for the Council of Ministers, but simply because it seems to me to be common sense. It is what we do with our own family lives; it is what we do when we are driving our cars and if we do not use the same common sense when we are making decisions for the wellbeing of the Island then that would be, it seems to me, a moral failure. So, there is nothing wrong with a u-turn. Secondly, I want to say that I am not commenting today on Deputy Le Fondré’s proposition because that is, as I understand it, not what we are debating in this debate. But I am very struck by much of what Senator Kinnard said about the poor and the way in which money is spent in families with less disposable income, and having grown up in such a family I want to say that she is absolutely right and we need to make sure that the money is in the pocket of the person who has control over buying the family’s food. But I think the greater thing I wanted to say, and I address this not to those who have done all their accountancy and are already sold on another way of doing it, because I do not have your mathematical abilities, but when we first thought of G.S.T. I did rise and say that had I been a voting Member, I would have voted then for the exemption on food not because I have the skill to do the actuarial sums, but simply because something in my gut says it is morally wrong to tax the staff of life. Now, I am sorry if that is very simplistic and you might think very theological or would I mind getting a political grip but I thought it then and I think it now. That does not mean that of course friends in this Chamber, Sir, who think differently I will think any the less of them for that, but simply to say that from my point of view, if you are wavering today then I would advise Members to go for Deputy Labey’s very straightforward proposition that whatever else you tax, whatever else we might tax in the future, put another 5p, Sir, on my pint of real ale if you must, but do not tax food.

1.4 Deputy D.W. Mezbourian of St. Lawrence:

I am delighted to follow the Dean who has spoken eloquently and indeed probably far better than I will be able to when I support the Deputy of Grouville’s proposition today. I have always opposed the imposition of G.S.T., a tax on food, and again today this lady is not for turning. We have heard that the change of stance of the Council of Ministers came as a surprise to many, including some of them. In my opinion though good Government must react and here we have the Executive adopting a clear reactive strategy that notwithstanding its timing, must only be applauded. Although their

collective social conscience was not pricked by a 19,000 petition against the imposition of a tax on food, their moral conscience has reacted to global market forces and its effect on the lower income strata of our society. The Dean has suggested to us today that we do not tax food - well, in fact it is of course already taxed - by supporting the Deputy's proposition in which he has asked that we remove it, I believe that we will be collectively showing our responsibility towards the people of this Island who did not want this imposition in the first place and who could never have foreseen the implications of the world economy and its affect upon us and how it has hit our pockets so much. So, just very briefly, I have never supported this and I will in fact be supporting P.103 today and I urge other Members to do so too.

1.5 Deputy P.N. Troy of St. Brelade:

The Council of Ministers in their comments said that they were going to accept the Deputy of Grouville's proposition. Well "Oh, yes, they are" or "Oh, no, they are not." Which is it going to be? It is going to be interesting to see because we have it in black and white that they accept the Deputy of Grouville's proposition, but there is a bit of wriggling going on now especially since Deputy Le Fondré lodged his proposition. Everybody is looking at Deputy Le Fondré's proposition and some Members have not even got it in the Chamber and have not even seen it so I think it is interesting to note that and I will read from Part (a) of Deputy Le Fondré's proposition it says: "To agree that appropriate increases with a total cost equivalent to the tax revenue that would be lost to the States if foodstuffs and domestic energy were exempted or zero rated for Goods and Services Tax in accordance with U.K. Value Added Tax arrangements." So, Deputy Le Fondré's is not a sum of money just for food exemptions, it is also for fuel. So, that is added on in his report I think as £1.5 million and the Deputy of Grouville's report is £1 million. So, his report is: "We will spend another £1 million to £1.5 million on top of the Deputy of Grouville's proposition." Well, that is good because we are into cutting spending where we can, but I think that Members are saying with the Deputy of Grouville's proposition we can vote against part (b) if she takes them separately and count out the dual element and just go with the food element, whereas with Deputy Le Fondré's we are doing both. So, I would like to point that out to Members and I have had a quick look at it; Deputy Le Fondré has mentioned several options in there and what I would hate for us to do as we so often do is to reject one proposition today because we have another proposition down the line and then we get to the second debate, and then we start thinking about how we are going to reject the second proposition and then we end up with nothing. So, I am really concerned that Members might end up doing that. I prefer to hand back the money that G.S.T. payers ... G.S.T. payers are going into the shops and they are paying over their monies and we told them that we would raise £45 million, and it is going to be maybe £51 million, £52 million, so we are going to have an extra £6 or 7 million and it is coming from all G.S.T. payers. So, if we are going to give it back to them saying, "Well, we got our sums wrong" - well, I will not say maybe that there was a miscalculation. I did say for years that there would be a greater sum raised. But I think that if we are going to give it back, we could very adequately give it back to all G.S.T. payers through supporting the Deputy of Grouville's proposition. Then Members have to consider whether the proposition that we have before us achieves what we want to do, which is give money back to those who are paying G.S.T. Now, as Assistant Minister for Social Security, if this is rejected today then I am quite happy to work with the Minister - well, it would be in the new term, so we do not know what would happen - but whoever would be Minister for Social Security would have to come forward with proposals and those might be the same as Deputy Le Fondré's; they might be different to Deputy Le Fondré; when you get down to the nuts and bolts they might not be the same outcome as might be achieved because Deputy Le Fondré's is not specific. It says: "We allocate a sum of money and then it has to be jiggled around by the Minister for Treasury and Resources and the Minister for Social Security and the propositions that they feel is acceptable." Then it might come back to the House and Members might say: "Well, we do not like this. We need to change this in certain ways." So, Deputy Le Fondré's proposition is: "If this is rejected; if we get a new Minister for Treasury and Resources and if we get a new Minister for Social Security what are they going to do with the way

that all that money is split?" But the elements of Deputy Le Fondré is, once it is debated the sum of money is allocated, but the way in which it is allocated thereafter is not defined.

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

Would the Deputy give way a second? If there is any clarification, my understanding of the situation is that it could all be decided by this Assembly before our last sitting.

Deputy P.N. Troy:

So, Deputy Le Fondré is saying that the Minister for Treasury and Resources would come forward with proposals by the end of these sittings in conjunction with the Minister for Social Security?

Deputy J.A.N. Le Fondré:

I spoke to the Social Security Department and they said with the right will it could be done and in place before Christmas.

Deputy P.N. Troy:

Well, that is excellent, but my point is, is whether when we get to that situation - what I would hate is for us today to reject one proposition and move to another proposition - and if that did not come out in the right manner at the end of the day there would be some very disappointed people around. I feel that I have no objection at all to the Deputy's proposition and I am going to support it. I want to see something going back to those who are paying G.S.T. We have taken more from them than we said that we would effectively and I am quite happy to give something back to the community.

1.6 Senator F.E. Cohen:

I came to the principle of G.S.T. with a very simple concept that I supported the low rate across the board with one proviso that prescribed medical services and equipment were exempt and the Minister for Treasury and Resources agreed to exempt medical services and goods and I was satisfied. But the world has changed since then and Islanders' circumstances have fundamentally changed. Let us remember that G.S.T. was designed to deliver £45 million; a specific tax designed to deliver a specific sum. It was decided that the best way to do that was to have a low flat rate with no exemptions; perfectly fair under the circumstances. But 2 things have changed. One is that G.S.T. is now projected to raise £50 million and my feeling is it may raise more than that, and secondly that food and fuel prices have gone up by huge percentages. The result is that very many Island families are finding balancing their budgets much harder than they or indeed we ever expected. Middle income families who represent the large body are finding life really hard. They have to cope with very high university fees; they have to cope with significantly rising mortgage payments, if they can get their mortgage renewed, and now they have to cope with unexpected food and fuel price increases. As a States Assembly we have a moral obligation to respond. You can call it a u-turn. I am not embarrassed by a u-turn. If circumstances change, I will u-turn and I will u-turn again and I will u-turn again, and I was going to use the analogy of the satellite navigation system. So, I am disappointed the Dean beat me to it. Really, we must respond to changing circumstances. As far as targeting benefits is concerned, very nice, very precise, very accounting, but governments have a notoriously awful record of targeting accurately. They always leave people out because targeting is always based on some sort of averaging assumption. Removing G.S.T. on food will help everyone. It will help low income families; it will help middle income families and yes, unfortunately, it will help high income families as well. But it will prevent any families from having to apply for assistance and we know the effect that that has, which will be the result of targeting, however cleverly you construct it. I have made it very clear that I would have preferred a healthy food exemption model. I thought that was an opportunity to adjust our population's diet in a favourable way that could have potentially huge impacts over the years on the health of our society, but that was not to be. I would have preferred to have an exemption that exempted all foods, but we are now left with a proposition that will exempt foods based on the U.K. V.A.T.

(Value Added Tax) model and while, as I have said, I would prefer others, I now enthusiastically support the Deputy of Grouville's proposition and I urge other Members to do the same.

1.7 Senator M.E. Vibert:

I am sorry it appears to be a procession of Ministers, but I believe Members and the public would expect, and I believe it is right, Ministers and members of the Council of Ministers should share in this debate and express their views and can I say, Sir, I found this a most difficult issue to come to a decision on and a most difficult debate. What I believe is a most important thing is that we need to do something to react to changed circumstances, and though it has been a longish debate I would like to thank all those who have spoken so far because I have been influenced by the debate. There would be no point in our debating if everyone just came in with totally closed minds and just always voted in line with their preconceived conclusion. There would be no point in having a debate. We might just as well simply vote. It would certainly make for shorter State sittings, but perhaps not for best government. In this debate my heart and my head have been in conflict. Logic dictates that we should keep G.S.T. as simple as possible and that the best way to help the less well off is to target support. While my heart struggles to how to react to the increasing food prices to make sure everyone who has been hit by this is helped in some way, so that so-called middle Jersey and everybody else do not miss out. I think no matter how good a package is offered, it would be unrealistic to think no one would miss out. There are arguments both for and against and I am grateful for the email from Deputy Ryan who is unfortunately too unwell to be with us, who chaired the Scrutiny group to look into G.S.T. and in his email Deputy Ryan rehearses some of the arguments, and I hope you do not mind if I quote briefly from it so that his views can be heard in absentia. Deputy Ryan in his email says: "The crux of the arguments against agreeing the exemption is it favours the rich more than the poor" and he accepts it does to a certain extent, though not perhaps to the extent that many of the antis argue it. One of his conclusions is: "It is perverse not to help large numbers of really needy people just in case you happen to also help a few rich ones along the way as well. There are many other ways to tax the rich more if that is felt necessary." Another argument against he refers to is: "It is costly in terms of administration; the business" and as he points out: "There are a very small number of businesses that retail food in Jersey and an even much smaller number of contact points from a G.S.T. control perspective." So, he accepts there will be some costs, and again he thinks it is overstated. The cost to Government; again he does not believe that it will be as costly as thought because he says that to think that a retailer - and there are no local manufacturers of note - no matter how big, locally, would find it commercially sensible to attack a States of Jersey ruling on G.S.T. in the Royal Court, bearing in mind local legal costs as well as a market side is just laughable. In other words, he is saying because we would be adopting the U.K. decisions it is unlikely we would be challenged in our local courts. Finally, he addresses, he says: "You can do the same job easier by increasing budgeting and expanding the benefits sector" basically Deputy Le Fondré's package, and the straight answer, he says, "Yes, you can." But he says: "That is not what anyone with any moral fibre could advocate. The argument by extension of taking to its logical conclusion is that you would have 2 classes of people in Jersey; the taxpayers and the benefit drawers, perhaps to include pensioners; is that what we want as a society?" I thought it was important as the Deputy was not with us, but he bothered to email his views to all States Members that at least they got some airing, and I think it comes down to a question of how best to react to changed circumstances and I wish, as a member of the Council of Ministers, I had had Deputy Le Fondré's proposed support package before us when we discussed how we should react to the Deputy of Grouville's amendment to exempt basic food from G.S.T. But we did not have it and the Council of Ministers made its supporting comments in its absence. I was well aware and it has been borne out, particularly by the speeches yesterday, that whatever the Council of Ministers did we would be damned; damned if we supported the food exemption, damned if we did not. To put it bluntly, it was Council of Ministers "bashing" time. Well, we have been bashed and as the bashing has gone on, I have swayed one way and the other as I have listened to the various arguments. Unlike some who seem to have total convictions, I do not believe it is so

clear-cut. I believe it is a finally balanced decision. How best to help alleviate the unprecedented recent rising foods prices; is it by exempting basic food from G.S.T. or by targeting support? I finally decided by searching my conscience yesterday evening and mostly through the night as well and seeing where I believe the balance comes down in the best interest of all Islanders, and the Island as a whole. It was not for me a clear-cut, dogmatic decision of principle, but more of what is best for Jersey, as I say, in changed circumstances. The aim is the same, whether we support exempting basic food from G.S.T. or support Deputy Le Fondré's package of measures. It is how best to help our Islanders at this time of rising food prices. I do not believe introducing exemptions will be as bad as some would make out, but I accept it has its dangers and one of them, as I see, is making it easier for future States to put G.S.T. up in the future. But for me an important fact in deciding where the balance came down in the best interests of the Island, is the acceptance that many Islanders just do not accept there should be G.S.T. on food. I think it is important that as many Islanders as possible accept what the Government decides. I do not believe we have been able to convince a large number of people that G.S.T. should be retained on food in the wake of the unprecedented inflation rise in this area, no matter what alternative package is offered. I do not wish to see Jersey society any more divided than it already is. I would like to see those divisions mitigated. I will not try to guesstimate the public's balance of views, but I believe it is clear a significant number of people just do not accept that G.S.T. should be applied to basic food. I believe it is Government's duty to consider and take heed of the views of all and exempting G.S.T. from basic food may go some way to convince many that we do listen, we do react to changing circumstances and help us to have a more cohesive society and, on balance, I believe that is a price worth paying. I believe that it is with great consideration of the facts that I have ended up with the same satellite navigation system as the Dean.

Deputy J.A.N. Le Fondré:

May I seek - I am not sure how to do it - a point of clarification from either the last speaker or perhaps the Chief Minister can consider it when he speaks and a number of the Ministers have talked about widening the number of people on benefits effectively and the question, Sir, I would like to address ...

The Deputy Bailiff:

One moment, I am listening to Deputy Le Fondré's point of clarification.

Deputy J.A.N. Le Fondré:

The question I am asking, as a point of clarification, is could they answer how they square that with the proposition of the Council of Ministers to maintain the G.S.T. rebate system that is already in place?

Senator F.H. Walker:

Can I just point out that I have no wish to attack the Deputy, but it is about the fourth speech he has made on this proposition and I know you were not in the House yesterday, but I just thought you should be aware of that.

1.8 Connétable G.F. Butcher of St. John:

As one of the Members of this House that is not standing for election this year, I thought I would just make a few points regarding retailing. I have spent 30 years of my life in the retail industry. A retailer's job is to maximise profit. Retailers always have a price point and that point is what they can expect to get for their product and all I would say to this Assembly and the listening public, if you are naïve enough to think that 3 per cent will drop off your grocery bills tomorrow, you are naïve indeed.

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

I have been slightly concerned in this debate that very little play seems to have been made over the longer term aspects. They are all aware of the world crisis in terms of money lending, mortgages and so on and little has been mentioned of the affect that that will have on this Island in future years. It is my view that we may be in a situation where income tax returns are much reduced. No mention has been made of that. I think it is important to keep this G.S.T. tool as it is at present in the Minister for Treasury and Resources' pocket. By that, I mean that the present rate of 3 per cent, I consider to be sacrosanct. By approving this proposition I think that is put at risk and I am minded to vote against the proposition. I, in common with Deputy Ryan who is unfortunately not here today, was on the G.S.T. sub-panel together with 2 of my fellow Connétables. All the detail of G.S.T. is well rehearsed in my mind. The fact that the lower income quintiles are well supported, I am perfectly satisfied with. I was also interested to speak with a manager of a local, large, retail food outlet in St. Brelade only the other day and he made the point just as my colleague has done next to me that 3 per cent is just not simply going to come off. He pointed out to me that their biggest cost was transport and fuel surcharges and if those were to be addressed, food would be an awful lot cheaper. So, there is no doubt that it is a natural reaction to be against any taxation; human nature dictates that. But having decided some 6 months ago to put this tax in place, we must let it run so that we can make a proper, sensible balanced decision and not succumb to short term populace pressures in this election year.

1.10 Senator F.H. Walker:

The Council of Ministers have been accused of a lack of conviction, a lack of leadership, an embarrassing u-turn and electioneering. I think we were also accused of setting up an experiment yesterday which could have brought the end to the world. In fact the world has not ended. The world has not ended and the world has not ended politically in Jersey either. If Members want to believe that this is an embarrassing u-turn and it is electioneering; that it is a lack of leadership or whatever, that is okay. I can appreciate where they are coming from. I understand that reaction to our support for the Deputy of Grouville's proposal on food. If some Members - and there is no doubt this does apply to a number of Members - I have been delighted at the opportunity as Senator Vibert said "to kick" the Council of Ministers prior to the election; well, that is fine as well. We are quite accustomed to that and we can live with that and I am glad that Deputy Southern is acknowledging what I have said. I understand that as well. But what is remarkable is how much of this debate has focused on the position of the Ministers rather than on the issue which is whether or not we remove G.S.T. on food. Some Members have been so intent on kicking the Council of Ministers who did not even bring this proposition, but that is another matter. We would have brought a similar proposition had the Deputy of Grouville not frankly beaten us to it. But it is remarkable how many Members have focused on the Council of Ministers rather than on the issue. I do not think that is what we should be debating. I can also understand though the anger of those whose election platform has been pulled completely from under their feet, who can now no longer stand up and say: "I am standing on a platform of removing G.S.T. on food." Sorry, my sympathy is entirely limited. The issues go far beyond electioneering. Let there be no doubt at all that the Council of Ministers' support for the food element of the Deputy of Grouville's proposition was only given because of our absolute conviction that because of changed circumstances something had to be done to protect those people of Jersey, particularly those on lower and middle incomes, against the ravages of unprecedented price increases; unprecedented price increases. Sir, I will just make one final point about electioneering. We are told in the same speech by the Deputy of St. John and one or 2 others that this is electioneering. On the other hand it is bond with the public. But it cannot do both. Let us wait and see who will now stand up, who will vote against this proposition, who will then proudly stand up at the elections and say: "I voted against removing G.S.T. on food even though you are paying 13 per cent more for it now than you were a year ago and I voted against a package of measures on fuel even though you are paying 26 per cent more for it now than you were a year ago." I look forward with interest to see how that goes. Members have quite rightly pointed out how strongly the Council of Ministers fought off I think it was in 4 debates

the exemption or zero rating of food in the original G.S.T. package. We did. No 2 ways about it, we did. Knowing that we would get flak flying straight at us for u-turns, a lack of conviction or whatever, why on earth did we come forward and support the Deputy of Grouville's proposition? There has to be a darn good reason. Some Members may disagree but I do not think we are entirely stupid. We were well aware of the flak that the support for this proposition would attract and yet we went ahead with it because after agonising debate - and as Senator Vibert has said a heck of a lot of heart searching and soul searching - we decided it was an appropriate reaction to a total change in the circumstances of everyone who shops and everyone who lives in Jersey. Things have changed. Those who suggest like Senator Perchard that nothing has changed are completely out of touch with what is going on in Jersey and indeed anywhere else. **[Approbation]** Things have changed and a reaction is absolutely essential; not desirable but essential. Anyone who argued that nothing has changed will not only vote against this proposition but vote against Deputy Le Fondré's proposition as well because if nothing has changed, why change anything? So I am afraid Senator Perchard and one or 2 others cannot exactly have it both ways. I mention Deputy Le Fondré's proposition. I will come back to that somewhat later. Sir, Senator Perchard said this is the fifth debate we have had on this issue. He is right but it is the first debate we have had since these circumstances changed and since prices rocketed. Although some obviously would like to pretend that it has not made any difference, the fact is that people of Jersey in common with people in many other places in the world - but our focus obviously is on the people of Jersey - are suffering and suffering badly because of these - I say it again - unprecedented rocketing in prices. They are rightly looking to their Government, the States of Jersey, to come to their rescue and do something about it. Exactly what the Council of Ministers is doing in supporting this part - the food part - of the Deputy of Grouville's proposition on G.S.T. and exactly what the Council of Ministers are doing in coming forward with a directly targeted package to help those who are suffering from huge increases in their fuel costs. We are coming to the rescue. The Deputy of Grouville is coming to the rescue and we are coming to the rescue of those members of the public who simply cannot afford the off the scale increases in their basic essentials. If that is a lack of leadership, okay, I am more than happy to be accused of a lack of leadership in that context. More than happy. In no way, despite the suggestion of the ace reporter of the *J.E.P. (Jersey Evening Post)*, in no way do I consider this to be an embarrassing u-turn. A u-turn it may be but I think the Dean put that brilliantly into perspective. Circumstances changed. We adopted and adapted our policies to meet that change. Embarrassing? Not in the slightest. I am proud of it because it shows that we will not stick to political dogma. We will not stick to policies in the light of tremendous change. We are prepared to adapt. We are prepared to be flexible to help people who we now know are suffering far more than they were a year or more ago. Anyone who suggests that the Council of Ministers have gone spineless should perhaps stop to reflect on our record because we have never been afraid to stand up for what we believe in. We have never been afraid where it is necessary in our view in the best interest long term of Jersey people to court unpopularity. We have stuck to our guns. We have not gone belly up on this. We have come forward with a totally genuine reaction which we genuinely believe has to be done. It is interesting. If we had ignored the increase in price, if we had opposed the Deputy of Grouville's proposition, then we would have been accused of a lack of caring, of ignoring the hardship that people are suffering in Jersey. There they go again, the Council of Ministers not in touch; just continuing with their own political agenda. I would dare to say that if we had supported Deputy Le Fondré probably many speeches that we have heard yesterday and this morning in favour of his proposition would have been exactly the opposite. They would have been opposed to it. But I guess that is politics. I even understand that we have been accused of a conspiracy theory. That apparently we are supporting the Deputy of Grouville's proposition knowing that that would create opposition in a sort of underhand way to ensure that Deputy Le Fondré's proposition wins. I wish we were that devious. I really, really wish we were that clever. But I commend the people who have such an unbelievable mind who can come up with such a conspiracy theory. It says far more about them than it does about the rest of us. Sir, the second reason we are able to support and do support the removal of the G.S.T. - the zero-rating of

G.S.T. - on food is because G.S.T. despite the critics, despite the knockers, has been a success. It has not brought about the end of the world as so many people predicted it would when it came in. In fact it has come in very smoothly, very quietly and though no doubt still generally unpopular - people would far sooner not have it; so would I - but, nevertheless, it has been a success. It has been a success also to the extent that we now expect to generate more money from it. Deputy Troy has been forecasting this, to his credit, from day one. We now expect to generate more income from it than we did in the first place. We have always said that we would only tax people to the extent we needed it and here in the light of these very adverse circumstances and situation we have an opportunity to give the extra back. We have been criticised for supporting a proposition which would cost £300,000 but this is public money. It is the public's money. I would have thought that most people would have thought an investment of £300,000 to give them back £4 million was not a bad investment. I wish I could do that more often with my investments than I certainly can at the moment. It is a good investment for the public. It gives them back what we believe in these circumstances they are entitled to. It does nothing - nothing - to attack the 3 per cent rate. Those who have suggested that this will mean the 3 per cent rate will change are off beam. This is additional money. The 3 per cent rate was guaranteed to stay in place on the back or on the prospect of £45 million income receipts. We now know it is going to be £50 million or thereabouts so we can afford to give it back without putting the 3 per cent at risk. That is a scare story which does not hold water. The other suggestion that I heard this morning in one of the speeches was that food prices would not come down by 3 per cent if G.S.T. is zero-rated. I do know, and we heard earlier, we do know that the Co-op will reduce their prices by 3 per cent and I would suggest if they do, there is no way that the other major retailers will not follow suit because they just would not be able to stand the market forces. That will force other retailers to follow suit as well and the 3 per cent I have no doubt will come off. It has also been suggested that by adopting this u-turn or whatever it is, we could be seeing the end of G.S.T. as we know it or that we are moving over to a complete U.K. (United Kingdom) system. What nonsense. This is no way the end of G.S.T. and this is no way a move to the U.K. system - well, it is on food - but it certainly is not. The House rejected yesterday Senator Norman's contradictory attempt to first of all say we should not be moving to the U.K. system on food and then propose that we should move to it on just about everything else. The House rejected that. We are not going down that route. This is, I repeat, an appropriate reaction to totally changed circumstances. So far as fuel is concerned, Members have 4 choices. They either go with the Deputy of Grouville, they accept the Council of Ministers' amendment or they reject them both and go with Deputy Le Fondré's proposition or - and I hope nobody is seriously considering this - they do nothing. I do agree again with Deputy Troy to reject this proposition today and then reject Deputy Le Fondré's proposition next week would be disastrous because we would send out the message then - and I fear for anyone standing for election on that basis - that we are doing nothing in response to what is going on in the Island at the moment. The Council of Ministers have brought forward amendments to the Deputy of Grouville's proposition which we believe are more precisely targeted and they are part of an overall package of initiatives which will directly meet the needs of those people who are suffering from greatly increased heating bills. There is a difference between food and fuel. People have to eat to live. They do not necessarily have to heat their houses. We all know of circumstances where people cannot afford to heat their houses or are cutting back on heating or whatever. We believe that the Council of Ministers' amendment is more precisely targeted at those people so it will enable them - give them the support they need - to meet their fuel bill commitments. The Council of Ministers has a complete package which is aimed at supporting the less well off, both in food and fuel and in other ways. The package includes freezing fuel excise duty, increasing income support to cover food and fuel inflation, increasing the winter fuel allowance by 28 per cent, deferring until October 2009 - a full year later than originally accepted by this House - any reductions in income support for households on transitional relief, allocating £1 million more for home insulation grants and energy efficiency advice, improving the bus service and capping bus fares, and accelerating the programme for insulation on States social rented housing. Add to that what we have already done

as approved by this House, which is the extra up-rating of income support by 3 per cent to cover G.S.T. in the first place, an increase in the winter fuel allowance by an extra 3 per cent to cover G.S.T. on fuel, interim G.S.T. grant to cover cost of G.S.T. on food for those who do not pay tax or receive benefits, an increase in the income tax exemption limits by 6.5 per cent and a 20 per cent increase in income tax child allowance. The Council of Ministers has a total, comprehensive package - some of which is approved, some of which is yet to come forward - all aimed at protecting the less well off in our community. We believe that part of our package which we are proposing as an amendment to the Deputy of Grouville's proposition today is a more appropriate way forward to protect people against their fuel bills than her proposition but Members obviously have a choice. Can I finally turn to Deputy Le Fondré's proposition? Can I say - and I know my views are shared by a number of Members - I think it is a great shame that because of procedures - and we do need procedures, we do need rules obviously - we are prevented from debating Deputy Le Fondré's proposition at the same time as we are the Deputy of Grouville's proposition because in many speeches yesterday Deputy Le Fondré's proposition dominated Member's thoughts. It is a shame that the 2 debates have to take place a week apart. I wonder whether we cannot be more flexible at some point in the future if these circumstances arise again. I congratulate Deputy Le Fondré on coming forward with a proposition which does represent - there are no 2 ways about it - a genuine alternative to the proposals of the Deputy of Grouville and those proposals as amended by the Council of Ministers. What it does is give the House a choice. I very much hope the House has rejected the option of doing nothing and I very much hope that the House will decide that something has to be done. Deputy Le Fondré has given the House a choice. That is fine. That is democracy in action. I make no criticism of him for doing that because it is a genuine choice. Whichever way Members vote, they will be showing that they do wish to respond to the situation that is badly affecting everyone in Jersey. Either way in my view the House will be showing leadership and its ability to act proactively and quickly. But having said that, Deputy Le Fondré's proposition is not a panacea as some would have us believe. It does not answer all the ills. It does not answer all the questions that are being posed by current circumstances. Unlike the removal of G.S.T. on food, there is no way that it can be argued that it is going to help everybody because there are people who it will not necessarily help. Senator Shenton was quite right when he said that the effect of it will be - and people's opinions on the desirability or not of this will differ - it will encourage more people or will drive more people into income support. Now Members may think that is okay. Members may think, as many do, that that is not good; that that is bad. I reiterate the words of Senator Kinnard, I believe that the Deputy of Grouville's proposition as supported by the Council of Ministers is a more direct and, in these circumstances, a more appropriate and will be much better appreciated result, outcome, answer to what is currently going on. But I do accept it is finely balanced. It is very clear from, for example, Deputy de Faye's speech yesterday that the Council of Ministers is not united on this. That is fine. That again is democracy. I have never insisted, contrary to the belief of some, that the Council of Ministers has to be unanimous on everything. You may hear other speeches from Ministers which support Deputy Le Fondré's proposition. There is no problem with that and there is no dictatorship, but I wonder what they will be doing for a job next week. But the fact is, come what may, Ministers are entitled to take a choice. It completely debunks the myth that there is a dictatorship here and we make decisions behind closed doors because this choice is freely made on the floor of this House, which is exactly where all major decisions should be made, indeed have to be made and always are made. But the important thing is the Council of Ministers are totally united that something has to be done. Doing nothing is not an option. I will wholeheartedly support the Deputy of Grouville. I believe her proposition is the most appropriate, is the most direct and is the proposition that would have the most impact and most beneficial impact on the people of Jersey. But, Sir, Members do have a choice but I hope they will not make that choice believing that Deputy Le Fondré's proposition although entirely valid, as I have said, is indeed a panacea and answers all the questions because it does not. The Deputy of Grouville's proposition in my view is, as I have already said, more appropriate and I will give it and continue to give it my full support.

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

Could I ask the Chief Minister a point of clarification regarding domestic energy; the sudden alternative package compared with the package of sudden measures? As the Council of Ministers is about to come to an end, is there any way the Council of Ministers can give a guarantee that all these measures which obviously some are not in place at the moment ... is there any way that, for instance, the one about the buses and freezing the bus fares, will they be able to be put in place, were part 2 rejected, during the lifetime of this Council of Ministers by the end of the year?

Senator F.H. Walker:

That will depend on the House. I did make it clear I hope that it was an overall package of measures and in part that will depend on the outcome of the V.E.D. (Vehicle Emissions Duty) debate. But certainly if the Deputy of Grouville's proposition on fuel is successful then Ministers would need to look again at the overall package. I cannot say any part of it would completely fall. I cannot say it necessarily will all be guaranteed to succeed. But we would have to look again at whether or not all the elements of the package that we have put forward and/or wish to put forward will still be possible.

The Deputy Bailiff (in the Chair):

I think the question was the other way round, was it not?

Deputy C.J. Scott Warren:

I was asking the fact if the domestic energy provision failed, would the package be able to be put in place by this Assembly?

Senator F.H. Walker:

Sorry, Sir, I misunderstood. In which case if the House approves further propositions from the Council of Ministers and in particular the V.E.D., yes.

1.11 Deputy G.P. Southern of St. Helier:

It is indeed a pleasure to speak after the Chief Minister and for once wholeheartedly support his position. **[Approbation]** We have already heard from the Dean today but I will just give a quick hallelujah, hallelujah, the Council of Ministers have finally seen the light. I have been arguing for the past 5 years that G.S.T. **[Interruption]** (a) is regressive; and (b) is bureaucratic; and (c) is the wrong way to go and supporting exemptions time and time again because of the regressive nature of the tax. I still believe it is the wrong tax for Jersey but, having said that, to tax food is the worst step of all. I want to just put that into context. Is G.S.T. a tax on the poor? Of course it is, and we will demonstrate that later. In particular, yesterday we had a very confused debate where people were making assertions and proposing alternatives in a very confused way. They were perhaps highlighted by the speech of Deputy de Faye. I am afraid yesterday Deputy de Faye proved his lack of understanding of basic economics when he rubbished the issue that G.S.T. is regressive. It is widely held with economists as well as lawyers if you get more than one of them in the room, if you get 17 in the room and ask for an opinion you will get 17 different opinions. Or 18, yes, thank you, that is the joke. If you were to ask 17 economists in the room is G.S.T. regressive, universally they would say, yes, absolutely. Then ask them is G.S.T. on food in particular regressive and again they will be undoubtedly unanimous in saying absolutely. How much can one person eat? Rich or poor, how much do you spend? How much can you eat? So on food - the basic essentials - even more regressive. I will just demonstrate that with the figures that we have for our own G.S.T. tax. Finally, I do want to address, because Senator Walker left it open and said there was a realistic choice between today's proposition and possibly one next week, and I do want to address some of the issue that are contained in Deputy Le Fondré's proposal because I promised him yesterday that I would read it thoroughly and come back with a response. I expect that he is waiting for it.

Connétable K.A. Le Brun of St. Mary:

Could I kindly interrupt you if I may and ask to speak because I have not read Deputy Le Fondré's one because, as far as I am concerned, that is for next week. I am rather disappointed you were not stronger in the Chair this morning when everybody was looking and they had the opportunity. All the speakers that spoke yesterday had no opportunity at all to refer to Deputy Le Fondré's one in that respect. I do not feel that we are discussing Deputy Le Fondré's projet today and yet there is a lot of reference being made to it. There are a lot of people who have not referred to it because I am of the opinion that is for next week's debate and not this week's.

Senator S. Syvret:

A point of order. In fact a variety of speeches since this debate began have dealt extensively with Deputy Le Fondré's proposition because it is germane to this debate. Indeed the Deputy himself made a lengthy speech about it. So the genie is out of the bottle as far as that is concerned.

The Deputy Bailiff:

In my judgment it is in order to refer in general terms to Deputy Le Fondré's debate. Clearly Members are entitled when deciding how they are going to vote on this matter to take into account an alternative which has been mentioned. The level of detail I think has to be controlled but a general discussion of alternatives is clearly a material factor so I see nothing improper. Deputy Southern, you were on your feet.

Deputy G.P. Southern:

The first point I was going to make was that we should not be considering the alternative. It is not here today. We should be voting on what is here today with or without the support of the Council of Ministers and dealing with this issue in what I believe is the best way to deal with it. The bringing of a proposition of an alternative is a tactic that is often used in the House and basically it is about delay; do not decide today, we have something coming along later. It is always a mistake to trust that sort of mechanism. We have to deal with this issue today and we have to vote on it in the light of its merits. The problem for the Council of Ministers, and for many people in the House I believe, which resulted in yesterday's feelings being expressed, was down to the way in which G.S.T. has been presented by the Minister for Treasury and Resources in particular, but the Council of Ministers in general. It has been presented with a lot of spin and a lot of absolutes all the way through. "It is the only way forward" was the first bit of spin. "We have examined all the alternatives and this is the least bad alternative", second piece of spin. Simply not true. But nonetheless Members were persuaded. Then we were told - and this is a big one and I have held the Minister for Treasury and Resources to account for this - "G.S.T. is only slightly regressive if you measure it against spending". Actually if you measure it against spending it is proportional. It is identical. Its effect is the same whether it is ... however, no economist in the entire world would say that is the way to measure regressivity. It must be measured against income. If you do that the figures are very, very clear. Given our income distribution as we currently understand it, operate it since it was first established in 2002, we get a ratio of G.S.T. per household in the quintiles. In the bottom quintile a simple ratio of 1:43. It does not matter what that is. That is weekly income. G.S.T. spend over the year against weekly income: 1:43. Go to the top - the wealthiest quintile - that goes down to 0.76 so a ratio of 2 to one. The impact of G.S.T. is twice as proportionate on the lowest quintile as on the highest. That is clear; clear regression. The middle quintiles all about the same sort of proportion; around a figure one. So it is regressive. Then we look at the proportion - very simple household expenditure survey - of spend that goes on food. It is table 2.4. It is not hard to find. Food and non alcoholic drinks in the lowest quintile 14 per cent spent on the basic foodstuffs and drinks. In the highest quintile, albeit that it is more in absolute terms, percentage-wise amount proportion of your income spent on food 7.6 per cent. Again regression. The proportion spent on food is most in the poorest household and least in the wealthiest household on the principle that however expensive your food, how much can you eat? You simply cannot spend that much more on food because all wealthy people are not enormously round and fat. It does not

happen. In the simplest of terms the alternative that has been presented - and I will deal with that now or some time later - which may or may not get accepted in some sort of form which comes on the back of basically 3 pages of documents. Earlier in the week Deputy Pitman was criticised for suggesting that we move forward and take a policy - an in principle decision - to be delivered in 3 years' time to ask the P.P.C. (Privileges and Procedures Committee) to do a major move in 3 years' time. That was rejected because it was on the back of a mere 3 or 4 sides of a proper backbench proposition. Yet today or yesterday we were getting speaker after speaking saying on the basis of 3 pages and a roughed up proposition we should make major changes to our income support system and rehash it altogether. That cannot be right. That cannot be right surely when at the same time we are in debate - and it will be debated next week on the Annual Business Plan - whether the Social Security is saying we cannot possibly start mending the income support scheme until we have reviewed it and we are not intent to review it until 2010. So tomorrow or next week we should be making significant changes, amending income support when the official position is we cannot do anything until we have reviewed it properly and we know exactly how it is working in 2010. I do not think that is a case put forward at all. While the proposition of Deputy Le Fondré does have some merit and is a possibly viable alternative, the simplest and most effective way is to simply take off G.S.T. on food and it is the most effective way. Whatever the arguments that were said yesterday, that is the way to deliver. If you want to make sure that you are targeting the poorest that is there. It is regressive. It does damage the poorest most, and significantly food is the biggest element where the biggest differential in spend concentrates on the lowest. If that is what you want then not charging the tax does it. If you want to at the same time make sure that everybody who is feeling the pinch gets something then not charging the tax again hits the button. It does it. So both of those arguments which were produced time and time again yesterday as the merits of the alternative are already met in this particular project. But I can understand, as summed up perhaps most accurately by the Deputy of St. John who has just walked in, when he said - and I think I quote him accurately - do it another way but do not support this proposition. It was almost a cry of desperation. Yes, it should be done but let us do it any other way than taking tax off food. Why was this so strongly held yesterday and why were people genuinely concerned and upset about the apparent u-turn? I will not speculate about the reasons for that at all in this Chamber. I can save it for elsewhere. Whatever the reasons for the u-turn people were rightly miffed. Why? Because of the propaganda machine that was on full and has been for the last 5 years. We were told that it was absolutely essential and vital and impossible to deliver unless we kept it single rate on everything. Time and time and time and time again. Of course that was not true. A more reasoned argument would have been we can choose exemptions, we can go down the U.K. route, we can follow a New Zealand model or whatever. There are viable alternatives, different ways of delivering, all of which can be delivered. Here are the pros and cons of each. But, no, we had the spin machine out going full blast, absolutely vital. So, surprise, surprise, when the Council of Ministers turns round and takes G.S.T. off food, which it should never have done in the first place, people are upset because they have been persuaded by the Minister for Treasury and Resources in particular that it was absolutely essential. They have gone out and talked to people and said, yes, I know it is a nasty, horrible little tax but it is the only one available and we are persuaded that we have to have a single rate because that is the only way to do it. Now people in this Chamber are saying, good grief, not only is it embarrassing for Ministers; it is embarrassing for us because we have talked to people. We have gone out there and said, "Reluctantly I have had to support it because I am told time and time again that it is the only way forward." Again yesterday we had this confusion. We are using arguments that should be used on the principle - the nasty principle of G.S.T. - on this exemption. It is the wrong target. The target for those sorts of arguments is about G.S.T. not about the exemptions. The second one is of course that the exemptions are bureaucratic. Hang on, again go back to the fundamental argument that we had 5, 4, 3 years ago. Is G.S.T. the most bureaucratically simple and administratively simple way to gather this tax? No, it is not. It never was. The simplest way to gather tax is through machinery you already have there: income tax, social security, rates or an equivalent, a land value tax. You already have that collection

mechanism there. You might have to build on it a little bit but you do not have to employ 10 new civil servants to collect it. It was never bureaucratically the best. We were persuaded though it was bureaucratically the best. But now we try and exempt something, it is a bureaucratic nightmare. It is going to cost £300,000. Hang on. Wait a minute. If you need to enforce and assess what is happening then with or without exemptions, it is the same job. It is a very similar job. The extra loading is not that great. It cannot be. You have to check reports. You have to check G.S.T. returns. You had to do that whatever system you have. If you have exemptions, yes, it is a little more complicated. It is not enormous. Just consider for a minute - again I will return to the alternative of Deputy Le Fondré's - what is administratively simpler in order to not charge £5 million worth on food? Is it easier not to charge the tax or is it easier to charge the tax and then pay it back? As Deputy Baudains said, that is an administrative nightmare. We will take it with this hand and we will do a calculation with it. Whoops, the pound I just received from you just became 75 pence and I will give you that back because I have had to employ people to mess around with it. Is it administratively simple? Yes, simply do not charge it. It was described yesterday by Deputy Le Fondré as, "Please wait for my proposition and do not go with this emotional and impulsive proposition." Emotional and impulsive, no. The facts say this is the best way to deliver the benefit we want to deliver. As for impulsive, as we keep on reminding ourselves it has been around for a long time. Exempt food, it has been there for 5 years. This is the fifth time we debated it. It is not impulsive either. The facts are clear. This is the best way to deliver the Council of Ministers' intentions and I am sure the intentions of every Member of this House to protect at this stage consumers in our Island from the worst impact of G.S.T.

1.12 Deputy A. Breckon of St. Saviour:

Just looking at the proposition it is easy to see it was lodged on 17th June so if any Member wanted to propose alternatives or amendments to it then they have had, as we stand now, 3 months to do it. Although Deputy Le Fondré's amendment is rather late in the day he did have 3 months to do it so I would perhaps suggest it has taken a long time for the penny to drop for him and 2 others. The reason I say that, is I think part of the reason that the Deputy of Grouville lodged this proposition is the signs were there which again for the Council of Ministers or some of them it has taken a long time for that particular penny to drop, and for some of them it perhaps still has not because there is a lead and a lag in what is happening and how that translates into a price. If we look at the economic indicators - and they were there in world markets - things that are affecting basic foodstuffs as well as supply and demand were things like flood and drought. World demand includes what are now becoming the engine rooms of the world, India and China, the demand being made there on all sorts of products. When we come to basic foodstuffs, I think I said before in earlier debates, if you look at somebody who is maybe going to get stuff for their children's breakfast - cereals and milk and bread and fruit juice and things like that - then I think I said at the time we as a Government to tax that, we must be morally bankrupt to do it in the first place. We have done it and now I think we are doing not a u-turn. I think we are seeing the light as it were. The other thing that is affecting things is that lifestyles are changing west to east and east to west. That is putting pressure on markets and on demand. It is demand and supply but it is also volatility. On things like oil and crude there are things like outbreaks of violence and engineering problems that affect world markets very quickly. We cannot be expected to react to that. But having said that, we have to be aware of it. If people are paying basic energy bills that are linked to that, we could perhaps do something. I think that is also included in this proposition. The other thing that there are by-products associated to oil that affect the price of foodstuffs being delivered where we buy them, for example, cans. The back end of last year there was a producer had things to put in but he could not get the cans to put the stuff in because of the world demand on metals. Obviously that affects supply and demand. There were articles that were freely available that were saying these very things. The other thing is the facts are there. If you look there are some substantial - and I mean substantial, 50 per cent plus - price increases in some very, very basic products; margarine, fats cooking oils, pasta. Some of these areas there have been riots in the streets because of

shortages, for example, in Mexico. So that is the extent of food crisis if you like. The other thing, I think there has been professional opinion from analysts and others that oil prices and indeed basic food prices will stay high. I do not think it is a blip. It is something unfortunately that is going to be with us for some time. Some is opinion but some is fact because things have happened. I do not think the Council of Ministers or any number of them are doing a u-turn. What they are doing is they are reacting to a situation they have found and said many - in fact all of Jersey's population - are having some difficulties in these areas so we will make a concession to that on basic foodstuffs and we will make it fairly simple and that is how we will do it. The U.K. system, I believe, would adapt to Jersey as a sort of bespoke system that certainly the big operators could use, and I think they are well aware of that. In regards to domestic energy another term has surfaced quite recently, and that is fuel poverty. That is when a household - sometimes it might be a single pensioner or couple of pensioners or a young family - are paying a certain percentage of their living costs for heat and light. I think we have that in Jersey. We may be there already. It is a concern to many. They do not want to be linked to some allowance where somebody is watching a thermometer to see if they get an extra 10 pence or something like that. I think that is nonsense. I think we should be fair with people. Energy prices are a little bit higher. I think we could do something to assist that by removing the G.S.T. element. It would help and it would be a concession to somebody who uses a lot of electricity or lots of money but I think you will put in a safeguard which will give basic protection for many people who may be concerned about switching heaters on and the like if they do need them. Also I think in the domestic energy, in Jersey we have a lot of people who use heating oil for their central heating and indeed for the whole hot water systems. There is a rather large market in Jersey. It is skewed. It is not quite the same as the U.K. market where there are more gas users in domestic. But I can say that the price of central heating oil has risen substantially over the last 6 or 9 months. Inquiries are being made into this. I will say no more on that at the moment, Sir. I think what the Deputy of Grouville has included in her proposition again is sensible because it is the right thing to do. It will give some relief to many who are perhaps on the margin. But having said that, do we need to means test everybody to the ninth degree? In summary, I think the Deputy of Grouville's proposition is supported by some and not by others but for me, Sir, it shows a great deal of common sense. It reacts to circumstances that are very, very real to people every day. I do not think it is about the Council of Ministers and others. I think it is how we in a House should react to this. I do not think anybody should have to be on income support and be making the case of why they should have something. If a few people who get something, and perhaps they are not as badly off as others, then perhaps that is somewhere where we should not to be going. That has always been the case. People receive Christmas bonuses and bus passes and things like that. We do not want to dig too deep. I think I for one can live with that. I think the U.K. system would adapt to this. It is not too costly to do. In the present circumstances, Sir, I think it is the right thing to do. I can well understand the Council of Ministers' dilemma because they were damned if they do and damned if they do not. They have reacted to a set of circumstances. Although they have been criticised I think they would have been equally criticised if they had done nothing. I think in the circumstances I do not think it is about drawing a line there. I think it charges the House with looking at the reality of the situation and voting accordingly. I hope Members will support the proposition in its entirety.

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

This is one of these moments I have been as ever utterly confused. It is one of these moments of real politic where we are seeing an unholy alliance between a Deputy pioneering a certain move and a Council of Ministers who are on the electoral rack as far as I am concerned. This notion that they have woken up to the deteriorating economic situation in the world as Deputy Breckon was arguing and have had to react is, I am afraid, misplaced. I will wait for the final speeches and as ever I would balance more towards the Deputy of Grouville. But I am not sure the case has been made. I was looking to a much more vigorous defence from the Chief Minister. I missed that because I thought I could engage in a real comeback. But given his considerable propensity to dig

himself out of holes, he was fairly neutered I felt today. I was looking for a really good comeback. But what I think has been missed in his presentation, and in the way some people are entirely attributing this issue to global trends is there were some very serious points made in the early debates about G.S.T., about the whole overall taxation system; the balance within that system, the direction of that system, the fact that for years and years people have pushed for land property development taxes and they have been resisted and resisted and resisted. All these issues were boiling under the surface and were never truly addressed in the G.S.T. debate. Yes, there was a total tightening up of the system through, for example, means like 20/20 and so forth. To this day I do not think the Council of Ministers have yet seen what those real issues were. But in order to have a fig leaf with which to go to the election they have had to hastily execute this u-turn. For all of us I suppose, or some of us, it happens to be a convenient unholy alliance but that at the end of the day is what it amounts to. As I said I had hoped for a much more spirited defence but it was quite clear from the Chief Minister's response that he sees it as the need for an instant response to global trends and not as the case for major reforms because we all know that at the end of the day the Council of Ministers is essentially disconnected from most of the Jersey electorate. This attempt to make some rapid, superficial, last minute connection, it will not work but certainly in terms of bravado I have to give them full points for it. It will not work but in terms of bravado, well done. The role of Deputy Le Fondré as the Council of Ministers' stalking horse has been one of the more intriguing aspects of this whole episode. I do feel that that motion which is being argued under the surface throughout this debate as the Constable mentioned. I think his particular proposal, Sir, has been the stalking horse to this whole debate. Again, it does not address the broader issues which were never answered and which were railroaded over during the initial debate about G.S.T. when we were looking at the overall tax system and considering the consultation papers which had started years and years ago. As a debate it has been entirely satisfactory but we all know in politics occasionally you engage in real politic. More than occasionally you make unholy alliances. As the Constable of St. John said, whether we get a 3 per cent reduction is questionable. Whether we get it, even that is doubtful. You only have to look at the pressure the U.K. Government came under with petrol duty where they have agreed I think not to move ahead with 2 pence on a gallon although circumstances even there have changed that. They have agreed not to but the rise in petrol was well, well beyond as we know 2 pence but it was symbolic and it showed that the Government was doing something. I have no problem with symbolic acts. I do not like having to be dragged along a path to try and save the electoral bacon of the Council of Ministers. That is the path we are being dragged along but this is one unholy alliance which clearly some of us are going to have to buy into.

1.14 Deputy A.E. Pryke of Trinity:

What a difficult dilemma. I think the main aim of all of us is to help those in lower and middle income. Is this the most effective way? I have spoken to many of my parishioners over the last months and people stop me in the street on the subject. I am surprised the majority of people have said, "Was the idea not to keep G.S.T. simple - not complicated - and more importantly focused on those who need it?" **[Approbation]** Over the last months and years when we have debated G.S.T., the Council of Ministers have stressed keep it simple. The public and I have gone with them, trusted them and supported it. I will keep to what I believe is keep it simple. This system has only been operating for 5 months. Putting aside the Council of Ministers bashing, people matter. This House has agreed after much debate to put G.S.T. on food. The first time I voted for exemptions but was persuaded in subsequent the most important thing was to keep G.S.T. simple with no exceptions. But we have heard that we will have more money in; £5 million plus is what is predicted. Morally it is right to give it back. I totally agree with that. But we must give it back to those who really, really need it. **[Approbation]**

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

I have sat quietly over the last day or 2 listening and hoping to hear new reasons for changing the flat overall rate of G.S.T. and exempting food. However, none of the reasons that have been brought forward over the last day and a half are new. They were all addressed in November 2007 when we were debating this exact topic. Indeed as a direct result of that debate and based on all the advice that we have been provided up to then and at that time, we determined that a far preferable way of sharing our improved tax revenues with Islanders on low and middle incomes would be by further increasing the income tax threshold. Also we made an agreement and entered into an agreement with the 8,000 people involved in the low income support to shield them from any increases in G.S.T. which we have done. We have done. Is it enough? Probably not. Do we have a properly defined and working income support scheme? Absolutely not. We see examples being brought to our attention almost daily. People wanting to work and feel that the benefit system is not helping them. Let us help those individuals in a proper and direct manner. We have our income support scheme that has only just started. Yes, it needs to be improved. Well, let us improve it. We have our G.S.T. in place. I mean, someone said 6 months. I think it is 5. Five months, and yet all of a sudden we have this knee-jerk reaction because of increased prices, food prices. **[Approbation]** I absolutely agree that we need to properly respond and ensure that people are not disadvantaged by this issue, so what is the answer? According to the Deputy of Grouville and others who are absolutely keen as anybody to help these people, it is to exempt food. Fine. That will give a short-term solution to the problem, because once we have removed the 3 per cent off food, you cannot remove it again. There is no more help. Prices go up, then what do we do? We have Ministers suggesting: “Well, if we zero rate food, if things change and prices come down” which is as possible as prices going up, I mean we have all experienced that in our lives: “then we can add G.S.T. back to food.” Well, that is clever. Does that really deal with the issue? I do not think so. The Dean absolutely rightly focuses on who we need to help and it is the people who are less fortunate than ourselves, whoever they may be. If in all honesty our income support scheme needs to help more people then let us help more people. If we want to drag people out of poverty and help them and enable them to positively provide and participate in our community let us do it. Let us not just do this. This does nothing. It may take 3 per cent off the price of food. Three per cent. It does not do anything else. It might put an extra few pounds in certain people’s pockets, short term. Short term. That is totally the reason why all, and I stress all the advice over 4 years that we have all considered, all looked at and all determined, led us to selecting the 3 per cent simple rate of G.S.T. and aiming to keep it like that. Now obviously and it is quite right, whether it is Deputy Le Fondré’s proposition which I do think mirrors some of the decisions we have already made in how to support, and properly support, those on middle and low incomes, or the Deputy of Grouville’s, it is quite clear that this is no free gift. Money will have to be found in order that we can provide additional help. In fact part (b) of the Deputy of Grouville’s proposition reads: “To request the Minister for Treasury and Resources to bring forward for approval progressive taxation measures to restore the revenue foregone under paragraph (a).” What does that mean? Does that mean that we are going to revisit the last 4 years and the considerations that we have given to the various taxes that have been proposed? Yes, I agree that tax needs to be progressive, but we have dealt with that too, in part. 20 Means 20 is going to mean 20 Means 20. We are removing allowances from those that are better off. Can we do more? Perhaps, but let us not lose sight of the fact that there are far many other issues and services across the Government that require additional expenditure, including residential care for the elderly and long-term pension provision. We have issues with social services and child welfare to deal with. We have child care and early learning which is totally inequitable and needs to be addressed. We have issues to do with a lack of support for those with learning disabilities and special needs and, on top of all of that, we have our essential infrastructure to deal with and pay for. Is this really knocking 3 per cent off food for all of the Island’s population going to help deal with this matter? I am sorry, it will not. As much as I would love to say: “Yes, it will. Yes, it will make a real difference that everybody in this Chamber, whatever their persuasion, wants” the sad fact is it will not. It really will not. Even the Fiscal Policy Panel recently said and advised quite carefully, because we all forget again, because we are

on this short term approach, looking forward perhaps only to December of this year, we forget why we introduced G.S.T in the manner we did at the time we did, and it was because of effects that were going to change with our tax structure and our economy in 2010, 2011 and 2012. We had a hole to fill. If we spend all the money before we even get there and know what that amount is, then what? Well, I am sorry, gentlemen, as the Fiscal Policy Panel said, and ladies, sorry **[Laughter]** as the Fiscal Policy Panel quite rightly said, when certain individuals raised issues such as I have raised about services that need to be addressed they said: "Please at the same time explain that it has to be paid for, it will mean additional G.S.T., it will mean additional taxes" as the Deputy of Grouville has quite rightly pointed out. Now in a time of change, and we have gone through massive change over the last 3 years, do we really believe that this opportunity or proposition is the best way of dealing with the longer term solutions? It is not and, as much as I believe and I fully support and I require, as we required back in November 2007, this was the comment that was provided, I think it was the Minister for Treasury and Resources, this was the commitment that was given: "If the States agree with me and reject these zero ratings, I will commit to bringing an amendment to this year's budget [which indeed he did] to increase income tax thresholds by 6.5 per cent rather than the 3 per cent currently inscribed in the budget." So we have done it. Yes, people are probably not enjoying that benefit because of the way our tax system works, but they will start. We have the ability to maintain that, improve it. It also goes on to say, and this is perhaps the more important thing and this is the requirement that perhaps we should place on our existing Minister for Treasury and Resources and Minister for Social Security and those that follow: "I will also work with the Minister for Social Security and ensure that those who receive income support receive the same improvement as the zero-ratings." I think we have done that in part, but if we can do it then and make meaningful differences, let us follow that same path and direct our attentions properly to where they are needed. **[Approbation]**

1.16 Senator T.J. Le Main:

It is very difficult to follow that speech, but as one of the Ministers that is not going with the proposition I have decided that I have no intention of following what I think is the crux and the speeches made by the Deputy of St. Ouen, Trinity, Deputy Ferguson, Senator Perchard and of course the proposer of P.138/2008. I have not heard any real, valid arguments against Deputy Le Fondré's proposal to hear P.138. In fact, I say that although, like the Connétable of St. Ouen, I was not at the meeting - I was on holiday - when the Council decided to support the Deputy of Grouville that I do not believe for one minute that the issue and the distribution to low income families is met by the proposals put forward by the Deputy of Grouville. I am not prepared to continue to see the wealthy residents of this Island shopping in Marks and Spencer stores popping up all over the Island buying their food, queues on Sundays and we are subsidising those people with G.S.T. It is madness. I do not think anyone could disagree with the fine speech by the Deputy of St. Ouen. I also just cannot believe that we are going to go down a system where, as I say, we subsidise the wealthy, the money that is going to be wasted in not targeting, as under the proposals of P.138. The administration costs, the issues with small businesses, we have had no explanation from the Council of Ministers. As soon as the Deputy of St. Lawrence put forward P.138 the Chief Minister and the Council should have met to really discuss the issues in relation to that proposal. **[Approbation]** Not at all. We have had time before this debate to invite Deputy Le Fondré, to invite Social Security officers in, Treasury officers in to explain it in detail to us. Not a sign, absolutely unfair that is. That is really unfair. When I go to the Council of Ministers I hope that I have been able to read, to assess and to understand the proposals that are put forward to any propositions. In my view, listening to the arguments in the last 2 or 3 days, Sir, I have seen or heard nothing from my co-Ministers that give me any confidence in supporting this proposal. I have to say that on my left are the Connétales who, in my view, have much experience over the years in targeting people on low income, and I seem to feel that most of them, if not all of them, will be very much supportive of the proposals in P.138. As I say, I do not intend to rehearse all of the arguments, but I think this morning those of you that will have received the explanation from

Senator Perchard in email sums it all up. It is the only way, in my view, on the information that I have before me at the present time, which has not been, as I say, discussed or has not been - well, we have had no officers, we have had no Social Security officers, no-one has told me that the P.138 is something that cannot be achieved in a better manner. In fact, Deputy Southern this morning said it was a good proposal, and one or 2 other Members have said it is a good proposal. Therefore I think that I would be doing my constituents, certainly the people on low income, a disservice if I was to support, today, this proposal. **[Approbation]** I believe, Sir, that one keeps saying: "Someone will come back with a proposal." Now let the Deputy of St. Lawrence come forward with his proposition next week. Let him explain to all Members his case, let us have, in the meanwhile, some meaningful feedback from the Treasury officers, from Social Security, to all Members, so that we can fully consider. In the meanwhile if this Assembly decides next week that they will not support Deputy Le Fondré then you go back to this proposal but today, for me, I just cannot, cannot with hand on heart say that I have had the information I require, and the information that has been presented on the floor of this House makes me feel that to vote for this proposal from the Deputy of Grouville today would be doing a great disservice to the people that we really need to target.

1.17 The Connétable of St. Mary:

As most of you are well aware I do not often speak and I am certainly not going to keep you long, because the majority of things have been said. One thing that I feel very strongly about, and I am sure he would be delighted to know I did lose sleep on it last night and he is not in the Chamber this morning, and that was Senator Shenton, who for I do not know what apparent reason, attacked the Connétables, last night. Thank you, Senator, for coming back into the house. He either was not drinking a cup of coffee, he had not been to the toilet, or he has left his coffee behind and scalded his tongue in the meantime. **[Laughter]** Because this is really what happens to the people outside who are listening in that respect, just to put them in the picture, because I quite often get asked about the speeches: "Why did you not get up and say this?" and other people: "Why did they not come back on?" People do not realise that you can only speak once and therefore if you speak early and say things you can spend the rest of the day in a coffeehouse or go and do other business or you cannot repeat yourself, and so on. So it is a very difficult situation, especially like possibly over this moment in time for myself who have spoken, there are about 53 Members in the House - well not 53 but there has been about 48 - and I must be about the 47th one who is now speaking, and to say something different to what everybody else has said beforehand is an impossibility. So therefore one always, to make it worth their while, because if one gets up and says something which might be slightly different to what the previous speaker has said, you have taken 2 minutes and they say: "What the devil did you get up and say that for, you may as well have just sat down and not said anything." **[Approbation]** So that is why it is always convenient and I am quite delighted, as I have frequently said before, to speak after a lot of people because I went back home last night and thought: "Hang on a minute, the heavy brigade have not said anything yet" and sure enough this morning we have heard from Senator Kinnard, Senator Routier, Senator Shenton was last night, Senator Cohen, Senator Vibert, Senator Walker, so all the heavy brigade have come forward now, in a sense, and I know my colleague on the right here, the Senator for Housing was itching to get up and say something, and I said to him: "Hang on, hang on, leave it until later and then you can have some force in what you are going to say. Do not get in too early" and for once he was listening to me, he has been listening to me. **[Laughter]** But nevertheless I thought I had to, on behalf of all the Connétables, if I had spoken yesterday and therefore could not come back on to the remarks that Senator Shenton made last night, which I think were very unfortunate, because I think this is why we, as the Connétables, have felt very strongly about this, because over many years we have been responsible for the welfare of people, and this is where I reiterate the welfare, the real welfare of the people. Not necessarily the benefits that have been handed out over many, many years and been abused by many, many people through the social security, but the welfare for people. I am sure and I know that, and I am sure I speak on behalf of all my other colleagues as

well, that we have never given handouts as has been suggested. It always has been hand ups, and I think this is where I feel very strongly last night about that, because I do feel that you have to give the low income support, as such, now because it entails the whole welfare system and not the help towards it. We never knew what people were having in other means otherwise, and help that they were given, and we only dealt primarily with the actual welfare of the people concerned. I think this is where we have been coming from, I would like to think, and I have not discussed it with the Connétables, my colleagues, but I think this is where we are coming from and, do not get me wrong, in the sense of being a degrading point of view, but 3 per cent on food is not a lot, when we have heard this morning it has gone up by at least 13 per cent and such like, so therefore the people will still be falling well short of help. Well short of help, and we as the Connétables in the past in helping welfare is to help those people who the majority do find it difficult, very difficult some of them do find it and they need the help, they need it in all quarters, not just under the food situation. Let them have that extra income and if one wants to do something do it, certainly, by all means. Help for the retraining of the people. We hear time and time again that we need more money to do retraining of people, retrain all the young ones coming out of school who need a job to go into. There are an awful lot of people who do not want the benefits as they say, that is not their idea, far from it. They want the help to get into a job, to have a better job as well. Also, and it is not a question of attacking Senator Shenton but **[Laughter]** last night there were quite a few emails flashing about, as I daresay you saw, and I received one. I did not receive that one this morning from Deputy Ryan, I did not seem to get that one, and I must admit I do not go into my emails all the time. Some people seem to sit near their emails and their computers and then when I inquired, they said: "Oh, it came at 8.45 a.m. this morning." 8.45 a.m. this morning I was informed, irrespective of if it came 8.00 a.m., 8.30 a.m., 8.45 a.m., I do not know what time, but I can assure people that us Constables, while we are here for 5 days still have to carry on with our work so we have to go the Parish Hall early in the morning and do some work and such like, we cannot be sitting at the computers waiting for all the emails to come in. However there was one last night from Senator Shenton and it did disturb me as well, because it says to another person: "I know many people that would rather die than claim State benefits" and that is coming from the Minister for Health and Social Services. Now I was upset when I saw that there, because I do not know where these people live, I do not know if they live in the Parish of St. Mary, they live in the Parish of St. Clements, might be St. Brelade but I am sure if he knows that there are many people ...

Senator B.E. Shenton:

I did not say that they needed State benefits, I was just saying that out of principle they would not claim them if they did.

The Connétable of St. Mary:

"I know many people that would rather die than claim State benefits." You cannot get away from it. No, no, no. I have written it down: "... claim State benefits." That is the point I am saying. If he does know that, I wish he would at this moment in time get in touch with the Constables of the respective Parishes that those people live in, and I am sure that we would be contacting the Minister for Social Security or we would be doing it ourselves, taking it upon ourselves to try and help these people, which has happened in the past. **[Approbation]** This is why I feel strongly that we should not support this particular one, because as I say taken in the wrong context, and it is easily taken in the wrong context, it is 3 per cent on food where we know where everything has enormously gone up in price and therefore we have to get that 3 per cent from the people. Make it generally overall. We heard all about over the many years as well and we have heard all about that. It is the only way forward. We have to have 3 per cent overall, no exemptions, keep it simple, this is the way forward. Now suddenly whether you call it u-turns or whether you suddenly transfer your vehicle to have 3 reverses rather than a u-turn, because u-turns are not very good, but then on the other hand if you reverse back on a one way street that is against the law as well. So therefore irrespective of what you would call it, I was also disappointed as well that I felt that the Dean made

a political speech this morning and I do not think that is right and correct. He was aligning towards one way or the other and that was, as far as I was concerned, because I think the majority of us, majority whether it is all, have a lot of respect for the Dean and I think it is only right and proper, but I think that this morning was a little bit over the top showing allegiance towards one way or another. **[Approbation]** Now, I might be crucified for that, in fact it might be that I will be **[Laughter]** Oh, you are not too bad, you are not too bad. Come on, speed it up a bit, though. Speed it up a bit. I might be expelled from the Chamber in a couple of months' time or so as well, so be it if I am and then I am not re-elected, it might be another issue as well. Oh, I am not standing, am I? **[Laughter]** But nevertheless all jokes apart I think that is the main issue I wanted to raise because there are so many ways and so many ideas and for Deputy Southern to be on the same side as the Chief Minister, again that is another innovative thing as well which has happened which I am rather disturbed about as well. But nevertheless, I mean surely there are ways and means, and there are always ways and means of manipulating figures in whichever way you wanted to, but I think the basis of it all is that one needs that extra money, what it is done for, well, let us do it in the correct manner. Let us do it in the correct manner. We have other propositions coming up, especially the early learning one as well, where it is unfair. It is inequitable, how come some people are struggling very hard and having to put their children into nursery care when there are others who can afford it getting free nursery education? That is for another day. But nevertheless that is why this has to be as equitable as possible, keep it simple. We have heard all the arguments over the last few years how we should be going there and then suddenly everybody is turning and going backwards, or so it seems, in that. I think I have said enough, I will sit down. **[Approbation]** I am not going to sit down that quickly and the more you encourage me the more I am going to stand up. **[Laughter]** Let us be fair about it. But no, I am afraid I cannot and I hope that all of the people that were not in favour of the Deputy of Grouville will maintain. The last thing I would say is that all the Senators and those on the Council of Ministers have said this morning, there are always times and ways and means and propositions and there comes a time when you have to do a u-turn. I then say to them now: "Re-do your u-turn. U-turn back again and vote against this proposition and then you will show your strength and ability to do so." **[Approbation]**

1.18 Senator P.F.C. Ozouf:

This is a tough call. I think that this has been a good and necessary debate. Members will know that I have a bit of a sad existence, I track votes and I see how votes go over periods of time. This is, as other Members have said, the fifth vote on food exemptions. The last 2 there were 17 in favour of exemptions, the one before that brought by Senator Shenton was 21 in favour. The debate has become tougher. Not tougher I think because of elections, because I think the world has changed. There is, as many speakers have said, a changing world in terms of rising food prices and rising fuel prices. There is also a changing world because in fact we have been more successful in growing the economy and therefore G.S.T. revenue is expected to be higher, and that is a good thing. So I have been consistently against exemptions. I have to say also that before the summer break I thought that the world had changed significantly and I did flirt with, and I sent a note to the Council of Ministers, saying that I thought that we should possibly take G.S.T. off all food. I am not saying that I am not going to be a team player, and I am not saying that I have anything to do with the Council of Ministers. I, like Senator Le Main was not at the Council of Ministers meeting, but I did make my views known, and I probably would have made the same decision as the Council of Ministers at that meeting. Some people have said that this is about elections, and some people are motivated by elections. I am not motivated by elections. I will say one thing, however, is that I wish the Deputy of Grouville and others would not please suggest to the public of the Island that there is an alternative to G.S.T. as a whole, or that there is other ways of raising significant parts of tax. I think that debate has been had a long time ago and I would respectfully say to people who are going to be saying things in the next few weeks that I do not think that they should be responsibly - I do not think they can be responsibly saying - that we can do away with G.S.T. We

can, however, have a debate about how to respond to the rising fuel prices. We are going to have a referendum on C.E.T (Central European Time). There is perhaps no right or wrong answer on that. There are arguments on both sides of the debate, but on the side against exemptions, as rehearsed many times in this Assembly and said by a number of Members, the research is clear. Exemptions, while very well-intentioned, do not work. Indirect taxes and the proof locally that lower duties will lead to lower prices simply does not work. The Statistics Unit publication published last week proves exactly that. A packet of 20 cigarettes taking out duty and tax in the U.K. 92 pence, in Jersey I think it is approaching £1.80, £1.90, double the price. A well-intentioned duty policy - I am not suggesting for one minute lower tobacco charges, because you just put duty rates up - but a well-intentioned duty aspiration does not lead necessarily to lower prices. Why is it a tot of whisky is 70 pence higher in Jersey than the U.K.? Petrol prices is the same thing. Children's clothes. Children's clothes in the U.K. exempt from V.A.T., are they cheaper for consumers in the United Kingdom? No, they are not, and if Members want to look at the international research on food, exemptions in the U.K. do not lead to U.K. food prices being necessarily lower. There are of course differences in the markets, the powers of supermarkets and all the rest of it, but generally speaking exemptions, while well-intentioned, do not work. I do understand the moral argument about people having a real objection on paying G.S.T. on food. I do absolutely understand that. The question that I am wrestling with, and have been wrestling with, is can we convince the public of the facts? On the other hand of the argument it is said that we are going to be bringing more people into income support if we go with the other option. I do not necessarily accept that. I do not necessarily accept that simply the debate about exemptions is going to pull people more into income support. I am also surprised that this debate has simply been, and most people have just been focusing on the narrow cost of 3 per cent of G.S.T. on food as almost as if that is going to do away with the crisis of food prices. I am surprised that not many more Members, Sir, have spoken about their concerns of the competitiveness of the food retail market in Jersey. We are not exactly aligned on the subject on this particular debate but Deputy Breckon and I have been united in thinking that there needed to be the arrival of discounters in Jersey. I saw yesterday in the *Daily Telegraph* an article on Lidl or Aldi, I do not know which one it was. It is no longer lower income families that are going to shop at Aldi and Lidl, it is Volvo drivers. People understand and in these economic times people want to make their money go further. I think that as difficult and as unpopular as it is to the Chamber of Commerce I think that we do need to do more in examining the retail landscape of Jersey. Not necessarily more retail space, I say to Deputy Ferguson who I know has strong views on the matter, but certainly we do need to look at the competitive issue. I personally agree with Deputy Breckon that we need to do more to encourage discounters and give Jersey people the opportunity of making their money go further. I have been searching my soul on this issue. I have been consistently against exemptions and I am afraid that I am not going to please the Deputy of Grouville but I am going to stick with that position at this vote. I know I am going to be challenged, I know I am going to be criticised, but I think that I have a duty to be consistent with my fundamental beliefs. We all vote on our consciences and I think that the reality, the research, is that exemptions are not the right way to do it, but we have to communicate what we are doing. I want to be absolutely clear to Members that I think that we must respond to the higher cost of food and oil prices. I want to give all of the benefit back if we do not go with the G.S.T. exemptions. I want to give it back in a way that means people do not need to go and ask and beg for their money. I want an automatic entitlement; I want an automatic entitlement of lowering people's income tax bills and an automatic entitlement of those people who are below the income tax payment. **[Approbation]** That is not going cap in hand, I would say to people who are concerned about people going into welfare. This is an automatic entitlement and the fact is that we can guarantee this money going in. We cannot guarantee, if the debate goes the other way in terms of the Deputy of Grouville, I will work with retailers to try and ensure to the extent that we can with the J.C.R.A. (Jersey Competition Regulatory Authority) that the money is taken off food. But I have to say in the longer term I do not think that that is going to happen, and that is the clear research around the world. I want to give people all of that money back. I want to give it automatically and I do not

want to give it back in a way that means people have to go cap in hand, and I hope that that in some way will mitigate against the concern people have, in terms of paying G.S.T. at the till. That is the first reason why I want to do that. The second thing is I think that Members could be persuaded by the argument that G.S.T. has been in for 4 or 5 months and, generally speaking, once the decision is made to remove exemptions I think it is made for ever. I do think it is probably wrong, I do think it is definitely wrong, to start tinkering with a system 4 or 5 months into its life. This issue will come back to this Assembly next year after the elections with a new House, and maybe that is the right thing to do. The Le Fondré proposition, if we debate it, will give people that immediate certainty of getting money back, and that has a virtue. It does not tinker, it gives an automatic, definite, certain entitlement. I also thirdly think that, and I am nervous in saying this in some ways, doing away with exemptions on food is going to mean that it is going to be easier to lift G.S.T. in the future. It is going to be easier to make an argument to raise G.S.T. rates in this Assembly if it is not on food. Difficult debate, difficult reason, but I think it is true and Deputy Le Hérissier again, not always on my side of the political spectrum, he does say that there is a bit of an unholy alliance. There is a bit of an unholy alliance, not unholy in any Christian sense, but there is a uniting picture here, and I am really concerned that this Assembly sticks to the promise of 3 per cent G.S.T. and keeps it there, and I almost want to do something to ensure that it is more difficult to raise, and doing away with exemptions does not help that. Finally, I want to be clear that I think that we can do more than just simply removing G.S.T. on food and groceries. The evidence is clear, there is an unexplained 20 per cent difference in food prices in Jersey from the U.K. Tackling that and solving that in the long term, and yes, there are trade-offs, and yes, there are arguments to and fro, dealing with that issue is going to give our Island community and give households and families a far greater benefit than it could be said the simple politics of going with exemptions, that is not certain. I will put my back into ensuring that there is a good public debate about retail competition and we have a real option there. That is why we are going to be doing the consumer survey, we are going to ask people completely independently exactly what they think about retailing and grocery markets in Jersey and they will need, the public of the Island, will need to decide. Not a Metro store that is going to obliterate King Street and Queen Street, not something that is going to wreck the retail landscape, but subtle but important, effective competition in the retail market that will deliver lower prices to Islanders. Sir, this is a very difficult decision. I do not think that I have ever gone against a Council of Ministers decision. I accept that I am going to be criticised on either side of it, but at the end of the day as an individual elected representative you have to vote with your conscience and I think that I have a duty having stood here and argued consistently against complex U.K. imposition, and we will recall Senator Norman's remarks yesterday about the horrendously complicated U.K. system, I think I have to stick to my principles. I think that we can do better and I think we can do more.

1.19 Deputy A.J.H. Maclean of St. Helier:

As Senator Ozouf has commented just a few moments ago, this is an extremely difficult debate. We have heard much talk about u-turns, in fact, we have even heard Senator Cohen I think it was suggesting it is not wrong to turn and in fact he could turn so many times he was almost pirouetting, but the idea of a consumption tax on food has understandably been criticised as and described as, I should say, immoral. Any new tax is clearly likely to be unpopular, especially in Jersey where tax rates have historically been extremely low. The necessary shift to broaden the tax base has been painful for many Islanders, especially at a time when inflationary pressures on household expenditure, including and particularly relating to food and fuel, have been creating immense pressure. As frequently mentioned most other countries in the E.U. (European Union) and elsewhere already apply one form or another of a consumption tax on food. The U.K. and Ireland are an exception. They are 2 countries, and there are few exceptions. However, few people realise that both the U.K. and Ireland as late entrants into the E.U. are benefiting from a transitional agreement from the E.U. Directive 6 which allows them to continue to exempt food. This was only a transitional agreement and it is quite probable that they are not going to be allowed to continue

with it on a permanent basis. This will mean that the U.K. and Ireland are likely to be forced to come into line with the rest of the E.U. and introduce a consumption tax on food at some point in the future. Like most sane people, I did not like the idea of any new taxes, but I had to accept that a low rate of G.S.T. was likely to be the least painful option to widen the tax base and ensure sound public finances into the future. I was persuaded to support G.S.T. on the basis that the rate would remain at 3 per cent, one of the lowest rates in the world. I was further persuaded when the Minister for Treasury and resources agreed to fix that rate at 3 per cent for a minimum of 3 years on the understanding that there would be few, if any, exemptions. I have supported standalone exemptions for medicines and medical services. I supported Deputy Kevin Lewis in his failed proposition to exempt children's clothing, but since then there have been a steady increase in the number of exemptions coming forward. I therefore feel and indeed fear that this will mean an incredibly unacceptable increase in G.S.T. as we move into the future. We may well have to increase States revenue well above forecasts following a period of sustained economic growth. I have noticed the criticism, for example, of the Treasury for underestimating revenue, but do not share the same view for 2 clear reasons. One, it is always prudent to underestimate what your revenue forecasts are going to be, and secondly, it is normal for economists to underestimate revenue forecasts in times of economic growth and to overestimate expected revenue in times of economic slowdown or indeed decline. It is for that reason that I view the projections for the States revenue and expenditure in the Business Plan Projections for 2009 to 2013 with a certain degree of scepticism. The projected income from G.S.T. may well raise more revenue than expected, but how the level of additional revenue can be assessed with any accuracy at such an early stage has to be highly questionable. At best the hype over the expected windfall from the increased G.S.T. receipts can only be a guess or best estimate. It has only, after all, been operating for a matter of a few months. In any event any additional revenue from G.S.T. in 2008 has probably resulted from the significant inflationary effect seen since the original figures were first estimated back in 2004. It would be more logical to review G.S.T. and take any necessary corrective action after it has been in operation for a reasonable period of time, and that in my view should be at least 12 months. Notwithstanding that, we also have to consider next week's Business Plan, a further raft of additional spending plans, many presented by the Council of Ministers. The reasoning is that increased revenue from recent economic successes should be shared; a sentiment that I wholeheartedly support from an investment perspective but not when it is recurring revenue expenditure. To be absolutely clear, these proposed spending plans are recurring revenue expenditure at a time when economic slowdown will most likely cause current revenue projections to fall and that includes G.S.T. receipts, with the very real prospect of structural deficits within this economic cycle. Reverting back to the proposition itself, albeit well intentioned, it is completely at odds with the principle of G.S.T., which is to keep it simple and as cost effective to administer as we possibly can and, most importantly, the result of that, to keep it at 3 per cent for a long time. In my opinion it is essential that we maintain tight fiscal and budgetary controls to ensure that G.S.T. will not rise. The culture of tax and spend must not be allowed to prevail. I accept that we have vitally important social considerations as well as economic ones but all the needs of the Island, whether economic or social, must be prioritised within existing spending limits. This proposition by the Deputy of Grouville is a very seductive one but Deputy Le Fondré offers us a realistic, logical and well thought out alternative. Putting aside the principle of the moral issue, which, although I fully appreciate is in itself defeated by comparison to virtually every other country in the E.U. and elsewhere, late yesterday we also heard a loud and emotive smokescreen from Senator Shenton on the morality of the benefit culture. He argued that we should be doing all in our power to remove dependency and encourage self-sufficiency and he is absolutely right. But, the proposal by Deputy Le Fondré is not about encouraging greater dependency upon benefits; it is about targeting help to those who really need it, principally by raising tax exemptions and thresholds. There is no means testing in this process. It is an automatic process, or it certainly should be a clear automatic process. It is not about disincentivising people to find work and to stop them being independent. It is not about taking away peoples' pride; it is about targeting the fruits of our

economic success to those who most need it. It is also about plain old common sense. It is about helping Islanders helping people who most need it in the most respectful way possible. By raising tax exemptions or allowances, it is an efficient way to ensure that money stays in the pockets of those who are hardest hit as the inflationary pressures on especially food and fuel continue to bite. This applies to lower and especially hard pressed middle income families and that is middle Jersey, who have, thus far, received probably the least amount of help in the tax changes that have taken place in recent years. Deputy Le Fondré's proposal also refers to the little known G.S.T. rebate scheme, which supports those, or is intended to support those not on income support and who do not pay any tax. The Deputy of Grouville's proposition will add cost and complexity to G.S.T. It will lead to a much higher rate, sooner rather than later and possibly lead to a floodgate of further exemptions. Finally, I would like to comment on the effects on retailers. Like the rest of the Island, retailers need certainty. It is expensive and thoroughly unacceptable to ask any business to have to continually change direction, especially small businesses who find it far more difficult to absorb the associated costs. Such costs, I suspect, will also find their way to the consumer, should that eventuality occur. Businesses were forced to invest and gear up for G.S.T. but we are only a few short months into it, which is far, far too early to contemplate moving the goalposts. I urge Members to reject this seductive offering from the Deputy of Grouville and show the Island decisive leadership by making a tough but correct decision with the help that will undoubtedly find its way to the largest number of islanders. Deputy Le Fondré's proposition will ensure up to £5.8 million will benefit lower earners and middle income families, including a lot of pensioners. It will crucially deliver more money to more islanders in a more effective and fairer way than exempting food. I consider that to be the strongest possible moral position.

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

I must say I was rather surprised and disappointed by the Dean's speech to find out that he, like the rest of us, needs to use satellite navigation. I was rather under the impression that he might follow a star, but anyway [Laughter] this debate I believe has been excellent. We have spent what will be a day and a half and I will try and keep it short recognising that time is now limited, talking about food. I firmly believe that we, along with other western democracies, will find ourselves spending much more time in the future talking about food and life's basic provisions. This debate has raised all sorts of issues and I would like to touch on a couple of them very briefly. We have looked mostly at short term issues regarding the rising cost of commodities and the impact upon food but Senator Ozouf is right; that some of the medium term issues must be around competition and low cost supermarkets but this is where I become a little bit whacky and some of the longer term issues must be about recognising that we as a society and as individual families, will have to start thinking about growing our own. That is one reason why I am so adamantly against the destruction of gardens within our community because I believe that in the longer term, the western consumer, of which we are a part, will find life more and more difficult. This is not a popular election message, despite what some might think the rest of my speech is going to be about. This is one instance where I am afraid that I am parting company with my good friend and colleague; Deputy Le Fondré. Let us look at some of these issues; people or Members have said if we accept the Deputy of Grouville's proposition, it will impact upon the 3 per cent rate. Well, Sir, it cannot impact upon the 3 per cent rate, which is now hard written into the law. If it is to impact upon the 3 per cent rate in the medium term, it will impact no more than the general give away that Deputy Le Fondré is proposing in his proposition in a week's time. If there is to be any impact, both propositions will have that same impact. In fact, it could be argued that if Members reject part (a)(ii) of the Deputy of Grouville's proposition, in actual fact, the impact of this proposition will be less likely to see the rates rising in the near future than it would be by accepting Deputy Le Fondré's proposition. Others have said that prices will not, of course, drop by 3 per cent. Well, I believe that we have heard from the Co-op that in actual fact, should this proposition be accepted, they will reduce their rates by 3 per cent. I believe that Sandpiper have made that same commitment. If they have not, I believe that they will put into a market decision where they have to do that. However, I do, Sir,

accept that some small retailers may not pass on that reduction but I think what is important is that the large retailers, where the majority of people do their shopping, have already given that commitment and that they will. We have also heard, and we heard it yesterday as well, that this is the worst system in the world - the U.K. system is the worst system in the world. Well, as is the wont of politicians, and I put myself in that category, often we take quotations out of context. Yes, the U.K. system is the worst in the world, if you look at the whole gambit of the exemptions and exceptions and zero rating rates, then yes, it is but what we are talking about today is the U.K. methodology for exempting food. Now, I am not going to say it is straightforward, Sir, because I come from an industry that makes a lot of money out of it, as it currently stands. But, when you are looking at a tax system, you must have a methodology and this provides a methodology which can be taken off the shelf. I did arrive in this Assembly yesterday wanting to support Senator Norman, however, it rapidly became apparent to me that that was not workable. There was no methodology in that amendment yesterday and therefore we could not - and I am pleased to say we did not - accept it. This is a methodology, yes, it has complications but it can be taken off the shelf. So, we come to the rebate scheme, the scheme which is supposed to be providing for those between income support and those paying tax. It is nice in principle. It gives us a warm, woolly feeling inside. However I do not believe for a minute that a lot of those people who would be able to claim that scheme or that money would, in actual fact, make that application. Some Members, particularly Deputy Maclean, touched upon the E.U. transitional arrangement for V.A.T. He makes a very reasonable and rational point; yes, he is absolutely right that the U.K. do benefit from transitional arrangements and in the medium term, however, be in no doubt, Sir, that I imagine the U.K. and Eire Government will fight it with all that they have got. In the medium term they may be forced to remove their transitional arrangements of zero rating food. However, I do not need to remind Members, that we are not in the E.U. Members yesterday spent a lot of time kicking the Council of Ministers. Unfortunately I believe that yesterday they missed the point. If we, as an Assembly, are going to kick the Council of Ministers, I believe that that opportunity is laid before us next week, with their amendment to the Business Plan and not this week. This, I believe, is quite reasonable. So, where does that leave us? Well, I believe and hope that it is the desire of all States Members to help and support hard working families on low and middle incomes. I therefore suggest to Members that we have a choice. Neither of those choices is perfect but I believe that it comes down to this, Sir; we must ask ourselves what sort of society do we want? One which leaves money in peoples' pockets and allows them to provide for their own families or a society which, out of deference, requires its community to come cap in hand to Government for a hand back? I am not always sure that I or we in this Assembly understand how difficult some hard working families find life; some having 2 or 3 or even more jobs to make ends meet. We now know that G.S.T. receipts are in excess of the £45 million that we wished to raise to fill the black hole when we approved G.S.T. We now know that G.S.T. can be retained at 3 per cent. I will therefore be supporting the Deputy of Grouville to leave money in peoples' pockets and I ask that Members will also support her.

1.21 Senator S. Syvret:

I am sure Members, many Members, all Members will be familiar with the fact that I am frequently given advice to the effect that I should be more polite, more diplomatic in my words. It is said that only if I adopted such an approach, I would be listened to more. Well, you know, there might be something in that. I mean, for example, normally at this kind of point in the debate I would congratulate Deputy de Faye on his extremely novel, let us get unelected approach to electioneering and in an example taken up also by Senator Ozouf. But, no Sir, I will not say that. Let us try being polite and just dealing with the straight facts instead. Let us start by saying something nice about the Council of Ministers. Now, God knows, they have not been my favourite group of people in recent times. They have changed their minds on the food exemption. I say to them, good, I am not going to rub their faces in it and jump up and down crowing about the fact that they have changed their mind. It is good that they have changed their minds in the face of differing, changing

circumstances. That is a good thing. Only an idiot sticks to a policy when changing circumstances have rendered that policy obsolete. Many speakers who have spoken opposing the proposition of the Deputy of Grouville; Deputy Le Fondré, for example, Deputy Maclean and others have tried to pitch their argument against the Deputy's proposal and in favour of, say, Deputy Le Fondré's proposition as though it were the rational, the logical, the sensible thing to do. In fact, it is not and I will explain why that is the case. Far from what is proposed by Deputy Le Fondré being the rational way forward, it is profoundly wrong. Indeed, so wrong that the debate is a remarkable example of how people can become wedded to a view which is superficially logical but, upon close analysis, is seen to be flawed. Let me start with some of the more obvious flaws, but I will just say at this point, there is a fatal, terminal, crushing flaw in Deputy Le Fondré's suggestions, which means that they must be rejected and indeed certainly I, for one, if the Deputy of Grouville's proposition is rejected today, I for one will have no choice nor conscience other than to oppose Deputy Le Fondré's proposition, as perhaps will some other Members. In reality and practice his scheme will not have the effect of putting benefit into the hands of people this side of Christmas, and that is probably being generous. I know he likes to imagine that the existing apparatus is there; the rebate scheme, income support and it can all be changed so quickly but, in reality, people are going to have to start applying for all of these things. Another whole raft of bureaucratic burden, not upon businesses, which we hear a lot of talk about in this Assembly, but about bureaucratic burden upon struggling people having to make applications, fill out more forms, visit departments, et cetera, et cetera. That kind of burden on ordinary people does not seem to feature much in these kinds of debates. A further very clear, fatal blow against his argument is the well established fact that many, many people in societies do not apply for social security benefits and nor do they apply for various tax rebates. Study after study after study shows that to be the case. They do not apply for a number of different reasons. As I said, applying to get some money back from taxation which has been taken off you is complex, it is bureaucratic, it is time wasting. The embarrassment involved for people, it puts thousands of people off from applying and many of our proud Jersey people, especially our older people, will simply not apply for income support, benefits will not apply for the rebates. As Senator Kinnard said in her speech, £155 a year per family, in the U.K., in potential benefits are simply unclaimed. But Senator Kinnard made another very important point which is also yet a further fatal blow against the kind of thinking put forward by Deputy Le Fondré; tax benefits such as altering tax thresholds or other such benefits as the G.S.T. rebate scheme do not result in the benefit being equally distributed among the members of individual households. It will usually be, as Senator Kinnard, a feminist herself, noted, it is usually the head of the household who, usually the man that deals with all these things. So, unlike ordinary members of a household going to the shops and shopping for food and each getting the proportionate benefit from it, the bureaucratic time wasting nightmare proposed by Deputy Le Fondré would just involve giving a wodge of money to put in the back pocket of the man of the household. Now, even in that happy state of affairs, when the head of the household distributes those benefits fairly, just what is the size of those benefits to the better off? We have heard this time and time again, it is not a really quite startlingly inconsistent and irrational argument to hear from so many Members, that the kind of proposition we are debating today will provide too much benefit for the wealthy and we do not want to do that; it is not the target. Well, let us look at Deputy Le Fondré's own figures. The highest quintile income group he produced in his papers, what would the exemptions benefit to them? The benefit to these people, the wealthiest, in the course of a year, would be £36.96 on food, £17.40 on energy; a total of £54.36 benefit to the wealthiest. That is supposed to be the huge benefit that we must avoid giving to the wealthy; that we are supposed to take all of this money off the poor, off of ordinary people, in order to avoid giving. This takes us on to the targeting argument. If it is considered that not taxing food can be engaged with the cost, it will apply a little misdirected benefit to the wealthy, then what on earth are we doing with the whole raft of other taxation and social security mechanisms we have? Why do we tolerate so many tax loopholes, capital roll-up devices, social security avoidance mechanisms? All of these things we happily tolerate and have done for decades. These are all artificial benefits targeted at the wealthy and, in

fact, the more and more wealthy in our society, the more and more they benefit from such things. So, in all consistency, those who come to this Assembly and speak about targeting benefits as to where it is needed, really ought to be starting to look at taxing the wealthy a little, rather than furnishing them with a raft of benefits they do not need. Deputy Le Fondré's proposition is complex, bureaucratic and involves the public in another burden of bureaucracy in which they have to engage with, which will be burdened with yet another administrative load. But, even worse than this, his proposal is irrational. It involves the machinery; the public administration apparatus, taxing the poor, the use of different States departments to undertake that process, many processes; an entirely circular and unnecessary bureaucracy in order to tax the poor, transfer it around departments, then get it back to the very poor, but only after those ordinary people have been subjected to the complex administrative burden involved in making all of the applications for G.S.T. rebates, income support, et cetera, as Deputy Le Fondré would have them do. There is another flaw in the Deputy's argument; he asserts that his proposals could be introduced even in a triumph of optimism over common sense, he imagines they could be introduced very, very quickly. We all know for a fact how slowly the wheels of public administration grind; they will not be introduced quickly. Indeed, there may be an entirely new House next year; completely different Ministers. With the Deputy of Grouville's proposition, at least this Assembly will have made the change. It will be in place. A future Assembly would have to re-debate it and rescind it. We cannot guarantee that the new Ministers would want to take on board Deputy Le Fondré's proposition. But, in truth, Senator Shenton hit the nail on the head in his speech yesterday, when he referred to the encouragement of a benefits culture and, as much as that clearly struck a very, very raw nerve with a lot of the Constables, a lot of the traditional Members that do not like to think of being in support of a benefit culture, he was absolutely right. The answer to all of these kind of inflationary crises in our society, be it food, energy and a whole load of other things, no doubt that will happen in the future, will always be, as far as some Members of this Assembly are concerned, to increase the benefits, bring more people into the benefits threshold, raise it a little bit, give back a few more rebates, et cetera, et cetera. If that is going to always be your first response, you are then inevitably broadening, encouraging and opening up a benefits culture. Why not just leave money on key expenditure in peoples' pockets in the first place? It is simpler, it is less complex, it is more ethical and it makes far more sense. I certainly do not want to encourage a benefits culture, so I would rather not force people into the benefits zone by taxing them on essentials like food in the very first place. I have spoken, principally, about the flaws in Deputy Le Fondré's alternative proposition, fatal flaws and the food. I want to talk too a little bit about the energy part of the Deputy's proposal, which has not received quite so much attention and it is very, very important so Members will have to bear with me. I would like to just quote a little background information. This is from a book called *The Party's Over: Oil, War and the Fate of Industrial Societies* and it is just a very brief few lines here which explains, very simply and clearly, just how fundamental, how crucial oil is to everything we do: "It is easily transported. Liquid fuels are more economically transported than solids, such as coal or gases such as methane and can be carried in ships far more easily than gases. Energy dense gasoline contains roughly 40 kilowatt hours per gallon. It is capable of being refined into several fuels, including gasoline, kerosene and diesel, suitable for a variety of applications and suitable for a variety of uses, including transportation, eating and the production of agricultural chemicals and other materials." That is how, frankly, all of modern society is utterly dependent on oil. I will just quote briefly another few bullet points about the world oil situation at the moment. Now, there is some debate; one can find different opinions as to where the world peak of oil production is going to be but it is, I think, generally accepted that it is at some point between 2005 and 2014: "The total planetary endowment of conventional non-renewable liquid oil was roughly 2 trillion barrels, before humans started using it. Since the mid 19th century, the world has burnt through roughly 1 trillion barrels of oil; half the total there ever was, which represented the easiest to get, highest quality liquids. The half that remains includes the hardest oil to get, lowest quality liquids, semi solids and solids. Worldwide discovery of oil reserves peaked in 1964." I mean, I do not want to detain Members so I will not read it all but

[**Approbation**] I will conclude just by quoting this bit, and I mentioned the kind of fact that we are living in the era of peak oil: “After peak, depletion will proceed at 2 per cent to 6 per cent a year, while demand, at least for a while, is likely to continue to increase.” So, let nobody be under any illusions about the inflationary impact that energy is always going to have. It has gone up and it has come back down. Oil prices have fluctuated but, in the general trend, it is going nowhere except up. Over the coming years, perhaps even the coming months it could go up dramatically. Oil hit an all time high value of \$147 a barrel in July; all it would take would be, for example, one major hurricane to cross the oil production platforms in the Gulf of Mexico, maybe a war between Iran and Israel and that could be \$200 or \$250 a barrel within a matter of weeks. Every other oil cost is pegged, like every other energy cost is pegged to that of oil. As the cost of oil goes up, so does the cost of every other energy because the demand for all of those alternative energies increases. There have been fuel price inflations of 26 per cent over the last 12 months. There is just no escaping the fact that further colossal rises in energy prices and consequently food prices because our food systems are dependent on energy at the moment. Those further huge rises are going to carry on happening and we already know for a fact it is going to get worse. The Jersey Electricity Company recently announced that it expects a price increase of 25 per cent in electricity next year. An increase of 25 per cent on top of what has already taken place and Members of this Assembly are going to want to carry on taxing peoples’ domestic energy consumption. I said, to move to a conclusion, that I would deal with the fundamental fatal flaw with Deputy Le Fondré’s proposition. In order to do that I will illustrate it by mentioning a remark that was made by the Constable of Trinity yesterday. He said, in his speech: “Well, why should we ever do anything so suddenly as change our taxation policies? You know, we have only had it in place for a few months; why should we change it so quickly?” Well, I am afraid the Connétable did not, I think, reflect in his speech the fact that events, world events, economic events, can change with amazing speed, absolutely amazing speed. Look at the credit crunch. Who would have predicted that a couple of years ago? Look at the Wall Street crash and the resulting Great Depression and the impact that had on society and the world. Look at the speed at which that happened. Look at the United States of America’s financing system. The Federal Government palpably absurdly on the basis of meaningless, worthless, pixelated dollars, desperately, desperately trying to prop up its economic system by buying things; bankrupt companies like Fannie Mae and Freddie Mac. We could be facing a major world economic meltdown. So, I want to just conclude with this fatal point, fatal problem in the concept of continuing to tax food and energy and all of the bureaucracy and pointlessness involved in the procedures required to rebate that money back to people afterwards. If the Assembly stops taxing domestic energy and food, that is a one-off, all time, single shot solution to the question of taxing food, and I know some people have suggested the straw man argument that some of us are saying that this proposal will be an amazing miracle cure for the costs of high food and energy inflation; I am not aware of anyone who has said that of costs; it will not be, but what we can be quite certain of is that the burden of a difficult taxation on such things as food and fuel is a serious problem that we could do something about. Suppose the world’s economy does continue to have these immense difficulties, suppose inflation in the energy market does come back immensely, suppose food goes up by another 50 per cent in the next 12 months or so on, what are we going to have to do then, under the kind of schemes proposed by Deputy Le Fondré? Come back, alter the rate, increase the boundaries again of who comes into the income support system, alter the ability of people to qualify and get rebates, amounts back from the G.S.T. rebate scheme? Every time a new crisis hikes massively food and energy costs in our society, you will have to keep coming back here, back to the drawing board and making catch up, make and amend changes to the system to avoid taxing people on these immensely inflating resources. If we agree now simply to not tax energy, domestic energy and not to tax food, it is a one-off solution that will not require, at least from a taxation point of view, or the benefits point of view, any further States debates or work. Deputy Le Fondré’s proposition is a nightmare and a recipe for chaos, bureaucracy and yet further time wasting. Today we could make that one-off

solution that we as a government are not going to tax peoples' domestic energy and we are not going to tax people's food. Ended, done, problem solved.

ADJOURNMENT PROPOSED

The Deputy Bailiff:

I have, as I said, 3 Members who have indicated they wish to speak; Deputy Power, the Deputy of St. Mary and the Deputy of St. Peter. Are there any others who would anticipate wishing to speak? So, 3 more Members and a summing up. Now, do I have a proposition from anyone as to how we should proceed?

The Deputy of St. Martin:

I propose, Sir, we adjourn until tomorrow.

The Deputy Bailiff:

Adjourn until tomorrow?

Deputy G.P. Southern:

Yes, the proposer must have the proper opportunity to sum up properly, I think.

Deputy A. Lewis of St. John:

Do the remaining 3 speakers have something that will contribute to the debate because it would appear that most things would have been said by now, Sir?

The Deputy Bailiff:

Well, it is a matter for them. Now, I think we had better take these in order. The first proposition is to adjourn until tomorrow.

Deputy G.J. Reed of St. Ouen:

Please Sir, before we take that vote, I think it is only right and I do not know the views of the Deputy of Grouville, but I think she has the absolute right, because she has brought and is required to sum up, that she expresses her view on this particular proposition

Deputy C.F. Labey of Grouville:

I would be more than happy to carry on now through lunch, or come back this afternoon. I really do not want to come back and do it all again tomorrow.

The Deputy Bailiff:

I think in fact the correct way to take it, if I may, that the current decision of the Assembly is to adjourn now and come back tomorrow. So, in fact, it needs a proposition, I think, to change that.

Senator F.E. Cohen:

I would like to propose that we continue and finish this business.

The Deputy Bailiff:

But to continue straight through, now?

Senator F.E. Cohen:

Straight through, now.

The Deputy Bailiff:

Very well, is that seconded? [**Seconded**] Yes, well I think we should put ...

The Connétable of St. Mary:

Can I really put the case that, you know, one is allowed for the fact that we would be finishing at 12.45 p.m., I have made appointments and I think it is unfair on others who have done, in that respect, to call it because it will be necessary, which I certainly do not want to, that I will have to leave the Chamber and go to the important meetings that have been arranged and this is unfair, I do believe, Sir. You know, at the last minute, we do make these appointments knowing full well.

Senator F.H. Walker:

I am in a similar position. The order paper clearly said that we would not be sitting this afternoon. [Approbation] I have made commitments and, frankly, I have to keep them.

Deputy S. Power of St. Brelade:

I am in the same position. I want to speak but I have another commitment this afternoon.

Deputy C.H. Egré of St. Peter:

I am in the same position, Sir.

Deputy C.J. Scott Warren:

I have a visitor arriving this afternoon.

The Deputy Bailiff:

I think that those who are their position, clearly the way you vote is fairly obvious, but a proposition has been put.

Connétable T.J. Du Feu of St. Peter:

Surely, you know, this is getting completely out of hand. We make a decision, we decide we are going to sit only this morning and Friday, if necessary. For goodness sake, let us adjourn now and come back tomorrow morning.

The Deputy Bailiff:

Well, that, again is a matter for you to vote on. The proposition has been put and seconded. Is the appel called for? Yes, so the appel ... the proposition is from Senator Cohen that we should carry on now, without a break for lunch, until the debate is completed. If you want to be in favour of that, you vote pour and if you are against it, you vote contre.

The Deputy of St. Martin:

I am a bit confused. I thought my proposition ...

The Deputy Bailiff:

No, Deputy, if I may, I indicated that that is the present position therefore we do not really need a vote to affirm the present position. The vote is now to change the present decision. So, if you want to stay on now and complete the business, you vote pour. If you want to adjourn and come back tomorrow, you vote contre. The proposition is lost; 14 votes pour and 34 votes contre.

POUR: 14		CONTRE: 34		ABSTAIN: 0
Senator S. Syvret		Senator F.H. Walker		
Senator T.A. Le Sueur		Senator W. Kinnard		
Senator P.F.C. Ozouf		Senator P.F. Routier		
Senator B.E. Shenton		Senator M.E. Vibert		
Senator F.E. Cohen		Senator T.J. Le Main		
Deputy A. Breckon (S)		Senator J.L. Perchard		
Deputy P.N. Troy (B)		Connétable of St. Ouen		
Deputy J.A. Martin (H)		Connétable of St. Mary		
Deputy of St. Ouen		Connétable of St. Peter		
Deputy of Grouville		Connétable of St. Clement		

Deputy of Trinity		Connétable of St. Helier		
Deputy S. Pitman (H)		Connétable of Trinity		
Deputy A.J.D. Maclean (H)		Connétable of St. Lawrence		
Deputy I.J. Gorst (C)		Connétable of Grouville		
		Connétable of St. Brelade		
		Connétable of St. Martin		
		Connétable of St. John		
		Connétable of St. Saviour		
		Deputy R.C. Duhamel (S)		
		Deputy of St. Martin		
		Deputy G.C.L. Baudains (C)		
		Deputy C.J. Scott Warren (S)		
		Deputy R.G. Le Hérisier (S)		
		Deputy G.P. Southern (H)		
		Deputy of St. Peter		
		Deputy J.A. Hilton (H)		
		Deputy G.W.J. de Faye (H)		
		Deputy P.V.F. Le Claire (H)		
		Deputy J.A.N. Le Fondré (L)		
		Deputy D.W. Mezbourian (L)		
		Deputy S.S.P.A. Power (B)		
		Deputy K.C. Lewis (S)		
		Deputy of St. John		
		Deputy of St. Mary		

ADJOURNMENT