

2014.09.22

### **3.8 Deputy J.A.N. Le Fondré of the Minister for Treasury and Resources regarding whether the States had a structural deficit:**

Do the States have a structural deficit?

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

I hope that the Connétable of St. John is going to ask a supplementary on this because in fact whether or not we have a structural deficit depends on how much money we spend and he has one last chance of dealing with infrastructure spending. There has been a lot of talk about this issue of structural deficit and I want to, if I may, refer directly to the comments that the Fiscal Policy Panel has made. They say if - "if" - there is, and neither the F.P.P. or I or anybody else really knows whether there is a structural deficit, if there is a structural deficit in public finances the States should plan to address it once the economy has recovered. Structural changes in taxation or expenditure programmes are easier to introduce, they say, once an economic recovery is fully established, and this will be an important consideration for the next M.T.F.P. I absolutely agree. They further say: "The panel intends to undertake an analysis ahead of the report next year"; that is ahead of the M.T.F.P. and after the Strategic Plan, which will deal with the resource statement again, as we did last time. That will help report to the States and understand better the underlying structural position of States finances. So, let us be clear, we should all wait that external expert advice before jumping to conclusions because we simply do not know. We will know about the ongoing international position and the success of getting the economy underway and getting growth. What I can say to Members is that all of the plans, as published in the long-term revenue plan review, do take account, very prudently, of that much lower income plan and all of the forecasts have been based on that prudent basis. My position is on the F.P.P. advice. If we have a structural deficit then we will be ready to act. The last thing is to avoid a structural deficit you do 2 things: you maximise your future income by investing and getting the economy going, and ultimately it will be for this Assembly to decide what their spending plans are for 2016 to 2019 and then Members that are here will decide whether or not they are going to run deficits or whether or not, as I would want to do, rebuild revenues in the Stabilisation Fund by running surpluses when the economy is recovering.

#### **3.8.1 Deputy J.A.N. Le Fondré:**

The F.P.P. have been calling for some form of analysis to be done as to whether there is a structural deficit or not since 2012, and that is in their report. Why has it not been produced?

#### **Senator P.F.C. Ozouf:**

I do not know where Deputy Le Fondré has been in the last 5 years but we have been facing the world's worst economic crisis. It may well be more easy to chart and to forecast in the years ahead as confidence is returning. Nobody in this Assembly, no expert, nobody in the world, from St. Lawrence or from Santiago or from Sydney could have forecast the contagion of the world's public finances and the difficulties that we have had to take. What we do know is that we can have confidence in building our income line by restoring confidence in our financial services, restoring our reputation with the U.K. and doing all the things that the Minister for Economic Development has been working so hard on to get local, non-financial services growth under way. That is the way you avoid a structural deficit and meet your spending requirements, including capital infrastructure spending.

#### **Deputy J.A.N. Le Fondré:**

Quick supplementary: the Minister did not answer the question. I said it has been asked since 2012, why has it not been produced.

#### **Senator P.F.C. Ozouf:**

Because you cannot do it. The time to do a structural deficit is now in the advance of the next Medium-Term Financial Plan. Frankly, rather than be in the weeds of the short term working out what could have happened in the last 2 or 3 years, Ministers have been working to increase the income line. I have been uncompromisingly with the Chief Minister - who is now in the U.K. defending our interests - explaining to Labour Party politicians effectively who could be in the next Government, the benefit of Jersey and rebuilding confidence, just as I was doing last Monday, getting FinTech businesses to Jersey. Going out, winning business and getting jobs back into Jersey. That is how you avoid a structural deficit. Not wasting time in short termism.

### **3.8.2 Senator S.C. Ferguson:**

I would, with great respect, correct the Minister: the Fiscal Policy Panel have been worried about a structural deficit since 2008.

[10:45]

Does the Minister not agree that if you are spending more than you are getting in income and you are losing tax income, a structural reduction in tax income, then does not indicate you have a structural deficit? We have lost £8 million a year in marginal relief, we have in 2012 lost £6 million in a year in deemed distribution and it is probably higher, and the chairman of the F.P.P. is pretty sure we have a structural deficit. So does the Minister not consider that there is perhaps a degree of urgency in looking at the figures and why do we need to go outside to get those figures and not use our own resources?

### **Senator P.F.C. Ozouf:**

Very happy to answer that, finally. The Corporate Services chairman, the F.P.P. are not alone in worrying about structural deficits. I do not think, with respect, I need to be reminded of the structural deficit in 2008. I was the bearer of bad news in dealing with a structural deficit of £100 million in 2013 without having taken corrective action, to which I have been applauded and castigated in equal measure. I do not need to take lessons about structural deficits because I have avoided a structural deficit that would have certainly been in the case of £100 million in 2013. Let us just be clear about worrying about structural deficit. I worry about them just as much as the F.P.P. and I agree with them, and I have taken their advice. I take advice from the real experts, and if Senator Ferguson thinks that we can only have experts in Jersey looking at it ... I am afraid we are not an Island, we are part of a globalised financial services industry and we need expertise from outside. The reason, if there is a structural deficit, why there was a structural deficit in 2013 and the question in future has 2 answers: growing revenues and safeguarding our financial services and other industries maintaining our income and, secondly, the debate about Health. If we would not have tackled healthcare spending, dealing with the Connétable of St. John's infrastructure issues, we would not have had a structural deficit. We would have done like previous Assemblies, have put problems off to future generations. We have not. I congratulate Members of this Assembly who have supported the policies that we have done and ensured that we do not have a structural deficit that we would have had in 2013 and this Budget will mean if there is a structural deficit, it will be as small as possible because we will have grown the economy and restored confidence to Jersey rather than talking it down.

### **3.8.3 Senator S.C. Ferguson:**

Would the Minister acknowledge why it is that he is only just admitting this and why he did not start working on it last year when it was recommended in our report?

### **Senator P.F.C. Ozouf:**

I am going to enjoy the hustings, I think, because is the Senator really saying that I am admitting that there is a structural deficit now? Does the Senator not understand that every waking hour of the work that Deputy Noel and I and Ministers, the Minister for Economic Development, is all directed towards ensuring that we have the resources to invest in the social services and our social

infrastructure and our backlog in infrastructure to pay for that by growing the economy in a responsible way? It is simply an outrage for Senator Ferguson to somehow now cast her as the owner of the structural deficit problem. I think I have enough punches and enough bruises in dealing with structural deficits and fixing them in the last 6 years than most other Members, and I am proud of it. I will say structural deficits must be avoided. You raise income, you get the economy back and you deliver social services in health and infrastructure and we have done all of that, in spades.

**Senator S.C. Ferguson:**

What is the usual ...

**The Bailiff:**

I am sorry, Senator, you have asked your 2.

**3.8.4 Deputy G.C.L. Baudains:**

Much of the Minister's enthusiasm appears to be predicated on the economy of improving in the near future. What I would like to ask the Minister is ... because the message I get from businesses that they do not see that happening any time soon. If we are going to run a deficit what contingency is there if the economy does not turn around in the near future?

**Senator P.F.C. Ozouf:**

Excellent question. The economy is in parts improving. We are seeing real confidence returning back into financial services, some really good news in terms of organisations like HSBC is bringing business to Jersey. I expect more news with other Ministers, the work that Locate Jersey has been doing in bringing some funds to the Island. There is real optimism. The work in FinTech. I addressed its major conference in London, Level 39 at Canary Wharf. There are huge opportunities for Jersey building on the work of the digital economy. The Minister for Economic Development and I think would agree that the non-financial services economy has been proven to be somewhat anaemic. In answer to the Deputy's question, I think that we all, if it remains anaemic, if we cannot get it going then we need to do more and understand more. I stand ready, right up until the last minute of Ministerial office, to assist the Minister to do everything. We have never said no to something that the Minister has wanted for the right reasons. In relation to ... I cannot remember what else there was. We do have contingency plans of course in the Treasury for a downturn in income but the most important thing is to get the income line up and get economic recovery underway, and that is what this whole Budget is trying to do.

**3.8.5 The Connétable of St. John:**

Spend on infrastructure runs as we all know into hundreds of millions. Will the Minister for Treasury and Resources support T.T.S. (Transport and Technical Services) in putting in place wayleaves across land thereby saving the Island or the taxpayer millions of pounds in having to reinstate roads once they have been dug up? There is absolutely no reason why many new housing developments, *et cetera*, the pipework and everything else, the infrastructure should go in private land but not at the great cost. They need a way leave put in place where commonsense charges would be put in place.

**Senator P.F.C. Ozouf:**

I think you are probably giving the Connétable a little latitude ...

**The Bailiff:**

I think I am.

**Senator P.F.C. Ozouf:**

Frankly, it is his last sitting, and his last opportunity to ask me a question, so absolutely more than delighted to do it. He may not believe it but I think about the Connétable of St. John a lot in the Budget plans. He has pushed, encouraged, cajoled, questioned, prodded and emphasised the importance of infrastructure investment and drains and he has been right to do it. This Assembly, of which he is now leaving, has done more in infrastructure than any Assembly in recent times almost in our post-war history and he should be thanked, for his dogged persistence of that. The answer to the question is, yes, I agree, and it is in the Minister's plan. If I am still here I will continue to support it, because he is right. We have the liquid waste strategy in. We now need to do the wayleave issues, and we can connect those people that he has so well represented in recent years and get the dream of being connected to the mains liquid waste supply. He is absolutely right and I thank him for his question.

### **3.8.6 Deputy J.A.N. Le Fondré:**

At present for planning purposes, what are officers working on as a deficit projection for 2016?

#### **Senator P.F.C. Ozouf:**

I just do not know what Deputy Le Fondré reads. The answer is it is in the long-term revenue plan review document. I have said that the long-term revenue planning, which is not a matter for this Assembly and this Minister to decide upon, is based upon the lower dotted redline forecasts. That is clear. It was clear in the email of 29th November last year. It is clear again from the F.P.P. report this time. What does he not understand? It is based upon the red dotted line that was in his inbox at 16:59 on 29th October 2013 and it is in his inbox from the F.P.P. report this time, and it is in his inbox, if has read it, for all the reports that we are doing. I just do not understand.

#### **Deputy J.A.N. Fondré:**

What is the number? That is all I need; what is the deficit projection for 2016? The number.

#### **Senator P.F.C. Ozouf:**

There is not a deficit projection for 2016 because it depends on how much you spend. Depending on whether or not Members are going to be supportive of the Minister for Health's call for £50 million additional on healthcare services, on the Minister for Education's call for additional support rightly for skills, the call from the Minister for Transport and Technical Services for more road funding; it depends. I do know one thing, is the deficit, whatever it is or the number is in 2016 would be lower if we did not take the Budget measures that we are doing today and all of the going out and selling and celebrating Jersey and getting business into Jersey as quickly as possible. As to what I do know what it is, I have not got a crystal ball. I do not know what is going to happen in the next Assembly but I hope they balance the books over the cycle.

#### **Deputy J.A.N. Fondré**

I am sorry, Sir ...

#### **Senator P.F.C. Ozouf:**

Revenue should equal ...

#### **The Bailiff:**

No, I am sorry, that has taken it as far as it can. We have the Budget debate still to come.