

4. Questions to Ministers without Notice - The Minister for Treasury and Resources

4.1 Deputy G.P. Southern:

Would the Minister agree that presentation of slide 11 in the presentation on G.S.T. given by his 2 Assistant Ministers recently, contained once more direct statements about how much was paid in the lowest quintile and how much was paid in the highest quintile to try and give the misleading impression that G.S.T. was not in fact regressive when in fact figures need to be presented which show the proportional impact upon the lowest quintile - the poorest - and the highest quintile - those most wealthy - and reveal, by a factor of 3 to one, that G.S.T. impacts most on the lowest quintile and least on the highest quintile? Will the Minister accept that this proportionality should be maintained in discussing the impact of G.S.T. in a rational way?

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

As the Deputy is aware, I was not at the presentation last week so I have not got the slide. What I am advised is that the point that the Deputy seeks to try and make is one taking G.S.T. in isolation and I would remind the Deputy that, in the fiscal strategy approved by the States, G.S.T. was part of a package of measures. G.S.T. was brought in, income support was brought in at the same time, with increased allowances and increased amounts of money to those in the lower paid and of course those people on higher incomes are now bearing the issue of '20 means 20.' It is an overall package approach that was brought in the fiscal strategy and that is the point that should be made and remembered by him.

4.1.1 Deputy G.P. Southern:

Further to that, in question time last week, the Assistant Minister made much of the fact that G.S.T., taken on its own, is the most efficient way of taxation. Taken in the round and as a whole, does he not accept that it becomes very much less efficient if you have to administer a system to give back money that you have already taken from people? Is it not, taken in the whole, a very much less efficient system than his Assistant Minister pretends?

Senator P.F.C. Ozouf:

Absolutely not. We have had a debate about the principles of G.S.T. and it is the package of measures of '20 means 20' and bringing in G.S.T. that this Assembly has approved. I think the Deputy tries to reinvent history. G.S.T. brought in at a universally low rate... a broad based tax is an efficient form of taxation and it is certainly more efficient and it is certainly more certain to insulate those people on lower incomes by giving income support as we have done, than creating a nightmare of a G.S.T. system on the lines of the V.A.T. (Value Added Tax) system, with complications and Treasury having to employ more people to decide whether or not matters are in or out of the scope of G.S.T. This overall system - the package - is the most efficient and the best way to create and to collect the necessary amount of tax.

4.2 The Connétable of St. Clement:

Approximately 3 or 4 weeks ago the Minister gave interviews to Channel Television and Radio Jersey during which he said he would not be seeking to introduce new taxes or increase the current taxes during the next 4 to 5 years. Could the Minister confirm this still remains his position and does this promise apply to all taxes, including impôts duty?

Senator P.F.C. Ozouf:

I think that I need to be quite clear that I do not believe that we should be increasing the taxation burden during the period of what is clearly going to be a difficult economic time. Of course all Treasury Ministers reserve their position on an annual basis and announce their taxation matters at the budget but I certainly give the overall signal that I do not believe that we should be increasing the levels of taxation. There is one exception to that; this Assembly has agreed environmental spend to increase the amount of recycling, to do various different environmental

initiatives. This Assembly, I think unwisely, removed V.R.D. (Vehicle Registration Duty) and that as a form of environmental tax is something that I am giving consideration to at the moment.

4.2.1 The Connétable of St. Clement:

Could the Minister confirm that his ideal, his ambition is not to increase impôts duty at all during the next 4 or 5 years?

Senator P.F.C. Ozouf:

The Connétable and I have debated the issue of impôts duty over I think the entire membership of my career in the States. I recall that he was the Member that proposed at some point to remove petrol duty, thinking that consumers would benefit. I think he is well-intentioned in his duty policies, however experience suggests that when you reduce duty - just as in the case of G.S.T. - consumers do not necessarily benefit. The issue of cigarettes is something I think is close to his heart and are a case in point. Even though we have low duties of G.S.T., consumers of cigarettes are not necessarily any better off and certainly the Treasury is not. We need to take issues in a package of measures and certainly there are issues of alcohol that I need advice from the Health Department on.

The Connétable of St. Clement:

I take that as a no?

Senator P.F.C. Ozouf:

He can, indeed.

4.3 Deputy R.G. Le Hérissier:

Given the apparently increasing role that the Minister is giving to the Fiscal Policy Panel, would he outline what the role is of the Economic Adviser's Office in the States?

Senator P.F.C. Ozouf:

The Economic Adviser is based within the Chief Minister's Department. A number of departments contribute to its establishment. It gives in-house economic advice to all States departments, including the Treasury. I think the F.P.P. (Fiscal Policy Panel) is different and I would characterise the role of the F.P.P. in similar terms as the Monetary Policy Committee, which is an independent group of economists that report publicly and separately directly to this Assembly. I do not see that there is any conflict in the requirements of government to have their own in-house economic advisers and buying-in economic advice, for example, from Oxera and having a separate independent panel such as the F.P.P. In fact, I think that that is a stricture and a benefit that all Members would agree with.

4.3.1 Deputy R.G. Le Hérissier:

A supplementary; could the Minister tell the House what is the Economic Adviser advising about in respect of the Minister and broader economic policy?

Senator P.F.C. Ozouf:

That is a pretty wide question which I could ...

The Deputy Bailiff:

Which should be answered concisely. [Laughter]

Senator P.F.C. Ozouf:

On all matters of economic policy.

4.4 Deputy S. Pitman of St. Helier:

Could the Minister inform Members why Scrutiny has not yet received a 70-page document which was sent out to all States departments on 5th March, concerning the economic stimulus package?

Senator P.F.C. Ozouf:

I think the answer to that question is that the Scrutiny Panel - I may be wrong - has refused to sign a confidentiality agreement, but I am not sure. Certainly, if that is not the case, then that is not a matter that directly I deal with as a Minister. We both - on the Scrutiny side and the Ministerial side - have officials that deal with these matters. I know that there are established practices of transferring information between departments and I am under no notice that there are any issues. If the Deputy wishes to inform me, I am happy to follow it up.

4.4.1 Deputy S. Pitman:

I do not believe that that was the case; that there was some confidentiality agreement that needed to be signed. Yesterday the Economic Affairs Panel attended a meeting with the Economic Development Department and we are informed that it was up to the Chief Executive as to whether or not Scrutiny would receive that document. Does he think this is right?

Senator P.F.C. Ozouf:

What I do know is that Scrutiny is there not to engage in ongoing fishing expeditions of matters that are under development. If the Scrutiny Panel wishes to examine - and I understand the chairman of Corporate Affairs has advised me that she and her panel wish to examine the Treasury, and it is the Treasury economic stimulus package - then of course we will move matters and engage in a transfer of information upon normal lines. What Scrutiny cannot do is they cannot simply pick and choose what information they do, in the way, and I think that there are established Scrutiny issues which maybe the Deputy needs to reappraise herself of.

Deputy S. Pitman:

Sir ...

The Deputy Bailiff:

No, I am sorry, Deputy, you have had your 2 questions and there are others.

Deputy S. Pitman:

The Senator has not answered my question. Does he feel it right that it is up to the Chief Executive of the States as to whether or not Scrutiny will receive that document?

Senator P.F.C. Ozouf:

I am advised by my colleague; the Minister for Economic Development, that that is not what was said.

Deputy S. Pitman:

I am afraid that is incorrect. My Scrutiny colleagues will agree with what I have said. Thank you.

The Deputy Bailiff:

I am sorry, Deputy. We will have to move on so that other Members get their chance. The Deputy of St. Mary.

4.5 The Deputy of St. Mary:

I want to ask about the headline in the *Jersey Evening Post* recently, as a result of the Minister's press release to them: "Incinerator blunder: failure to fix. The euro rate cost £3 million." I just want to put 3 facts to the Minister and then ask whether he does not consider that he has been

misleading the public. If the rate had been fixed the day after the States voted for the incinerator, it would have cost the Island an extra £3.5 million on top of the £106 million which the States voted for. If the rate had been fixed when the contract was signed, it would have cost an additional £8 million on top of the £106 million which the States voted for. If the rate had been fixed when the C.A.G.'s (Comptroller and Auditor General) report was written, it would have cost an additional £15million, taking the total to £121 million. How does the Minister square that with the headline figure of £3 million and what is his interest in making the public think the incinerator is cheaper than it is?

Senator P.F.C. Ozouf:

The Comptroller and Auditor General's report, which of course I found out was established on the day that I became Minister for Treasury and Resources, showed that the matter of the hedging has not been carried out. I asked the Chief Executive of the States to carry out a report. The C.A.G.'s report has concluded on what is a very complicated issue. It is the figure of £3 million that is from the Comptroller and Auditor General's report that is being used. We will not of course know what the final cost of the incinerator costs will be because the euro issue has not been hedged and, upon advice in December, which has been agreed with by the Comptroller and Auditor General, the position - as we stand at the moment - is that the matter is not hedged so we do not know what the cost is. The Comptroller and Auditor General's figure is the £3 million.

4.5.1 The Deputy of St. Mary:

Additional, supplementary; all my figures were taken from the C.A.G.'s report simply by reading carefully and making notes in the margin. £3.5 million, £8 million, £15 million; would the Minister care to comment on his figure of £3 million which was fed to the media and how that happened?

Senator P.F.C. Ozouf:

The £3 million is from the Comptroller and Auditor General's report at the time that he wrote his report. Of course that £3 million will be different as exchange rates move. Let us be absolutely clear about that; there is no intention to mislead. We will not know what the final issue is until the matter has been hedged and the Minister for Treasury and Resources takes advice upon hedging. Now we are faced with the issue that the matter has not been hedged.

4.6 Senator B.E. Shenton:

Is it not the case that the gross tax take from G.S.T. will be closer to £55 million than £45 million?

Senator P.F.C. Ozouf:

I have given information to the Deputy of Grouville on the matter of taxation and the latest estimates and I believe that, if I turn to my papers, the estimate for G.S.T. is slightly over £50 million but I will come back with the actual figure later on in the G.S.T. debate.

4.7 Deputy J.A. Martin:

Would the Minister inform us how much money he has put aside out of the Stabilisation Fund, given the fact that not counting the Easter holidays, school leavers have got about another 20 days at school and I am very concerned that he is not working with local businesses, as promised, and money is not being put aside to help these youngsters into work as soon as they are leaving school?

Senator P.F.C. Ozouf:

The money from the Stabilisation Fund will be a matter for this Assembly to consider. I intend to lodge my fiscal stimulus package on 8th April. What I do know is that the Economic

Development Department and Social Security have been working extremely hard in dealing with the real issues, which the Deputy is quite right to make, about people not being able to get into the workplace as a result of the downturn. Members will see on their email systems the latest labour market figures, which will be published tomorrow morning. We are acutely aware of the implications of people not being able to get into work and we are working hard in order to provide opportunities for training and for people to get into work as soon as possible. That will feature in the economic stimulus package.

4.7.1 Deputy J.A. Martin:

A supplementary; would the Minister help with the other 2 Ministers to advise the youngsters who are leaving school, that the only help they will get is at Social Security, either with training or income support in their own right, which they are entitled to and nobody seems to be telling them this?

Senator P.F.C. Ozouf:

Well, obviously the Deputy is right to say that there is a communication issue there and if we need to do more then we will do more. What I can say is that money will be specifically allocated towards the issue of assisting people that are unable to find work as a result of the economic downturn.

4.8 The Deputy of Grouville:

To follow on from the Constable of St. Clement's question, could the Minister please confirm that he is altering the rate of stamp duty to kick-start the property market?

Senator P.F.C. Ozouf:

I am going to consider, and Treasury Ministers always keep matters of taxation until the budget, but I have confirmed that I am reviewing the issue of stamp duty. I am also re-reading the very good report by Jurat Blampied on stamp duty, which was made a number of years ago, in particular in relation to the stamp duty arrangements on mortgages. This Assembly will shortly consider the arrangements for stamp duty on share transfer property. I think it is absolutely vital that all property is on a level playing field and this Assembly will be given an opportunity to consider that matter when I lodge the proposals in May for debate in June.

4.8.1 The Deputy of Grouville:

A supplementary Sir; could the Minister tell us how much anticipated tax loss this will bring?

Senator P.F.C. Ozouf:

Clearly the property market is in a stagnant position. Clearly the estimates of stamp duty will be lower this year as a result of the economic downturn. The issue of mortgage registration is, I think, in the region of £500,000 but on the other side, bringing in a transfer in a normal housing market is expected to bring in a number of millions of pounds in terms of stamp duty.

The Deputy Bailiff:

Very well. I am afraid that concludes Questions without Notice to the Minister for Treasury and Resources.