

# STATES OF JERSEY

## OFFICIAL REPORT

**WEDNESDAY, 8th DECEMBER 2010**

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

[9:30]

**PUBLIC BUSINESS – RESUMPTION**

**1. Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010): amendment (P.157/2010 Amd.) – amendment (157/2010 Amd.Amd.)**

**The Deputy Bailiff:**

The States now resumes its debate on the amendment of the Connétable of St. Helier.

**1.1 Connétable K.P. Vibert of St. Ouen:**

I would like to remind Members of the words, some of the words, not all of them, of the Deputy of St. Mary yesterday. [Laughter] He highlighted what I think he termed as the *mañana* syndrome. That is a very widely used system in this Chamber when people try to put off *mañana* until tomorrow decisions which are painful, expensive or which they just do not feel like tackling, and I think that the amendments of Deputy Southern and the Connétable of St. Helier are the *mañana* syndrome. They are trying to put off decisions which are painful and which are difficult until a later date. The Minister in his proposition of the Budget Statement highlighted that we need to make decisions now which are timely, albeit painful, but which will be far more painful and far more difficult *mañana*.

**1.1.1 Deputy K.C. Lewis of St. Saviour:**

I thought long and hard about this one, and I will be supporting the Constable of St. Helier's amendment. This extra 6 months is the breather that the people of Jersey need and it is not about working Jersey or middle Jersey, this is about all of Jersey. We need this extra 6 months. Many small shopkeepers have absorbed the 3 per cent much to their cost. They will not absorb 4, 5 or 6 per cent, so that will be passed on. After I asked a question of the Minister for Economic Development several weeks ago regarding asking landlords to reduce commercial rents, I had several phone calls from people, one of which was going *en désastre* because they simply cannot make it any more. I think this 6 months is essential to give people of Jersey the breather they need, so I will be supporting this amendment.

**1.1.2 Senator P.F. Routier:**

Perhaps I should declare that Members will recognise that I am a retailer of clothes but I do not believe that what I am going to say reflects on that. So, my opening comment will of course focus on this amendment but will refer to the main amendment, as they are both very similar in principle, but with varying times and quite obviously cost. This amendment by the Constable of St. Helier and the initial amendment by Deputy Southern both propose to maintain the current G.S.T. (Goods and Services Tax) rate at 3 per cent with no exemptions and for different periods of time. I am not sure if I am reading this wrong but in both of these amendments the proposers seem to have now settled in their own minds that the current flat rate of G.S.T. is the best, the simplest and the most appropriate form of G.S.T. I say that because they appear to want to keep it. If I am wrong in my assumption I do apologise, but then if I am wrong I am really confused because mixed messages are coming from the Member. I cannot recall the Constable's previous stance on G.S.T. but it does appear that Deputy Southern certainly has had a conversion and now supports G.S.T. at that flat rate. [Laughter] No doubt if we get past this debate we will find out later how deep the proposers of these amendments belief is in a flat rate G.S.T. Certainly, this amendment by the Constable is, on the face of it, the least costly of the 2 options in lost revenue to the overall Budget package and could be seen as the easier option to approve, and could be tempting to some because it does not appear to be as costly as Deputy Southern's. Just for clarity, the Budget as proposed by the Minister for Treasury and Resources would lose at least £15 million next year if this amendment was successful. I will explain later that it would be likely to possibly cost even more than that. I do

not believe that we should entertain any such loss because we need the income to provide the services that we all want to provide. I would like to comment on 2 matters which the Constable raised in his opening remarks. Firstly, he put forward the view that maintaining a 3 per cent rate will help to fight off or hold back the increasing threats to town retailers from internet sales. There seemed to be a view which has been put to him by retailers that internet sales are increasing because of G.S.T. and if there was an even higher rate it would be even worse. There may be some merit in that, but I have to say that the main reason for increasing the internet sales in Jersey is the same as it is all over the world where we are seeing a growth in internet sales currently at about 10 per cent of all sales, and growing to what is predicted to be 20 per cent of all sales within the next 10 years. This is not a function of any tax or tax rates but it is people's buying habits and competitiveness around the various markets. The growth in internet sales is happening the length and breadth of the U.K. (United Kingdom) and within the U.K. without any tax differentials at all. So, it is just happening. It is just a fact of life. The internet is taking a slice of the business. The answer to the traditional retailers is to compete against the internet by offering quality, reasonable prices and obviously a good service. The second matter relates to a very practical issue of the suggested date that the 3 per cent G.S.T. rate is to be extended to. The Constable is proposing that the rate be kept until 31st December 2011. This would require retailers to change their prices on 1st January, which is totally impractical. Those Members who have taken part in previous G.S.T. debates will, I am sure, recall the outcry from retailers who needed time to change prices, preferably in a mid-week, avoiding weekends and holidays. This amendment is really not an appropriate date for very real, practical and cost reasons. Although Deputy Southern's amendment is a mid-week changeover, the date does not make his amendment more acceptable because it is even more expensive in lost revenue.

**The Deputy Bailiff:**

Senator, I am sorry to interrupt you but we are firmly going to keep this debate contained to the amendment to Deputy Southern's amendment and we are only discussing the date.

**Senator P.F. Routier:**

Yes, Sir, certainly. This amendment proposes that the existing rate should be kept until the end of next year after the elections. I presume that the proposer is signalling that a new rate should be effective from 1st January 2011. If this is the case, we will need to decide what that new rate will be in advance, at least 6 months in advance so that there is sufficient notice for retailers to prepare their buying strategies for the forward period which, in many cases, have a long lead-in time. If of course the Council is just wanting to leave the decision until after the next elections for the new House to debate, then allowing for at least 6 months' notice period to be given to the public after any such debate, the cost would be considerably more and probably even more than Deputy Southern's version. So, if there is a desire by some to support this amendment on the basis that the new House, after the elections, can deal with a new rate I do not think that it will be practical because it would be impossible to debate it before December 2011 and give everyone sufficient notice and warning to have it in place. For those sort of practical reasons, and for the cost reasons, this amendment is inappropriate in these times when we need to balance our books as soon as we possibly can. *Mañana, mañana, mañana* I will not be supporting this amendment or the main amendment.

**1.1.3 Deputy T.M. Pitman of St. Helier:**

I thought the Senator was going to sing then when he started into that little mantra. I think on yesterday's evidence this debate may become irrelevant because the Minister's proposed June implementation date for G.S.T. increase will probably have come and gone before we have finished anyway. So, let us see what we can do today.

[9:45]

Having said that, I was pleased to reach the adjournment last night because when I heard Deputy Noel start to tell us about jewellers having their best retail year ever, I honestly thought I had had something stronger than my orange juice at lunch time. Now, maybe he buys his piercings at a different retailer to Deputy Martin and I, but I can tell you that the jeweller I was speaking to, a 2-man business, one of them has moved to the U.K. to keep the business going. That is how bad it has been for them and that is as a result of G.S.T. now. I know we all hear about how bad ... sorry, I am being put off by someone ... I cannot remember who. I was stopped by a member of the public this morning and asked how I thought it would go and he wanted to remind me about election promises and that is really apt, is it not, because I certainly know of one Deputy who the people have told me would be very lucky to get in because they have stood on an exemption, a G.S.T. exemption ticket, as soon as they got in did the exact opposite and as this member of the public said to me: "That might seem a long time ago now, 2 years, but there is an election less than a year away. People are not going to forget this time." So, what I would say to people, you have got to make up your own mind on this but just make sure you are happy with the way you vote because it will be remembered. Now, my voting is consistent on G.S.T. It is undeniably regressive as Deputy Southern and the Constable have said, absolutely undeniably regressive.

**The Deputy Bailiff:**

The date, Deputy, please; that is what the debate is about.

**Deputy T.M. Pitman:**

What the Constable is proposing and Deputy Southern as well, of course, is indeed like Deputy Lewis has said, some breathing space. It is the chance to maybe avoid making a wrong decision, not the *mañana, mañana, mañana* syndrome because, yes, the House is very good at this. Six months, will it be the end of the world? Will it be, really? Only yesterday we saw in the *J.E.P. (Jersey Evening Post)* and as we all know it must be true if it is in the *J.E.P.*, we had the finance industry again blubbing about how the rest of us can take G.S.T., those at the bottom the middle earners, but oh no, if they have to pay their way it will be Armageddon. How many times have we heard that trotted out? Now, this is interesting, I do support the finance industry. There are elements of it I do not support, but why is it that industries that can make £809 million in a bad year if we follow the amendments here today it will be Armageddon but for the rest of us, for those middle Jersey, for those at the really sharp end below, it is okay. This is indeed, as Deputy Lewis said, breathing space and surely it comes down to the fact that it is wrong for a government that will be in its dying days to introduce a tax, and that is what will happen, and it is fine for Senator Ozouf ... and I understand Senator Ozouf, he is pretty consistent in this, some would say he is not with the promise that he broke, but we know his politics, we know his ideology, but what about the others, those of us who say one thing. Well, I stick to what I say. I will be supporting the Constable just as I would support Deputy Southern, because surely it is wrong for a government in its dying days to bring in a tax that then the next House will have to live with. Surely it is even worse that we propose an increase in tax when we have not yet sorted out Zero/Ten.

**The Deputy Bailiff:**

The debate, Deputy, please.

**Deputy T.M. Pitman:**

Well, I think that is linked, Sir, if you give me a little bit of leeway. If I was the Deputy of St. John, I would say you were cutting me off at the knees, but I will not steal his catch phrase. I am nearly finished. I have only taken 73 minutes today, Sir, and you are being monitored now.

**The Deputy Bailiff:**

As far as I am aware, Deputy, I have been monitored since I started. [Laughter] [Approbation]

**Deputy T.M. Pitman:**

So what I would say to Members in closing is let us see, whichever way you vote on this, consistency. Just make sure that Members are happy with the way that they vote because that is going to be remembered for all of us who are going to face an election in 10 months' time or whatever. The Minister is not one of those, but many of us are. I know I will be able to stand up and say I was consistent. Let us make sure each and every one of us can say that, and no, you should not vote for this amendment purely because you think it might influence the electoral result, but you should vote because you are doing what you have said, and you are sticking to what you have said. I do not know what that interruption was but I think it was a tea party member. Hospitality can have an exemption, have had a delay, where is the consistency here? There is no consistency. If that is not *mañana*, *mañana* then I do not know what is. This amendment from the Constable does deserve support. It is breathing space. I have used Deputy Lewis' catch phrase enough times and I will absolutely be supporting it because it is a chance to make a right, informed decision rather than a possibly very damaging one.

#### **1.1.4 Deputy F.J. Hill of St. Martin:**

We are going to spend quite a considerable amount of time today and tomorrow the way things go, even Friday, if we start discussing about the 3 per cent, 4 per cent, 5 per cent, 6 per cent, none on food, where are we going to go to? We have heard about *mañana* time. What I do know is what goes up never comes down, and if indeed we put this up to 5 per cent it will not come down. That will be the benchmark and the next one, it will be 6 per cent, it will be 7 per cent and just go on. I think what we have today is something which I am certainly going to support and I would ask other Members to, bearing in mind what goes up does not come down, and I would also like to remind those people on the executive side that very soon unless we accept this one we will be debating an amendment to an amendment brought by none other than the Minister for Treasury and Resources. So, if you are going to propose something he does not agree with, why propose it in the first place? Why spend time debating that as well? I think we have an opportunity today just to accept what we have, it is a breathing space, it is £15 million we are told. That is what it is going to cost. If we cannot find that out of somewhere or other then I think we are failing those people who have put us in the Chamber. So, I would ask Members not to spend too much time on this. We have what I think is the most sensible, most pragmatic approach today. Leave things as they are, give us that breathing space and let us get on to the vote.

#### **1.1.5 Connétable J. Gallichan of St. Mary:**

I speak a couple of languages, I speak 4, but Spanish is not one of them although of course I understand this *mañana* concept. The difficulty I have got is with the English because I have heard from different sides of the Chamber, different areas, what I consider to be conflicting ideas. I thought that if I was to support this amendment of the Constable of St. Helier, I would simply be deferring the increase of Goods and Services Tax to 5 per cent which is set out in the Budget Statement until 31st May 2012. I was not under the impression that I would not be making that decision. The way I read it is that I would be giving exactly what the Constable of St. Helier says, a breathing space and an extra chance. From what Senator Routier said, he seems to think we are not making the actual decision and also I got that from Deputy Pitman as well, leaving it to an election issue. So, I am really confused because I had understood that we would be making the decision but simply deferring the implementation date, which is rather a different thing. I would be grateful if someone who speaks could then please give me a clarification on that because it is not only a question of making the decision, it is a question of getting the timing right and in some cases *mañana* is a good thing. You know where you are going but sometimes you just have to give people the right chance to prepare how they are going to get there.

#### **Deputy D.J. De Sousa of St. Helier:**

Can I raise the *défaut* on Deputy Shona Pitman?

#### **The Deputy Bailiff:**

She is here already, I think. She may be unusually quiet but she is here already. Does any other Member wish to speak? Deputy Higgins?

**1.1.6 Deputy M.R. Higgins of St. Helier:**

I have been looking at a lot of economic data of late. In fact, looking at the Fiscal Policy Panel's report there are a number of quotes all the way through it. For example, the outlook for the global economy looks profoundly uncertain. Expectations about the experiences of global recovery have swung since the beginning of 2010 reflecting fears of fiscal sustainability and contagion in the euro area, and so on and so on. The world at the present time is not settled. For example, if we look at the recent Irish crisis we found that the British Government had to bail out as part of the European package the Irish banks to the tune of some £7 billion. Why? Because the British banks are in hock. When I say "in hock", they have lent to the Irish banks something in the order of £80 billion and therefore any problem in Ireland affects the U.K. banks. We know that Portugal and Spain are also in trouble. The German banks have got money tied up very much in Portugal and in Spain, as well as the British banks. So, what I am trying to say is the financial crisis that we witnessed over the last few years has not gone away and in fact the pressures are still there. Now, in terms of the future of banking, I have been looking at figures suggesting that financial services may take quite some time to recover. If we look at Jersey even closer to that, I asked a question in the States in the last sitting about the level of deposits that we upstream to the London money markets and how much we have upstreamed over the last 10 years, and what those figures showed was that over the last 18 months to 2 years some £15 billion less has been upstreamed into the money markets. So, what we are seeing is not only that the volume of deposits we are placing in those markets ...

**Connétable J.M. Refault of St. Peter:**

Excuse me, could the Speaker give way? I would just like to inquire through the Chair what this has got to do with the dates of the G.S.T?

**Deputy M.R. Higgins:**

It is highly relevant to what I am going to say about the date, so if you just bear with me, please. What I am saying here is that in terms of Jersey's economy, and this is what I am concerned about and the timing of the measures that we are doing. So, in terms of the money that we have upstreamed into London, something like £15 billion less, so the volumes of deposits we are placing in London are considerably less than have been in the past. We also know that interest rates are historically low. Therefore, the profitability of the banking sector in particular is likely to be under strain for the next few years. Now, we are being told by the Minister that the economy is going to recover. He sees green shoots next year, the year after and so on. I do not think any economist can be certain that we are going to see that growth. Just to give an example, one of my favourite quotes is by an economist called John Kenneth Galbraith who was a Harvard economics professor and he said: "Economic forecasting makes astrology look respectable." That is how much reliance you can place on the economic forecasts. So, what I am saying is just looking at our economy alone, and we look at finance and we know that banking is an important part of the financial sector we can see their returns are likely to be low. If we look at the F.P.P. (Fiscal Policy Panel) ... also, we are being told we are now diversifying, we are going to India and China. How many of you have noticed recently how the Chinese are starting to rein in their own economy? They are increasing some of their provisions with regard to the amount of capital the banks have got to have, liquidity, they are trying to tighten up on China's growth. So, even that market is being restrained. If we look at the United States it has been stumbling along the bottom. It is one of our main markets and President Obama, his Treasury Secretary is going for more quantity of easing, trying to stimulate the economy a bit more. The Japanese economy is depressed. The European economy across the board there are problems. So, what I am trying to say is the financial outlook, or the economic outlook, is not all that rosy. We cannot be certain that we are going to see the economic growth we are going to see. We cannot see that our banking industry is going to rebound quickly and if we

look at the other figures and the other information contained in the F.P.P. report they go through, and anyone who has read this report will see all the way through there are serious questions about the performance of the economy. They mention, for example, interest rates, that even by 2013 interest rates are not expected to have reached the level comparable to the long run averages. It says that: "Near zero interest rates may have a significant adverse effect on the profitability of some banks in the Island, particularly those that rely heavily on net interest income." If we go further, the rest of the economy, he mentions that if we look at employment we are saying that: "Firms reported they were still reducing employment and were pessimistic about general business situation" and this is just in retail. If you go through this report all the way through you will see not a great deal of joy going forward and I do not believe that we should be raising the taxes and cutting as much as we are at this present time, and I think this recession, as I have said before, financially induced recessions take longer and I think we are in danger of exacerbating the situation. I would rather delay any possible move on G.S.T., whether it be 6 months or a year, until we get a much clearer position of where the economy is going. I would also mention too that if we look at some of the other things, clouds on the horizon, we know that Zero/Ten is being discussed ...

[10:00]

**The Deputy Bailiff:**

Deputy, this is only about the date.

**Deputy M.R. Higgins:**

I am coming to that. All these factors, these are all things that are making the outlook uncertain. I am saying whether we delay the imposition of G.S.T. for 6 months or a year, I think it is preferable to wait, to draw down from the Strategic Reserve to see which way it is going. So it is not a question of *mañana*; I think it is being sensible. What we are doing is not trying to sort of depress the economy any further than it is and create further unemployment and reduce economic growth within the Island. Now I would echo some of the things that others have said. The Deputy of St. Martin is totally correct. When I came into the States I was quite convinced ... in fact I am surprised that the Minister for Treasury and Resources is only going for 5 per cent. I was quite convinced he was going to go for 10. I can tell you, before we are finished we will have 10 per cent and I will forecast that when the E.U. (European Union) Code Group comes back and if they do condemn the Zero/Ten and we have to change things, the person who is going to be paying for this error is going to be the ordinary taxpayer; the ordinary man in the street. Why? Because indirect taxes such as sales taxes are quite easy to implement and they are an easy target. I can tell you I have visions before ... in fact, I am almost prepared to go and see Honest Nev and take out a bet as to what the level of G.S.T. will be in a further 3 years from now, in 6 years from now and 9 years from now. I can tell you, we are heading the same way as the U.K. and the rest of Europe. I just want to make a few other comments too. I do believe in integrity in politics and I happen to believe that the whole thing about G.S.T. ... promises were made by various politicians about not raising G.S.T. I very much remember Senator Routier, for example, and others such as Senator Maclean and quite a number of members of the Council of Ministers saying they did not agree with raising G.S.T.; they would come and support the thing on food. Ever since that election they have broken every single promise in that area. I think it is totally unacceptable. I think politicians, if you stand on a platform you should go for it. Now I accept if you get a major sort of calamity, yes, you can argue your case. But in this case, I do not even believe they believe what they said at the time. So, I am one politician who ...

**Senator A.J.H. Maclean:**

I think that should be withdrawn, frankly. The Deputy was making assertions which are inaccurate and I think it is unreasonable that he should do that ...



**Deputy M.R. Higgins:**

Well, would the Senator tell us, did you say you would not support ...

**The Deputy Bailiff:**

Deputy, through the Chair, please. I think the allegations that you say to us that Ministers did not believe what they were saying at the time, that amounts to an allegation of bad faith on their part and I think that I should ask you...

**Deputy M.R. Higgins:**

Is that not a question of my belief? I believe that ...

**The Deputy Bailiff:**

You are making an allegation of bad faith against them. That is something which ought not to be made. **[Interruption]**

**Deputy M.R. Higgins:**

I think I will withdraw it but I am sure the electorate will remember and, fortunately, they do not have to stand for election for another 4 years. Anyway, the bottom line is anyone who looks at the economics of the world situation and our economy will see that what we are doing by taking out £65 million in the period of time we are and raising taxes is going to have an effect on the economy and I think a detrimental effect, and I do not believe that we should be jumping into some of these things. Going back to Zero/Ten before I finish, if that Code Group comes out against us, ECOFIN come against us, we are going to be coming back and looking for alternative taxes to make up the shortfall. All I can say is it is going to be G.S.T. because we know, for example, the consultation on business tax, we know all businesses are against having any taxes on them, and we know that the Council of Ministers is against any sort of business taxes and therefore it is going to be the ordinary consumer again. I will support the Connétable of St. Helier's amendment and if not I will be supporting Deputy Southern's amendment.

**1.1.7 Deputy R.C. Duhamel of St. Saviour:**

Austerity measures. I think I am old enough to remember: "Dry bread today; jam tomorrow" and I think in some respects that is why we should be supporting the proposal by the Constable of St. Helier. I am not happy that the Treasury or the Minister for Treasury and Resources has done enough at this stage to offset the structural deficit that we have in our economy. Now to be fair to him and to his officers, there are a lot of things that he can do and many more things that he cannot do. But I think this is why we have these debates in the House: to assist him in his thinking and to encourage him to do the right thing. None of us have crystal balls, as has been referred to by Deputy Higgins, to determine what might happen next year, or indeed any further. Sometimes no further than the end of our nose. Some of us have longer noses. **[Laughter]** The longer the nose, the better. But seriously it worries me. A lot of these problems are not of our making but we are going to have to respond to them in some shape or form. Our economy is part of the world economy and if indeed questions are being raised as to the efficacy or the ability of the capitalist system to deliver based as it is on continued growth, then I think we are up against the wall at some stage. Those are the messages that are beginning to be expressed in some shape or form. Now that does not mean to say that we should all suddenly emigrate and go to the moon or go to some other country which has better conditions, and will continue to allow us to have lifestyles which are based on exploitation and growth, because those places are becoming few and far between. We have heard Deputy Higgins suggest that perhaps even though the world's biggest growing economy, China, is suddenly starting to realise that a lot of its growth potential is based on selling goods to Europe, America and other countries, the whole thing is connected. So we cannot step outside of it but we have to do whatever we can do. I was one of those who voted consistently against the imposition of G.S.T. and indeed when G.S.T. was agreed by this House, I continued that

stance and voted on the basis that I would not support exemptions which would make the rate of G.S.T. any higher than the 3 per cent that was being proffered at the time. Here we are, not very many years after that decision, when promises were made by the Council of Ministers and others that they would endeavour through their economic policies and through the efforts of the Minister for Treasury and Resources to keep down the rate for as long as possible. Indeed, if we go back over the Hansard scripts there were some Ministers who said that perhaps if we were pretty savvy in how we dealt with our affairs then we could keep 3 per cent indefinitely. Here we are suggesting that we cannot do it. We have to find the monies to continue our profligate lifestyles and to continue to spend on things that do not generate wealth and do not necessarily provide the benefits that we all would want. As I say, I think the system is coming up against the buffers. I think we are due to face some even more difficult decisions, in particular if we are told by the E.U. Code of Conduct Group and Europe or the U.K. to get our house in order and to come forward with a different tax system to raise the monies that we want to spend on our necessary services. For me the bulk of the work has not been done as yet, although it has been promised. I hope the efforts accelerate in order to deliver the comprehensive spending reviews that have been hinted at, to fundamentally reassess what this Island wants to do, what this Island needs in terms of services and what this Island can afford in services. Because unless we do that and do that pretty quickly we are running out of monies. We are spending monies on things that we do not particularly need in order to prop up the system on the hope that the economy is going to turn the corner and suddenly start to fill up our coffers so that we can continue to go on as we have done in the past. In 6 months' time we are told by the Minister for Treasury and Resources maybe. Maybe sooner; maybe later. The system is almost broken. I think we have to be a little bit more clever on how we decide we are going to fix it. I think it is pretty clear for the thinking Members among the Chamber - and I hope I am one of them - and would hope others would support that this suggestion of a breathing space is an admirable one. I do not consider that just a 6-month delay will be sufficient. This taxation debate is all about finding monies for one year and not necessarily trying to bind the hands of future Houses which may or may not include the Members who are contributing to this debate today. I think to take monies out of the rainy day fund, another £15 million, in order to offset the rise in G.S.T. which, if everybody looks at it, will throttle or choke off the very recovery that we are asking to happen. If the whole of the economy is based on the assumption that we are all wanting to go out and to spend more and more in order to generate this economic wealth, then people are only going to do it if they can afford to do it. By putting the rate up to 3 per cent, 4 per cent, 5 per cent, 6 per cent or whatever per cent, any increase over what we have, we are hearing the squeaks from various businesses now to say that the recovery is not there. So to put up the rate is foolish. Let us give ourselves I think the period of the year, there is money in the rainy day fund. I would not necessarily be wanting to spend those rainy day monies because I think we are spending them on things that do not have any lasting effect. I will be one of those Members who would support raiding the rainy day monies on the basis that we were going to put those monies into some kind of long-term capital project which would be wealth generating. But I think, because times are hard, an exception can be made. In terms of the volatility of the markets, we are already told by the Treasury officers that their figures in terms of the estimates as far as they are able to be made are plus or minus £35 million, so what is £15 million? It is not a lot. I think we can go along with the Constable of St. Helier in this one. Deputy Southern has admitted to this House that perhaps he has been reigning back his ambitions and perhaps that is why he only suggested that he had put things off until May next year. I think the Constable was quite right to try and aim a little bit higher. I think this is a sensible proposition and I certainly will be supporting it.

### **The Deputy Bailiff:**

Just picking up the point made by the Connétable of St. Mary. It may be of some help to Members if I say from the Chair what I understand the effect is of these amendments. In effect, Deputy Southern's amendment proposes that there should be no increase in G.S.T. until 31st May 2012. The effect of this amendment would be to reduce that period from 31st May 2012 to 31st December

2011. That is the only thing that is being debated today at the moment. If we convert this debate into a full-scale debate about G.S.T. and Zero/Ten and everything else that goes with the Budget, we will be here for a very long time indeed and what is more, we will be at risk of debating the same thing more than once. Can I ask Members to contain their comments at this stage to what we are presently debating?

**Deputy P.V.F. Le Claire of St. Helier:**

Sorry, I am struggling a little bit. Are you saying that the amendment by the Constable means that we will be delaying putting it up until the date he is talking about but at that time it shall be 5 per cent and are you saying **[Interruption]** ... That is not decided. Thank you.

**The Deputy Bailiff:**

That is not decided. The actual change to the rate of G.S.T. is brought about in P.158 Article 3 which provides for an increase in the rate.

[10:15]

It will be a matter for the Minister, depending on how this debate goes on the Budget Statement to decide how he wishes to proceed at that time.

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

I did want to hold back in this debate in order to respond to some of the comments that have been made but I think that your helpful explanation of exactly what this debate is is really quite important. I want to be absolutely clear with Members as to my understanding of the consequences and of the process that will follow in the event that this debate is passed. This is something that I have asked all of the amenders to explain and to confirm and to agree what the consequential amendments to subsequent legislation, as you rightly point out, is. I have to say that having done that I am obviously arguing against some of the amendments, but I have to understand the consequences of subsequent amendments to legislation to be put forward. I have to say, I have heard 2 things which I think are confusing this debate. I am quite clear that this proposition, if it were to be passed in the terms that we are debating, that I will lodge an amendment to that income tax law which you referred to to confirm the rate of G.S.T. in law as to an increase on 1st January 2012. Now there have been some people that have been talking about this debate as if they do not want G.S.T. at all. The consequence of this debate is that I will lodge an amendment and ask the Assembly to confirm that the increase is on 1st January 2012. That is what this debate is about; that is what the consequence is about and that is the only ... and I see the Constable nodding. I am pleased he is going to confirm that because I did not understand what he said in his opening remarks. I was very grateful for the complimentary remarks he made about my Budget speech but I was absolutely confused about what he was talking about in terms of a mandate. Because there will be an election next year but we will have to decide on the rate of G.S.T. now. Just to be clear to Members, of course there will be another Budget next year but that will be by this Assembly. This Assembly votes on the Budget, this Assembly votes on the Business Plan and then the new House is adopted, and indeed that is the right thing to do. I think the Constable and I are on the same side on one issue: he said the importance of giving notice to retailers. We could not have a situation where we would be giving retailers a notice period in next year's Budget to increase G.S.T. on 1st January. We need to make that decision now; we need to have certainty. So I am grateful for all of the confirmation because some Members are using this debate I think for different reasons and saying and arguing and forwarding different arguments for different things. We will come on to whether or not we come on to the amendment that is going to be accepted or not. I think Deputy Southern's position if this is amended is that he does not want G.S.T. at all, although there is an issue of public finances. I am confused, because the underlying amendment only makes provision again for 6-months' withdrawal from the Strategic Reserve and I have assumed also that that amendment is we would confirm the rate of G.S.T. as of 1st June in terms of the deferment. But

again I am confused because there are some arguments that have been forwarded in terms of not having G.S.T. at all versus confirming the debate itself. I am clear Members are voting in favour of this in order to confirm the increase of G.S.T. on 1st January and that the legislation of that will follow. I think we need to set aside the issues of mandate and all the rest of it, if I may respectfully say. I am going to stick to the debate ...

**The Deputy Bailiff:**

Minister, can I just ask you to clarify that? It seems to me to be possible that Members might vote in favour of this amendment and then against Deputy Southern's amendment.

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

That is of course entirely up to Members. They can do whatever they want. Of course they can, yes.

**The Deputy Bailiff:**

If that were to be so, there may be theoretically a group of Members who are against Deputy Southern's amendment but think it would be made better by this amendment.

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

I suppose so, yes. I cannot really comment on that. Members will vote in the way that they want. This was always going to be a confusing debate as far as I am concerned.

**The Deputy Bailiff:**

I only say that because you may wish to think that what you decide to do in relation to the Finance Law will depend upon the vote on Deputy Southern's amendment and not on the vote on this amendment.

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

Yes, ultimately that is the case. But there are 3 options. Effectively, if this amendment is successful and then Deputy Southern puts the proposition as amended, to which case there will be the confirmation of 1st January. If this amendment is unsuccessful, then we will have a debate to confirm the debate of G.S.T. on 1st June; obviously that subsequent legislation follows. Or Members may throw the whole thing out and then we will revert to the other debate.

**The Deputy Bailiff:**

If this amendment is successful and Deputy Southern's amendment as amended is unsuccessful, you are left with your current position.

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

I am left with the current position. But obviously we would then get on to other amendments in relation to the 4 per cent and the food exemptions. I know this is confusing and I am attempting to do my very best. I am happy to give way to the Deputy of St. Mary if he will be brief.

**Deputy D.J.A. Wimberley of St. Mary:**

I am also asking for clarification. If Deputy Southern's amendment, amended or not by the Constable of St. Helier's amendment, goes through, do we then proceed to talk about 4 per cent, 5 per cent and 6 per cent? That is what I want to know and I am unclear still.

**The Deputy Bailiff:**

No, Deputy, all that is left then is Deputy Green's amendment and maybe others on exemptions but if Deputy Southern's amendment, whether amended or not, goes through, then the rate remains at 3 per cent and there is no further discussion about 4 per cent or 5 per cent because the States will have taken a decision on 3 per cent.

## **The Deputy of St. Mary:**

Until the date specified?

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

Sorry, let me be clear. The consequence of Deputy Southern's amendment as amended by the Constable of St. Helier is that I will put forward legislation to confirm that the increase will occur on 1st June or on 1st January. So this debate is about a deferment. We are talking about the debate, and the Constable has nodded, and I would be grateful if he can confirm. He has been clear. He wants the date of G.S.T. to be on 1st January but he wants the rate at 5 per cent on 1st January 2012. I asked him, I have emails and that is what we are doing. I cannot really go on any further, so I think I will just go on with my remarks. I just want to refer very quickly, if I may, to the issues that Deputy Le Claire raised in this amendment in relation to the rainy day. He asked specifically if "this is as wet as it gets?" I would just respond by saying that Deputy Martin spoke about real recessions and difficulties. We have not been affected as some places but we have taken, in total aggregate, 20 per cent out of our savings. I know that Members sometimes want to link the Stabilisation Fund and the Strategic Reserve. We have taken by the end of next year 20 per cent out of our savings. I think that responds to the issue of the fact that it has been raining. It has not been raining incredibly heavily like some places but we must accept, in my view, that the world has changed. It was brought home to me last night when, with the Minister for Economic Development, I attended the 6-monthly meeting between the Jersey Financial Services Commission and J.F.L. (Jersey Finance Limited) of which we attend as observers. Deputy Pitman spoke in this debate about the finance industry "blubbing" or at least some people in the finance industry blubbing. I have reviews from the trust sector, the funds sector in banks and I have to say that it is tough. But I think that we have people out there who are working for us, who are working for the benefit of Jersey, trying to bring in revenue and trying to secure our taxes. That is going to help in terms of the overall rebound of the economy. Deputy Martin, I am just going to say very briefly, she spoke of Oxera and she said that they had been sacked. I will say 2 things on that. When I joined the States 12 years ago, I asked why I was on the Finance and Economics Committee because there was not any economics. At the time we had no economic adviser. We brought in Oxera, Oxera came in, advised us and we have now built in-house competence on economics matters that advise us. I think it is important that while there is a debate, we have heard various different Members speak about economists. Deputy Duhamel has views about economists, Deputy Higgins has got ... I have to take advice from professionals. I do not take anecdote; I take facts in terms of what the overall economic analysis is. The economic analysis is that the world economy is growing and we expect and we predict - and this was backed up by what I heard last night - that as tough as it is we expect the economy to be growing. The Constable of St. Helier in his support of deferring the G.S.T. to 1st January, he spoke about the issue of retailers and he spoke about tumbleweed. The retail sales figures have been published this morning. They were in Members' hands yesterday but they have been out of embargo this morning and they are helpful to Members because they do say that retail sales are up for the first time in 2 years. The crucial point is that I am going to be arguing against the deferment of G.S.T. to 1st January. We are proposing to defer the increase of G.S.T. until 1st June and all the evidence that we have is that the economy will be continuing to improve as we have seen the early parts of it. It is going to be difficult but the economy is expected to improve. The Constable spoke about tumbleweed. Yes, there may well be an ebb and flow of retailers but to solely represent the picture of retailers to be in one area of time, I do not think is informing it. He is the Constable, he is the mayor of the Island capital and he has been at openings of Liberty Wharf and others. He knows, and his Town Centre manager knows, that there has been a remarkable resilience in terms of our retail landscape in St. Helier versus towns and cities across the U.K. He has seen empty shops being replaced. I am not going to name any brands but there are double-barrel brands that have come into Jersey over the last few months and are doing well. Of course there is going to be an ebb and flow. Yesterday I saw in a less popular area of town that there was a major food retailer that was coming in terms of a premium

food product that was coming in. I am aware of 3 major retailers that are arguing in terms of coming and taking spaces at Liberty Wharf. So I know it is tough but just to simply say that there is tumbleweed and to be, if I may say, a little scaremongering in terms of that because he and his Town Centre manager have been doing a very good job in terms of keeping retailers vibrant through what is a very difficult time. My proposal, if it is accepted in order to reduce the import value, is going to help some of those bulky goods retailers to be on a level playing field with U.K. retailers. I am going to say just a few more things. The Constable in terms of his deferment debate said that this was going to be in tune with the targeted, timely and temporary. I am afraid that it is not targeted in terms of a deferment. It affects an issue in terms of benefiting a specific group of people which many members are concerned about. They talk about targeted. This is a not-targeted measure; it spreads across the board. That is important. We have been spoken to and we have been advised about economic fiscal stimulus in terms of being targeted. This is not targeted. It is across everybody. The wealthy pay in terms of their spending. That does not work. It is not timely. I do not make forecasts, as I have said. I am advised that running deficits is appropriate for a period of time and we are taking, as I have said, £160 million virtually out of our economy. In terms of the downside of income tax forecasts there are variations. Everything, as I have said in my opening remarks, points towards, in terms of income tax forecasts, going forward to the downside. I think it is very worrying for Members to think that suddenly this rabbit is going to come out of the hat. We have a prudent forecast and I am concerned in terms of the prudence and needing to balance books and needing to think very carefully about not taking risks. Temporary. Is it temporary? Well I think that Members are voting for this proposition in various different ways. Some Members are saying that it should be not at all. Some people are putting it off. I do not think it is temporary. I do not think I have heard Deputy Higgins say anything positive about Jersey for a long time and he spoke about G.S.T. **[Interruption]** ... I am not giving way. He spoke about G.S.T. going to 10 per cent. I hope not on my watch ...

**Deputy M.R. Higgins:**

I am sorry, I was saying that I believe that you would take it to 10 and I think you will if you stay as Minister for Treasury and Resources.

**The Deputy Bailiff:**

The Standing Orders do require interruptions not to take place unless it is a point of order and I shall be grateful if Members would continue to honour that.

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

G.S.T. will only increase in my view if we are unable to control spending, and I will leave Members to make their own minds up about that. I am not going to go into the debates about the Code of Conduct issue but I have said clearly that in terms of the Code of Conduct position, I have made my position absolutely clear. In conclusion, I realise that this Budget is difficult.

[10:30]

Governments are around the world needing to restructure their finances and we have a structural deficit which has arisen because of the downturn in our revenue. This needs to be tackled. The F.P.P., which have been appointed by this Assembly, eminent economists, have said that we need a credible medium-term plan. A credible medium-term plan requires dealing with the deficit and not putting forward policies of *mañana*. Not putting it off. We need to be sensible, we need to be responsible and it is not recommended to impair our revenues by a further £15 million over that that we are already. We are supporting the Island through the economy. We are putting millions of pounds in terms of the continued support and running a large deficit next year even with these measures into taken account. I urge Members to be responsible in terms of their decision-making and do the right thing in terms of a credible medium-term plan. I urge Members to reject this amendment and the subsequent amendment thereafter. Thank you.

**Deputy M.R. Higgins:**

Can I just get a point of clarification? There are 2. I think one is the Minister might want to correct something he said. He mentioned that when he was the Finance and Economics Committee they had no economic advice. What about Colin Powell who was a tremendous economist advising the States throughout the entire period? That is number one. The second one, the Minister has said that the F.P.P. is saying we should not be going for additional expenditure and so on. I was reading the interim report of the F.P.P. last night and they recommended that we did not vote the money that we put for contingency for court and case costs and everything else. So the Council of Ministers are going to get through ...

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

I do not believe it is appropriate to mention individuals but let me be absolutely clear, the individual concerned had retired his term of Chief Adviser and there was no dedicated economic advice. That is the reason why we brought in Oxera and that is why since then we have built income. It is important that we make decisions with our heads and not with our hearts sometimes in terms of economic advice. The Deputy never says anything nice about our economic advice in terms of economists. He reads obviously different publications than I do but I know that I have good advice. I cannot remember what the other point was. I think it was in relation to the F.P.P. I am clear about what the F.P.P. said. I received their report, just as other Members did, at the same time as other Members, and I met the F.P.P. after their presentation to States Members. I confirmed my understanding of what they were saying. They have not always been complimentary about our medium-term plan. They have been very uncomplimentary about spending and in terms of stabilisation but their advice this time cannot be interpreted. It is clear. They want a medium-term plan and balancing our books and they say: "Do not delay." They also told Deputy Southern in response to his question a very interesting thing about the use of the Stabilisation Fund to those Members that were there. I hope they remember that advice.

**Senator F. du H. Le Gresley:**

Could I have a point of clarification as well? I think I heard the Minister say that he has deferred the increase in the rate of G.S.T. to 1st June. I am sure he used the word "defer". I would like to point out that it would have been impossible to increase the rate until 1st June because the G.S.T. law said it could only be increased on the third anniversary of the introduction of the law.

**[Approbation]**

**The Deputy Bailiff:**

Minister, do you wish to respond to that?

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

The matters are obviously that this Assembly can vary it and governments around the world are making difficult decisions in relation to that. I am talking about deferring because we are running a deficit and in terms of deferring, correcting that deficit by allowing a deficit notwithstanding this increase in G.S.T. I think my position is clear. If we would have been responding to not balancing our Budget straight away we would have been making difficult decisions in terms of taxes straight away.

**Deputy J.A. Hilton of St. Helier:**

A point of clarification, please.

**The Deputy Bailiff:**

I have you down to speak, Deputy. This is a point of clarification?

**Deputy J.A. Hilton:**

Yes, it is. I understand from what the Minister has said previously, or looking at the running order, that if the amendment of Deputy Southern is successful, my understanding is we do not go on to debate the 4 per cent proposed by Senator Le Gresley and we do not go on to debate the food exemption of Deputy Green. What I am just trying to be clear about in my own mind ...

**The Deputy Bailiff:**

Can I stop you on your understanding straight away? I think you are right that we will not be discussing Senator Le Gresley's amendment of 4 per cent, because that in terms is dealing with a timetable period which has already been covered by Deputy Southern's amendment if that is adopted, but we would still be debating Deputy Green's amendment.

**Deputy A.K.F. Green of St. Helier:**

What we would not debate is the Minister for Treasury and Resource's amendment to my amendment.

**The Deputy Bailiff:**

But we would not be debating the Minister for Treasury and Resource's amendment, yes.

**Deputy M. Tadier of St. Brelade:**

Can I seek some procedural direction as well as ...

**The Deputy Bailiff:**

I am sorry, Deputy, in just a moment. Does that complete what you wanted to ask?

**Deputy J.A. Hilton:**

So, in effect, what we are saying is that we would debate Deputy Green's amendment and if he were successful, G.S.T. would stay at 5 per cent with food exemptions?

**The Deputy Bailiff:**

At 3 per cent if Deputy Southern's amendment is successful.

**Deputy J.A. Hilton:**

That is exactly what I was trying to understand. I understand now. So it would be food exemptions with G.S.T. remaining at 3 per cent. Thank you.

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

This is one debate about the rate and this is the first one. If we confirm it, then we do not have other debates about the percentage rate, and I will then bring forward the proposal to do the 5 per cent at the deferred date.

**The Deputy Bailiff:**

If I may say so, Minister for Treasury and Resources, this is a debate about the date and not about the rate.

**Deputy M. Tadier:**

It was just direction to do with the point raised by Senator Le Gresley. If in fact the G.S.T. Law does need to be amended, does it need to come back to the Assembly in order for that to happen? Because that is a consideration I think when people will be voting.

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

If I may, I will help with that. Yes, there are a number of other consequential laws that we effectively have the overall Budget debate and then we bring into legislative force all the measures that we have done. Normally those are fairly automatic discussions because effectively we will



have had the debate. I will lodge a proposition in order to confirm the deferred date if this amendment goes forward to bring the G.S.T. in on 1st January.

**The Deputy Bailiff:**

We can, Deputy Tadier, if necessary get advice from the Attorney General on the matter. My recollection of it, which is supported by the Greffier, is that the law contains a provision which prevents the States changing by regulation the rate, but there is nothing preventing a change by primary legislation. Senator Perchard.

**Senator J.L. Perchard:**

Can I give notice of my intention to propose closure on this debate on the amendment to the amendment? It is quite extraordinary that we are debating this amendment to the amendment in such detail when the amendment needs to be debated. I give notice if that is in order.

**The Deputy Bailiff:**

Thank you.

**1.1.9 Connétable D.J. Murphy of Grouville:**

I am very pleased to hear that so many Members now understand it. **[Laughter]** I shall have to talk to them later. I am relieved that quite a lot of explanation did come out then. It did clear the air a little bit for me. However, I would just like to slim it down to the fact that we are asking to defer the attack on a problem. We have a problem; we have identified the problem; we must now attack that problem. Prevarication will not help. We must get on and do what we have to do. I picked up on Deputy Higgins' pessimistic attitude towards the eventual outcome of the Code of Conduct problem which is coming up. Now surely if we have been digging away at the rainy day fund to see it subsidised ourselves in the meantime, when we do get to this big problem we are in a much weaker position because we have used up part of our rainy day fund. This is our pension. This is our life blood. This is money, not for repairing and decorating; this is money for putting a new roof on when it all goes wrong, if it all goes wrong. Let us hope it does not. I would just remind Members that there is a case in point quite recently, the island of Bermuda, which really relies on the same industries that we do: that is finance and tourism. No agriculture but finance and tourism. They had a rainy day fund and they took the same attitude as Deputy Higgins and the other Deputies who are backing this proposition. They have used up their rainy day fund and now they are a billion dollars in debt. Now I do not want to see Jersey end up in that position. So I would ask Members to vote against these propositions, to attack the problem, be realistic and let us be pragmatic and get on with it. Thank you.

**1.1.10 Deputy G.P. Southern of St. Helier:**

I thought the list was a bit longer than that but never mind. This is about timing and I am going to address the issue by using 2 words. The first one is "phased". A phased approach to what the Constable of Grouville calls a problem. The second word is "responsibility". The Minister for Treasury and Resources has talked about a credible medium-term economic policy. I say, is it a responsible attitude to say: "We think it is going to be better next year therefore we can act" or: "We know it is going to be better next year. We know it is already better"? Therefore, we can act safely and increase taxes, if that is what we wish to do, safe in the knowledge that we are into recovery and that we do not endanger our economy further by increasing taxes. That is the whole issue. Whether we defer until January 2012 or until June 2012 is the issue that lies between me and my Constable. I must admit when he first brought his amendment I reacted as I sometimes do instantly and said: "Why do you not pull that? Gosh, what a waste of time that is going to be." However, during the course of the debate yesterday and today I have come round to his perspective and it could well be that he might even get my vote at the end of this debate because I think the case has been made. The case is one of phasing and timing. Since Deputy Martin brought up the existence of Oxera and their wonderful advice, many of whose papers I still have in my cabinet at

home in my office, I will refer to February 2004 in terms of timing of tax increases to the advice given by Oxera of the day and how prescient it was. It says here: "One issue that arises is the ability to phase in tax increases in order to smooth the impact on the population. This could involve some drawdown on the existing Strategic Reserve which currently stands around £370 million. It has now grown to £550 million. Back in 2004 that was a consideration, an option, that we might have taken. It still is. In addition, phasing would allow for economic growth to mitigate the effect of tax increases on living standards. I will repeat that. In addition, phasing would allow for economic growth to mitigate the effect of tax increases on living standards. In effect, this implies a solution that taxes away any increase in real wages, relying on there being sufficient economic growth to supply the necessary increases in real wages. Even if this is achieved, it will be impossible to ensure that all residents do not experience a real decrease in their standard of living. Nonetheless, it may be possible that on average the standard of living in Jersey at least remains constant. Listen to those words and consider for a minute, do you wish to impose a tax increase of the order of £300 a year on a single pensioner as soon as you can? I do not believe Members of the House want to do that. Do you want to impose a tax increase of around £800 to £900 on the average family in Jersey starting as soon as you can? I do not believe that is what people want. Are you confident that the finger in the air, the feeling that economic recovery is on its way; the world is on its way up and us with it? Does that feel right? I do not believe it does yet. It certainly does not for me. Apparently it is sufficient for the Minister for Treasury and Resources and he says it is safe to proceed. No. The maxim that we should go by is you do not cut services and you do not raise taxes thereby threatening your economic wellbeing until you know you are in the recovery phase. Not, you suspect, the recovery is just around the corner so you know you are in recovery.

[10:45]

That is when it is safe to do so. Anything else puts the economic recovery at risk. So the question with this amendment as indeed with my original amendment is, for example, will we know by the time we get to January 2012 or June 2012 if we have been able to make the £65 million of cuts without affecting seriously frontline services? Well we are expecting to hear about that, certainly by the end of March. We will have a paper before us providing solutions in May and we will be able to debate that in September. So, yes, we will know. Will we know what economic growth is doing? Probably we will. Sometime halfway through next year we will get the definite signs. Hooray, we are into recovery. It might be rough and it might be slow but, yes, it is safe to act. Will we know what we are doing about Zero/Ten? Well we are expecting to hear from February whether Zero/Ten gets the mark of approval from the E.U. We are told by the Minister for Treasury and Resources that he will have a solution to Zero/Ten and the fact that foreign-owned non-finance companies do not pay any tax currently in the Island. We will have given him time to find a solution to that whether it is under Zero/Ten or outside of Zero/Ten and, by gosh, he had better be there with some answers because certainly people out there are saying: "When are we going to tax these businesses? When are you going to sort this out?" But we will know by then, I hope, because we have given a breathing space, not just to us, not just to the people of this Island but to the Minister for Treasury and Resources himself to come up with some hard and fast answers. Will we know what solution that we have for business tax overall? The Fiscal Strategy Review. Apparently, yes, first half of the year he is going to report back to us with potential solutions whether that is regional tax or whatever. Will we have some sort of clarity and certainty in where we are going? Yes. In the first half of next year we should be able to say what is happening and where we are going. Will we know what is happening to employment? Will we see a trend? Will it be on the mend? It may well be but then is the time to decide what action to take to respond to that. Those are the arguments that are crucial to this particular debate. I believe that we should be phasing our approach to tax increases. I believe the responsible action of this House is indeed to wait and not be beguiled by this mantra that says we have to take action now. We have to be strong. We have to be powerful. That is not the case. We have to be subtle, we have to respond

to the needs of our people and the economy and we have to phase our approach to tax increases and that is what this proposition says, and I urge all Members to support it.

#### **1.1.11 Deputy M. Tadier:**

I will address my comments as much as possible to the amendment of Constable Crowcroft. I think it is, though, essential to establish at this point whether we want any kind of deferment, whether that is justified and then which of the 2 is preferable, if any. I do have to comment on 2 things that I have heard. First of all, I believe we have had the rainy day fund referred to incorrectly as a pension fund. I think this is not the correct analogy. Society is not going to retire at any one point. It is not as if in 65 years everyone is going to say: "Let us not work any more. Let us live off the rainy day fund." What I believe the rainy day fund is for is an insurance policy. It is there for a worse case scenario but the way in which that is used is subject to opinion. So, for example, there was some ... and I believe the Chief Minister is of this opinion and it is quite a valid stance, is that we do not touch the rainy day fund as far as possible because that is there as a backstop if ever there is an economic crisis of such magnitude, for example, a big section of industry leaving the Island and a massive downturn such as we have not seen. My personal philosophy is that we use that money as insurance to invest to stop anything like that happening as we go along. So we use that money actively and we can dip into it where it is considered necessary, if it is economically prudent to do so, and re-pay it later on as is necessary. I think that is the position. It is not fair and it is misleading to compare it to a pension. I think most of us understand that it should be considered an insurance fund. The reason I am going to support a deferment at all is because I believe that the economic position does remain uncertain. I can quote here from an email from Senator Ozouf himself. Members will know because I did send a circular email to all States Members on 16th November. I know the Senator has been busy; he kindly did get back to me within 2 weeks on that and I appreciate that. I also received one response from Senator Ferguson before that, which I also appreciated. I questioned the nature of the black hole. There has been lots of speculation here - and do indulge me, Sir - I think it is relevant to the whole debate about why we should or should not have a deferment. I asked the question is the black hole really created by the recession as you are telling us, this part of the black hole, or is it in fact created by Zero/Ten, or was it a combination of the 2? Of course, we know that Zero/Ten did create the initial problems. I said if it is in fact due to the recession, why is it that we need ... and a recession being by its very nature not a permanent thing but something which you will come out of sooner or later. Of course, there are different types of recession. Why is that we are putting in place plans for a tax which we all know will be permanent? Once G.S.T. does go up to 5 per cent, if it does, it is going to be there for ever. So why are we using a permanent tax, a permanent revenue stream, to fill something which is supposed to be of a temporary nature? The Minister came back to me and said: "A recession can lead to structural deficits." Contrary to what the message seems to be, one of a very positive message that we are going to come out of recession, and contrary to what I believe has been said this morning, I will quote verbatim. The Minister said: "The nature of the global recession has been so severe that most economies are planning for a permanent loss of economic activity and associated wealth." He later goes on to say: "We should not plan for a swift return to a pre-crisis path of economic activity in Jersey and that both global and local recoveries will be weak." Those are the very words of the Senator less than 2 weeks ago on 29th November and I do not think that anything has changed there. No doubt the Senator will want to come back later on when he speaks again on the substantive amendment. The point I am making is that there is not a clear message coming out from the Council of Ministers. There is not a clear message coming out from economists. Quite rightly, as has been said, that is because there cannot be a clear message. Certainly there needs to be honesty, there needs to be transparency about what one thinks the nature of the recession is but it cannot simply be in the absence of any hard facts we are going to drive through ideological changes or ideologically-driven increases in direct taxation simply because we think it is an opportune moment to do it because we are in a recession. But that must not be the basis on which we are taking decisions. They must be done on fact and I think that is why it is right

that we have a deferment so that we can better assess our position. For example, I am sure if there was a proposition today in the House to rescind Zero/Ten completely, that would be overwhelmingly rejected because even though Members may have issues with the Zero element in particular of Zero/Ten, one would agree that it is not correct to make rash decisions. You have to take stock, we have to realise we need time to sit down and think about Zero/Ten and think about the economy and think about directives from the E.U., from the U.K., et cetera. It is exactly the same position when it comes to G.S.T. and the recession. We need to see how the recession pans out and in the meantime we do have an insurance policy in the background which we can use a very small percentage of that interest gained from this year. So it is not even the entire interest from last year. It is a portion of that interest in order to buy ourselves more time - I do not really like that expression - but it is to get more time so that we can have a considered opinion about the path we are taking. So in that sense, I think I believe I have made the case as best as I can for a deferment of one nature. In one sense I think it remains fairly academic whether one chooses the option that Constable Crowcroft is putting forward or whether one chooses the option of Deputy Southern, because I think that ultimately it does give us a chance to take stock and any breathing space is to be welcomed. I think simply it is tactical whether you vote for the Constable of St. Helier or whether you vote against it and then vote for Deputy Southern's. But in my opinion it seems to be the case that if Constable Crowcroft's falls then it is quite likely that Deputy Southern's will fall. So, tactically I would urge Members who do want a breathing space, who do want to sit down and take stock and not let us be led perhaps down the wrong path which will be irrevocable, it is not going to be easy to do a U-turn once we go down that path. But in 6 months, in a year, we can take stock and say: "Yes, G.S.T. does need to go off" or: "No, there are other revenues which need to be looked at." Zero/Ten, for example, maybe we can tweak that in such a way that we do not have to increase G.S.T. So I think it is logical to have the deferment and I will be supporting the Constable of St. Helier in his amendment and I would urge other Members to do the same.

**Deputy R.G. Le Hérisier of St. Saviour:**

The speaker said he was going to give us some tactical advice as to which to vote for. I did not receive his advice.

**Deputy M. Tadier:**

I do not know if I said "advice". I said that the way I see it is that I wanted a deferment because I think that is the correct thing to do. I think that the way in which one would most likely achieve that goal is to support this current amendment of the amendment. Of course, it is up to every Member of the House to decide what he or she thinks is the best tactic.

**Deputy A.E. Jeune of St. Brelade:**

May I just ask a point of clarification from the speaker? Was the Deputy saying that he wants a period of deferment but he is quite happy with the 5 per cent? Thank you.

**Deputy M. Tadier:**

I do not think I gave any indication either way as to what my position would be on that. I think we have to simply debate what is in front of us today and then it will be for the ... my position is quite clear on G.S.T. I would not have been standing outside in the rain the other day on Saturday. But the point is we have to take a consensus here of what is the best thing to do among us. I think it is the correct thing to do logically, irrespective of one's position.

**The Deputy Bailiff:**

It was not a correct point of clarification because we are looking at a question of dates and not rates in this debate. Deputy Hilton, did you wish to speak? I have you down on my list to speak. Did you wish to speak? Senator Ferguson.

**1.1.12 Senator S.C. Ferguson:**

I just felt I ought to make a few comments about some of the speakers that have spoken. The Oxera Report, now that was against a very different economic background in 2004. There has been a lot of talk regarding the purpose of the Strategic Reserve. Just to remind Members, the Strategic Reserve is a permanent reserve where the capital value is to be used in exceptional circumstances to insulate the Island's economy from severe structural decline such as the sudden collapse of a major Island industry or from a major natural disaster. So, just sort of taking a bit here and a bit there, I do not think is a good idea. Now, the retail figures that we received yesterday are in fact no longer falling. Interestingly, the luxury shops, the companies supplying luxury goods, the results are exceptional. They are good.

[11:00]

Now, it is all a question of confidence. It is a well-known economic principle that consumer spending rises as a result of economic growth and is not the cause of it so that the indications are that we have turned the corner. Now, the U.S. (United States) economy will be boosted by the extension of the tax cuts made by President Bush so that when America starts recovering, the rest of the world will. Fortunately, we are not in the Eurozone and the problem with unemployment is that unemployment always lags economic recovery; so I just ask Members to consider those when they are thinking of the implications of these particular amendments.

**The Deputy Bailiff:**

Of this particular amendment.

**Deputy R.G. Le Hérissier:**

I am going to incur your wrath by making a few general points.

**The Deputy Bailiff:**

You are allowed to make as many relevant general points as you wish.

**1.1.13 Deputy R.G. Le Hérissier:**

The first thing is I have to revert to some remarks by the Deputy of St. Mary yesterday. I did agree with this and I did pick this up. He said: "This is the most frustrating of debates." On the advice of the Greffier, I read that C.P.A. (Certified Public Accountant) article on the finance Budget process in the Isle of Man where it is a "take it or leave it" process. I must admit, I am reaching that stage of desperation. There is something very wrong with the way we are doing this and it is rather sad. While maybe Deputy Higgins is coming from a pessimistic viewpoint, the point is he is - as did the Deputy of St. Mary, albeit in a lengthy fashion - laying out some of the economic parameters and issues which are governing these apparently narrow decisions we are making because the view you take of the world, the view you take of where finance is ... because Zero/Ten has been cited time after time as an elephant in the room. Of course, the issue is not only the way that the administration in Jersey has dealt with Zero/Ten and that is where I divert from the view of that eminent economic commentator, the President of the J.D.A. (Jersey Democratic Alliance). He says that if only the administration had handled it differently, we would not be in the mess we are. Well, that is not quite true because the problem is, as we have seen with the Irish situation and their fierce retention of the corporate tax rate, it is all to do with the fact that corporate tax has become a massive competitive weapon among jurisdictions.

**The Deputy Bailiff:**

If I may say, these are all points of view. You are eminently entitled to hold the dais as effectively as you are but this is a debate as to whether there should be a freeze until 31st May or 31st December, if indeed the amended proposition - if this amendment is carried - were to be adopted. That is all we are talking about in this debate.

**Deputy R.G. Le Hérissier:**

Thank you, Sir. Well, I am awaiting my tactical advice from Deputy Tadier in that regard and I will bring it to an end.

**1.1.14 Senator T.A. Le Sueur (The Chief Minister):**

I shall try to confine my remarks to the date. I think there are only 2 possible reasons I can think of for amending the date either to December or to the following May. The first argument put forward by some people is a political one: that, because we do not know all the answers to all the questions yet, we should do nothing until we do. I suggest that even when we know all the answers to the questions being posed at the moment, by the time that time comes there will be other questions we do not know the answers to and we would be saying the same thing next year, the year after and the year after that. It is, in my view, something akin to the Emperor Nero who may have had certain good qualities but decision-making perhaps was not one of them. The second one about timing is about the economic uncertainty and a lot of Members have alluded to that. Indeed, I think we have as many economists in the House as we now have Island planners, all equally knowledgeable. For myself, I would prefer to rely on the independent external advice of the Fiscal Policy Panel who this House has employed for the purpose of giving us impartial economic advice. Their report has been quoted and misquoted a number of times. I shall risk doing the same thing myself by commenting from their introduction that their recommendations are based on an assessment of the Jersey economy in the context of the world economic developments and the risks and uncertainties that the Island faces. Now, what has this got to do with the date? Well, the Fiscal Policy Panel makes 2 clear recommendations. The first is that, although the States' financial position is extremely tight, the panel does not recommend using the Strategic Reserve Fund for borrowing at this stage. That is clear economic advice which would be rejected if the amendment of the Constable of St. Helier were to be adopted. It would be even further rejected by Deputy Southern's but, either way, we are rejecting the independent economic advice we are being given if we start touching the Strategic Reserve for this purpose. The second comment that they make is that propositions on amendments to the Budget that reduce revenues or introduce expenditure without offsetting savings will worsen the financial position and should be avoided. Clear unequivocal advice. It could be argued that we have time on our side. That is not the situation. We currently have a significant deficit. We are forecast, if we do nothing, to continue a significant deficit which we cannot afford to do. We will run out of funds and we will not solve the problem. So prevarication, be it for 6 months or 12 months, does not solve the problem. Prevarication is the worst of all evils in this one. We have to make a decision and that decision should be to reject this amendment.

**Deputy M.R. Higgins:**

A point of clarification. The Minister says that we should be accepting the advice of the Fiscal Policy Panel. Did he not ignore the advice of the Fiscal Policy Panel last year with the court and case costs, and everything else, which they said we should not fund it in that way?

**The Deputy Bailiff:**

Do you wish to clarify, Chief Minister?

**Senator T.A. Le Sueur:**

Perhaps one learns.

**Senator J.L. Perchard:**

I would like to exercise the motion to propose closure, Sir. It has been half an hour since I gave notice. I think this is a detail. The substantive amendment is to come and I maintain the proposition that we close the debate on the amendment.

**The Deputy Bailiff:**

Standing Order 84.3 says: “The Presiding Officer shall allow the proposal if it appears to him or her that it is an abuse of the procedure of the States or an infringement of the rights of the minority.” So far 19 Members have spoken. I do not regard it as an abuse of the procedure of the States. It is certainly not, in my view, an infringement of the rights of the minority because the same debate is going to be continued, in some senses, in the forthcoming amendments to be discussed, if anything I have heard so far is anything to go by, and so I agree that the closure motion may be put.

**Deputy J.A. Martin of St. Helier:**

Sir, just before the Senator spoke, you had asked if anyone else wanted to speak and I did not think there was any indication that anybody else did.

**The Deputy Bailiff:**

Deputy Le Fondré did.

**Deputy J.A. Martin:**

Sorry. Just so I know which way to vote; thank you, Sir.

**The Deputy Bailiff:**

Deputy Le Fondré is the only person, so far, who has indicated a wish to speak. Is the proposition seconded? **[Seconded]** The proposition is seconded The appel is called for.

<b>POUR: 22</b>		<b>CONTRE: 26</b>		<b>ABSTAIN: 1</b>
Senator T.A. Le Sueur		Senator P.F. Routier		Connétable of St. Mary
Senator P.F.C. Ozouf		Senator F.E. Cohen		
Senator T.J. Le Main		Senator A. Breckon		
Senator B.E. Shenton		Senator S.C. Ferguson		
Senator J.L. Perchard		Senator A.J.H. Maclean		
Senator B.I. Le Marquand		Connétable of St. Brelade		
Senator F.du H. Le Gresley		Connétable of St. Lawrence		
Connétable of St. Ouen		Deputy R.C. Duhamel (S)		
Connétable of St. Helier		Deputy of St. Martin		
Connétable of Trinity		Deputy J.A. Martin (H)		
Connétable of Grouville		Deputy G.P. Southern (H)		
Connétable of St. Martin		Deputy of St. Ouen		
Connétable of St. Saviour		Deputy of Grouville		
Connétable of St. Clement		Deputy J.A. Hilton (H)		
Connétable of St. Peter		Deputy P.V.F. Le Claire (H)		
Deputy R.G. Le Hérisier (S)		Deputy of Trinity		
Deputy J.B. Fox (H)		Deputy S. Pitman (H)		

Deputy I.J. Gorst (C)		Deputy K.C. Lewis (S)		
Deputy of St. John		Deputy M. Tadier (B)		
Deputy A.E. Jeune (B)		Deputy of St. Mary		
Deputy A.T. Dupré (C)		Deputy T.M. Pitman (H)		
Deputy E.J. Noel (L)		Deputy T.A. Vallois (S)		
		Deputy M.R. Higgins (H)		
		Deputy A.K.F. Green (H)		
		Deputy D.J. De Sousa (H)		
		Deputy J.M. Maçon (S)		

#### **1.1.15 Deputy J.A.N. Le Fondré of St. Lawrence:**

To be honest, it is about a 30-second speech. Quite a lot of meal has been made of the amendment to the amendment and the 2 points I really wanted to make were that, firstly, I felt that, irrespective of whether or not you are going to go for the overall principle or not, the actual amendment to the amendment is supportable because, again, for those who do not agree with the overall principles, to me it is a fall-back position and you have the debate on the main amendment of Deputy Southern, whether or not amended. But, equally, I think there has been a lot of focus in this debate about whether one uses the Strategic Reserve or whatever, which I think is also irrelevant for 2 reasons: (1) it is not part of the amendment, and (2) because of the results of Deputy Vallois' amendments on the 2013 figures, broadly speaking, the impact of the Constable of St. Helier's proposition is offset mostly by the impact of Deputy Vallois' proposition. So, in terms of the impact on the Budget, there is very little impact at 2013. That is my take but that is a discussion we have on the main amendment. So, to me, the Strategic Reserve debate that has been coming out is not an issue at the moment. I think that is really all I wanted to say. I am going to support this amendment and reserve my position on the main one.

#### **1.1.16 Senator A.J.H. Maclean:**

I did not want to miss the opportunity. I had in mind a long speech and it was going to be a very interesting speech but I am not sure, Sir, that you would let me make it. So I am going to restrict my remarks to one or 2 key points. I would just like to pick up, if I may, a comment that was made by Deputy Le Fondré in connection with the success yesterday of Deputy Vallois with her proposition. I do not agree; I do not think he is correct about the offsetting effect of this necessarily. I think we need to bear in mind that that particular funding, the £12 million, was there specifically for contingency purposes. If indeed this is taken as a contingency and it is used for this purpose, there is no other contingency left or in place for any other economic shocks which indeed we are quite likely to face in the months and possibly years ahead. That was, after all, the purpose of the contingency in the first place; not to spend it at the first drop of the hat on this particular proposition, for example. The Constable of St. Helier makes what I consider to be a very appealing-looking amendment. In fact it is so appealing I am almost tempted myself to vote for it but not quite. It offers, of course, a delay of approximately 12 months in the introduction or raising of G.S.T. from the current rate. His rationale is, again, perfectly reasonably: giving consumers and



businesses some breathing space; a chance to adapt in the difficult economic climate that we are currently facing. The problem is, of course, twofold; first of all, the £16 million cost attached to this particular proposal. It is not budgeted for. The proposal to take money out of the Strategic Reserve from an interest perspective is exposing us to greater risk. I have already pointed out that there are, without doubt, further economic shocks to come. I do not think there are many who perhaps would have predicted the Irish position to have impacted as quickly and as severely as it has and, indeed, there are still uncertainties around the final outcome of that. Who knows what might follow and what, indeed, the impact of those instances may have on our local economy here. We cannot afford to spend our Strategic Reserve now when there are so many uncertainties in the world. We have to focus also on the professional advice that we are given. The F.P.P., who are eminent economists, give us some very clear signals as to what we should and should not be doing. The Chief Minister alluded to them a moment ago but, in essence, they are talking about the very tight position that the States' finances are in; assuming, of course, that this Budget is approved as it currently stands. We cannot afford further risk by not following this sound advice. Now, I know Deputy Higgins is fairly disparaging about economists. He made that plain a moment ago. He seemed to liken economists and their views with that which you would find by opening the *Sun* newspaper and reading your horoscope. I am not giving way, Deputy; thank you. As I was saying, he seems to feel that the astrology pages in the national newspaper are akin to what you would get from an economist. Well, I am sorry; I do not ...

[11:15]

**Deputy M.R. Higgins:**

Sir, I was referring to economic forecasts, not economists.

**Senator A.J.H. Maclean:**

I do not agree and I am still not giving way. The Deputy was also, as one might expect, somewhat selective in his quoting of the F.P.P. report. Fiscal consolidation is broadly appropriate. That is basically what the F.P.P. was saying. They were suggesting to the House that we should be sensible about the way in which we plan. They were supportive of the Budget measures that have been brought forward and they were suggesting we should not be looking at borrowing from our Strategic Reserve at this time, until conditions improve. It is a point that Deputy Southern is continually making but we should wait. We should wait until we see genuine green shoots of recovery before cutting costs or indeed increasing taxes. But I am not sure what exactly Deputy Southern is expecting to see in terms of economic recovery. We would indeed be probably waiting until late 2012. Do we really want to incur greater costs, take on greater risks with so much uncertainty over that length of time? It is just not prudent. It is not a sensible course of action to take. Now, I accept the point that both consumers and indeed businesses do not want to see increased costs. Of course they do not. They do not want to see increased taxes. Of course they do not. But we do have to take a measured and prudent position. I am sure Members will recall and be fully aware, we have already spent or will have spent £155 million of our reserves supporting the economy, supporting local jobs. That money is still being rolled out. It is still happening. We are using our reserves now in a very difficult economic climate.

**Deputy M.R. Higgins:**

Sir, is this about the timing of the debate?

**Senator A.J.H. Maclean:**

I am not giving way, Deputy; thank you very much.

**The Deputy Bailiff:**

Senator, I was going to ask you if this was the longer speech or the shorter speech.

**Senator A.J.H. Maclean:**

This is my short version, Sir, and I am about to reach a close.

**The Deputy Bailiff:**

If I may say so, this is a debate about the date.

**Senator A.J.H. Maclean:**

Indeed, and the comment I am making is that it leads very clearly into the debate about the date. The date is delaying for 12 months and I do not think that is prudent for the reasons that I have said. We have supported the economy. We have supported in many ways jobs, consumers and so forth, with the use of our reserves and we will continue to do that. Consequently, to delay and to incur an extra £16 million at this time is not a prudent position to take. It is not the advice we have got from professional advisers and I would urge Members to reject this tempting proposition.

**Deputy J.A. Martin:**

Sir, can I ask the Minister a point of clarification? Could I ask, as I am now very confused, which is right? The Minister for Economic Development says we must do this because the economy is going to get worse and the Minister for Treasury and Resources says we cannot wait to do this because there is no real concern because the economy is getting better. It is totally conflicting. Do you speak to each other?

**Senator A.J.H. Maclean:**

It is not conflicting at all. There are uncertainties, clearly. In the fiscal response that you see there is a margin of error, which is understandable. The economists recommend you should have a margin. That is reflected in the comments that both the Minister for Treasury and Resources and I have made. There is uncertainty and it is due to this uncertainty that we cannot afford to take this risk. That is the professional advice we have had and I believe the prudent thing to do is to adhere to that.

**Deputy M.R. Higgins:**

With the Minister's last comment then, does he not accept then that economic forecasting is not a science?

**The Deputy Bailiff:**

Deputy, that is a separate speech. It is not a point of clarification.

**1.1.17 Deputy I.J. Gorst of St. Clement:**

Sir, I see your demeanour and I shall try to be short. I do not like making difficult decisions. I suspect that is the human condition. We do not like making difficult decisions. I rise carefully because I recognise that other Members have found it difficult to limit their comments to the date and I shall try to do that. I do not believe that it is appropriate for us to delay, neither the year nor the 6 months. We are talking, if we accept the delay, of 6 months, of £15 million. I believe that we have already spent enough of our reserves. Other Members have spoken about that. I cannot support this delay, nor can I support the initial amendment. I have much more to say on that amendment but I will limit my comments to: I cannot support it. It is a difficult decision but I urge Members to reject this amendment to the amendment.

**The Deputy Bailiff:**

Does any other Member wish to speak? I call on the Connétable of St. Helier to reply.

**1.1.18 Connétable A.S. Crowcroft of St. Helier:**

I will certainly keep my comments as brief as possible. Deputy Noel began the charge and there were several phrases used by the Council of Ministers or by the Executive along the lines of not

living within our means. He worked mainly from the Council of Ministers' comments, which I only gave a C plus to. I agree with him that the changes that we are considering to the G.S.T. free import ceiling will be helpful to retail but he said that hoteliers alone had published and worked on their prices. I think a point that really has not been picked up by any speaker is the unfairness, which I referred to in my proposition, of giving one sector alone a 6-month breathing space or an extra breathing space that other businesses are denied. He said we should take our medicine. I will come back to that later when I refer to the Chief Minister. Apparently it is good for us to pay more Goods and Services Tax; it is like a medicine. I do take exception to his closing comment about gambling with the Island's fiscal health and, again, that is a tune that we heard rehearsed by several members of the Executive. I do not believe that this amendment, nor indeed Deputy Southern's amendment, is gambling with the Island's fiscal health. Deputy Martin, in her spirited barnstorming speech, which closed yesterday evening's session and which perhaps would have carried the vote if we'd gone to it, I think rightly pointed out that this is not a recession that can be compared to the 1930s. She does not have personal experience, of course. **[Laughter]** Not quite. But I would say, against that, I have spoken to retailers who have told me: "We have not had a customer all day." When you are running a shop in town and that is your comment then that ... okay, it is not as bad as it was but that is a serious problem being faced by town retailers. She also mentioned, I think very helpfully - again, one of the few Members who picked this up - that the fiscal stimulus money, all £158 million of it, has not all been spent and if this amendment is successful, and particularly if Deputy Southern's amendment is successful and mine is not (which is probably unlikely) then the Minister for Treasury and Resources is not going to make first call on the Strategic Reserve. He is going to be looking around to find out what other sources of income he can bring to bear on a new problem that he will have. The Constable of St. Ouen talked about *mañana* syndrome. That argument was used when we debated the introduction of G.S.T. in the first place but it is not applicable to this debate. It seems to me that what we are really talking about today is: is this the day that Jersey begins the unstoppable rise of G.S.T. to U.K. levels? That is what this debate is about and to say we are going to put off until tomorrow that unstoppable rise to a U.K.-style G.S.T., I think, is quite a tough decision to take. I do not believe that it should be treated in that way. Deputy Lewis used a fine phrase which was picked up by many Members. He talked about giving a breather for the people of Jersey, especially small businesses, and there is no getting away from that. Senator Routier asked both me and the proposer of the main amendment whether we had a conversion to G.S.T. on some Damascus road and, of course, the answer is no. He did not remember my stance on G.S.T. I brought the petition to the States signed by I forget how many thousand Islanders against the introduction of this tax. No, of course I do not support the introduction of a sales tax but we are where we are, as the former Chief Minister used to say, and the big question is whether we keep it low or we do not. That is what we are debating today. He also said that 1st January was impractical as a time to start a new tax. Well, I think 1st January is a pretty good date to start anything which is going to affect the public big time, which this surely will. The details around when those prices go live and so on and how you get people in over the Christmas period to do the changes: I am sorry; I think retailers, if they are offered a choice: "Do you want an extra 6 months away from a rise in G.S.T. or do you want the headache of bringing staff in to bring your prices up for a 1st January start", I believe that most retailers would opt for the latter option. The Deputy of St. Martin wisely said, in another short pithy speech: "What comes up never goes down", which is the point I am trying to make. The Constable of St. Mary had difficulty with my English, which is a real problem for me. But I think her queries about what this amendment was achieving were amply aired in the course of the debate and we had helpful advice from the Chair and the Greffier about that. I think we now understand - I hope we now understand - what we are doing. Deputy Higgins got into economic uncertainty. I do not share his dire view of the economy but I do agree with him to the extent that he argued against depressing the economy further. I certainly believe that raising G.S.T. will have a depressive effect on certainly many sectors of the economy. Deputy Duhamel said - again very simple, very common sense: "We should keep the rate down as long as possible." That seems to be absolutely right. He said that if

we did not, it would allow the profligacy to continue. I would remind Members who took issue with my quotations - and they were quotations from the retail community - that one of the dominant themes of those quotations was the States have not convinced us that they have done enough and this is what Deputy Duhamel was referring to. "The bulk of the work has not been done" he said: "from the comprehensive spending review." Deputy Duhamel effectively turned the Council of Ministers' argument on its head because, if I read his comments correctly: "If things get worse economically, especially if income forecasts prove over-optimistic, we may need to put up G.S.T." If we put it up this week we will not have that low base from which to start and it seems to me that we are almost keeping this in reserve; we are keeping it in our toolkit, the ability to raise G.S.T. from a lower base than if we start that inexorable rise now. The Minister for Treasury and Resources treated me very well. It is obviously because I complimented him on his speech and I am going to remember that in future. **[Laughter]** I think rightly, he took issue with my comments about the forthcoming general election and said it will be too late and that I should not really have talked about mandate. Well, it is a sensitive point with him, I know. In fact, if you want the new House to have a real chance to influence G.S.T. you should probably vote for Deputy Southern's amendment because, by the time the new House is in - nightmare scenario to some - if 12 Constables, 6 Senators and 29 Deputies are all replaced by the people out there who believe we can go, again, back to being a really low-tax, in terms of retail, then, of course, that new House will have the ability to make changes. I would argue that they could still do that if my amendment is accepted but I am not really going to go there. I think he has made the point that if this amendment is correct, we will have a rise in the diaries and retailers will have the rise in their diaries for 1st January 2012. Deputy Southern originally, when I put my amendment in, was quite cross with me, as he admitted. He said that he was going to get his through and I was cutting the delay by 6 months and I would be ostracised by the community. I hope that he is wrong and that I am right and that my amendment is a compromise between what he is offering and what the Council of Ministers would like us to do. It is half as expensive as Deputy Southern's amendment and that is why, the speaker who said it did not make any difference which one you vote for, I think it does. I think this is, from the Council of Ministers' point of view, the least - no, I am not going to go down the "least worst" because that is bad English - bad option and I hope they will support it.

[11:30]

The Minister for Treasury and Resources said that we have already spent 20 per cent of our reserves on stimulating the economy. I think that gives us a precedent to spend a very small part from reserves on continuing to stimulate the economy next year. He referred to this tumbleweed connection. Not my word; I took it from one of the retailers. I absolutely agree with the Minister for Treasury and Resources and I am grateful for his remarks. He repaid my compliment by saying how well town is doing and I did, in my opening speech, say that retailers are fantastic. They are doing a great job. We are seeing exciting new ventures starting up all the time, even in places like Colomberie that the quotation was taken from. But let me turn the Minister's argument on its head and indeed those statistics we have just had through - "Wonderful timing," I thought when I saw those - of retail beginning to turn around. If retailers are just getting back on their feet, why are we considering jumping on their backs and making it harder for them to stand up and really do well? **[Approbation]** I believe that, if indeed retail is turning around, to then say to retailers: "What is more, we are going to freezer G.S.T. for a year" even better; what a wonderful boost of confidence that will be for the community. Effectively I felt the Minister was saying we can afford to tax the public more. I believe we can afford not to tax the public more and I think we need to do more to convince them about savings. He finished, unfortunately, by saying it was responsible and, ergo, my position is irresponsible. I do not believe that my position is irresponsible. I was reminded of the old practice of giving sick people that wonderful treatment of blood-letting. I have been reading a biography recently of Alexander Hamilton. While he was dying they came along and let blood out of his veins and it is so frustrating when you read about that and you think: "Why did they not realise that was the very worst thing to do?" I felt, when some of the Ministers have talked

about taking our medicine, they are a bit like those old-fashioned doctors. They want to let a bit more blood out of the patient when what I want to do is to look after the patient through next year and see them back on their feet before we then bring up G.S.T. The Constable of Grouville said it was an inevitable attack on a problem. It depends what the problem is, of course. The problem for me is seeing G.S.T. go sky-high. He talked about the Strategic Reserve as a pension fund that we were raiding, which another speaker said was a poor analogy. I would reply to that by saying it is possible to die before you reach pension age, unfortunately. It might be prudent to use a small part of that fund to pay for a life-saving operation. Deputy Southern spoke next and, whatever your view of his politics, few would deny that he is extremely good on social justice. He has a tremendous track record on that and, interestingly, he was the only speaker who said, early in his speech: "If this amendment is not approved it will cost the average family in Jersey £800 to £900 next year." I thought that really brought it home. It is not just about retailers. It is not about the well-off. It is about the average family in Jersey who are going to suffer unless we delay the rise in G.S.T. I believe that it is responsible to wait under those terms. Deputy Tadier spoke next about the Strategic Reserve and he gave tactical advice to Deputy Le Hérissier, which was not comprehensible to Deputy Le Hérissier or to myself. Then, finally, as this debate wound up, we had a few members of the Executive rising up to talk about doing nothing, being responsible, prevarication and so on. I must say, I do not agree with any of those speakers, which is not surprising. Interestingly, on the F.P.P. that the Chief Minister mentioned and quite a few speakers said: "We must take the F.P.P. advice", very recently Ministers helped themselves to £11 million surplus against the advice of the F.P.P. **[Approbation]** So when it suits them they are going to go with it, of course. Senator Maclean also mentioned the F.P.P. and I was reminded that these advisers come from a country which is steeling itself for a rise of 20 per cent V.A.T. (Value Added Tax). In fact the other advisers I have spoken to, living locally - mainly from the U.K. but living locally - have 2 things in common. They are comfortably well off and they regard 3 per cent as derisory. That very much conflicts with the kind of people that Deputy Southern speaks to who are concerned about how the rise of £800 to £900 is going to hurt their pockets. Deputy Gorst finally said he does not like putting off difficult decisions; an implication that I do not want to take a difficult decision. Does the Deputy not think that it would be very difficult for the States and particularly for the Minister for Treasury and Resources if this amendment is adopted? We are going to have some very difficult decisions to make. So this decision, if it is made, is not the end of the process. It is the beginning of a process of respecting the public's desire to keep G.S.T. low and to give that boost to consumer confidence and to retailers who are just getting back on their feet. So I do commend it to the House and I remind Members of what I said at the beginning: that if G.S.T. rises in June next year it will cast a pall over the whole year. When people celebrate 1st January and they come round on the 2nd, their first thought will be: "G.S.T. is going up this year." I'd ask Members to think carefully; this is probably the best chance - apart from making the debate shorter, I should add - that the States will have of keeping G.S.T. low. I maintain the amendment.

**The Deputy Bailiff:**

The appel is called for.

<b>POUR: 29</b>		<b>CONTRE: 22</b>		<b>ABSTAIN: 0</b>
Senator A. Breckon		Senator T.A. Le Sueur		
Senator F. du H. Le Gresley		Senator P.F. Routier		
Connétable of St. Helier		Senator P.F.C. Ozouf		
Connétable of St. Brelade		Senator T.J. Le Main		
Connétable of St. John		Senator B.E. Shenton		

Connétable of St. Clement		Senator F.E. Cohen		
Connétable of St. Lawrence		Senator J.L. Perchard		
Connétable of St. Mary		Senator S.C. Ferguson		
Deputy R.C. Duhamel (S)		Senator A.J.H. Maclean		
Deputy of St. Martin		Senator B.I. Le Marquand		
Deputy R.G. Le Hérisier (S)		Connétable of St. Ouen		
Deputy J.A. Martin (H)		Connétable of Trinity		
Deputy G.P. Southern (H)		Connétable of Grouville		
Deputy of Grouville		Connétable of St. Martin		
Deputy P.V.F. Le Claire (H)		Connétable of St. Saviour		
Deputy J.A.N. Le Fondré (L)		Connétable of St. Peter		
Deputy S. Pitman (H)		Deputy J.B. Fox (H)		
Deputy K.C. Lewis (S)		Deputy of St. Ouen		
Deputy of St. John		Deputy J.A. Hilton (H)		
Deputy M. Tadier (B)		Deputy of Trinity		
Deputy A.E. Jeune (B)		Deputy I.J. Gorst (C)		
Deputy of St. Mary		Deputy E.J. Noel (L)		
Deputy T.M. Pitman (H)				
Deputy A.T. Dupré (C)				
Deputy T.A. Vallois (S)				
Deputy M.R. Higgins (H)				
Deputy A.K.F. Green (H)				
Deputy D.J. De Sousa (H)				
Deputy J.M. Maçon (S)				

**Senator J.L. Perchard:**

Sorry, Sir. I thought we were moving on to the main proposition.

**The Deputy Bailiff:**

You cannot propose a closure motion yet. **[Laughter]** Before we come on to the next amendment, I shall take the opportunity of giving notice to Members that there has been a further amendment

lodged by the Minister for Treasury and Resources: Expenditure proposals for 2012 and 2013 and Draft Budget Statement 2011, the seventh amendment (P.157) and which, as is clear from the proposition, will require the approval of the Assembly to debate it. Now, we come to the amendment in the ...

**Deputy G.P. Southern:**

Sir, could I ask how that approval is given? Do we just take that as read or can we vote?

**1.2. Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010): amendment (P.157/2010 Amd.) - second amendment (P.157.2010 Amd.Amd(2))**

**The Deputy Bailiff:**

No, at the time when we are finished it is dealt with. We come to amendment number 2 in the name of Senator Ferguson and this is the second amendment ...

**Senator B.E. Shenton:**

Sir, we have not voted on Deputy Southern's amendment yet.

**The Deputy Bailiff:**

We come to the second amendment to Deputy Southern's amendment in the name of Senator Ferguson and I ask the Greffier to read the amendment.

**The Greffier of the States:**

Page 3, paragraph 1: After the words which are now amended to read: "until December 31st, 2011" insert the words: "and the estimate of revenue raised shall be amended by cancelling any planned increases in income tax exemptions."

**1.2.1 Senator S.C. Ferguson:**

It is a small amendment which is merely intended to claw back some of the money to be spent in pinning the level of G.S.T. should Members agree to Deputy Southern's proposition. Under the Connétable of St. Helier's amendment amending Deputy Southern's proposition, some £15 million will be taken from the Strategic Reserve. This amendment will merely reduce this to £13.5 million. While this is just a fraction of the money concerned, I am concerned, as one might have gathered, at the possibility of the Strategic Reserve being broached. I think Members are well aware that once a new source of funding is identified the begging bells are out in force. Just look what happened to the Health Insurance Fund. I merely ask Members to support the proposition which merely takes away the increase in exemptions and just puts a bit back into the pot should the proposition of Deputy Southern, as amended by the Connétable of St. Helier, be passed.

**The Deputy Bailiff:**

Seconded? [Seconded] Does any Member wish to speak?

**1.2.2 Deputy J.A.N. Le Fondré:**

I will just say, to me, it is a very simple amendment. If Members are inclined to vote for the main amendment then obviously, if we are not going to put taxes up for 6 months, it seems logical that we do not put allowances up at the same time and I will be supporting it.

**1.2.3 Deputy G.P. Southern:**

This takes the biscuit, as my mother used to say, in terms of mean-spiritedness because the proposer said: "This merely puts some money back in the pot." The question must be asked: from where? The answer is: from low paid workers and workers on the 27 per cent rate because the exemptions will not be going up. So: "Yes, we will be generous and we will delay imposing swingeing G.S.T. rises on you but do not think you are getting away with it. We are going to take

this little bit away and make sure you pay something towards the crisis that we are in.” This seems to me just mean-minded, mean-spirited in the extreme. This is not about pots. This is about people’s pockets and we should not be going there. The main body of the amendment is covered by using the Strategic Reserve. There is no need to do this. This amendment is just vindictive.

#### **1.2.4 Deputy A.E. Jeune:**

Just very briefly, I think this amendment to the amendment is a very sensible one and I will be supporting it.

#### **1.2.5 Senator J.L. Perchard:**

I would echo those words from the Deputy of St. Brelade and this amendment is only relevant should Deputy Southern’s proposition succeed. I want to know from one of the Members of the Council of Ministers who, in their comments, opposed this amendment as to really why they should. I am confused and, unless I can be persuaded why the Council of Ministers are opposing this very sensible amendment, I will be supporting it.

[11:45]

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

The purpose of this amendment is to change the exemptions limits for the year of assessment 2011, which will impact on States’ finances in 2012. So the 2 things are not linked. We did not bring forward the proposal. I think we have already rehearsed the arguments for the exemption limits but we did not bring forward those amendments because of the increase in G.S.T. There is a mismatch in terms of the timing of them. One deals with 2011 and one deals with 2012. So Members, on their consciences, are going to be justifying perhaps making certain decisions in relation to doing various different things. We had a debate about the 1.1 per cent increase in the exemptions. The Assembly rejected the proposal to increase the exemptions by 3.3 per cent and we were defaulted back to the 1.1. The purpose of this amendment is, I guess, the amendment to open up that issue again not to give the 1.1. We were criticised yesterday for not being generous enough in terms of income exemptions. Now we are going to be taking those out. I am afraid to say that I do not believe that the issue is linked with G.S.T. at all. It is 2 different things. They are 2 different sets of arguments and I am afraid that those Members who want to vote in favour of the deferment of G.S.T., life is not any better because of exemption limits. I think they are 2 separate things and I think the comment of the Council of Ministers stands.

#### **1.2.7 Deputy M. Tadier:**

It is good to be in agreement with the Minister for Treasury and Resources from time to time. I think he has put the case very clearly. The 1.1 per cent is to do with earnings, irrespective of G.S.T. The trouble is we know that earnings and the cost ... but the cost of living, that is the reality for most workers and most families. I do not think this 1.1 per cent even covers that. So that is why I was in favour of the 3.3. One should not use this argument: “Just because now there is a slight risk that Deputy Southern’s amendment, in its amended form by the Constable of St. Helier, might get through, we are going to do this just as a kind of belt and braces,” because we really are conflating 2 different issues. I would really ask every Member of this House who they are here to represent. We have already made a decision for that 1.1 per cent. We know that by taking this off the reality is, even though it might seem trivial to us, those are very significant sums to the elderly lady who phones you up, to the families who are struggling. So I would simply say let us not engage in these kinds of quid pro quo politics that some might be tempted to do here. Let us stick to the quarter. Let us have the proper debate in a moment about the amended amendment, but let us not be attracted by this. The Minister for Treasury and Resources is correct; we do need to keep this 1.1 even though some of think it is too low; but that must be retained.

#### **The Deputy Bailiff:**



Does any other Member wish to speak? I call on Senator Ferguson to reply.

**1.2.8 Senator S.C. Ferguson:**

It was a question of equity. If the G.S.T. is pinned at 3 per cent then, according to the economic advice received from one of the Chief Economic Advisers to the T.U.C. (Trades Union Congress) given to Deputy Southern, we are talking about £800. This is less than £800 per person. It is perhaps in the same broad area but it is in the interests of equity to everybody else in the Island. I propose the amendment and ask for the appel.

**The Deputy Bailiff:**

The appel is called for.

<b>POUR: 8</b>		<b>CONTRE: 38</b>		<b>ABSTAIN: 0</b>
Senator J.L. Perchard		Senator T.A. Le Sueur		
Senator S.C. Ferguson		Senator P.F. Routier		
Connétable of Grouville		Senator P.F.C. Ozouf		
Connétable of St. Clement		Senator T.J. Le Main		
Deputy J.A.N. Le Fondré (L)		Senator B.E. Shenton		
Deputy of St. John		Senator F.E. Cohen		
Deputy A.E. Jeune (B)		Senator A. Breckon		
Deputy J.M. Maçon (S)		Senator A.J.H. Maclean		
		Senator B.I. Le Marquand		
		Senator F.du H. Le Gresley		
		Connétable of St. Ouen		
		Connétable of St. Helier		
		Connétable of Trinity		
		Connétable of St. John		
		Connétable of St. Saviour		
		Connétable of St. Peter		
		Connétable of St. Lawrence		
		Connétable of St. Mary		
		Deputy R.C. Duhamel (S)		
		Deputy of St. Martin		
		Deputy R.G. Le Hérissier (S)		

		Deputy J.B. Fox (H)		
		Deputy J.A. Martin (H)		
		Deputy G.P. Southern (H)		
		Deputy J.A. Hilton (H)		
		Deputy P.V.F. Le Claire (H)		
		Deputy of Trinity		
		Deputy K.C. Lewis (S)		
		Deputy I.J. Gorst (C)		
		Deputy M. Tadier (B)		
		Deputy of St. Mary		
		Deputy T.M. Pitman (H)		
		Deputy A.T. Dupré (C)		
		Deputy E.J. Noel (L)		
		Deputy T.A. Vallois (S)		
		Deputy M.R. Higgins (H)		
		Deputy A.K.F. Green (H)		
		Deputy D.J. De Sousa (H)		

### **1.3 Expenditure Proposals for 2012 and 2013 and Draft Budget Statement 2011 (P.157/2010): amendment (P.157/2010 Amd.) as amended**

#### **The Deputy Bailiff:**

We now return to the amendment of Deputy Southern, which is now open for debate as amended. Does any Member wish to speak?

#### **1.3.1 Senator B.E. Shenton:**

I will be fairly brief. I did not speak on the amendment to the amendment debate. I would just pick up the Constable of St. Helier on something he said about a shop in town not having any customers. I would perhaps put this down to his anti-car stance and pedestrianisation rather than anything to do with G.S.T. Jersey is an offshore centre and there is no doubt that the landscape for offshore centres has been changing. As a result of this, there is no doubt also that the person or the persons that live within the offshore centres are going to have to take a higher slice of the tax burden going forward. The Constable of Grouville mentioned about Bermuda, saying that their net debt was 1 billion dollars. It is actually 1.4 billion dollars; it is not 1 billion dollars. Bermuda is in terrible trouble because the cash cow tap got turned off. Cayman has had to go for a bail-out. We talk about Guernsey and its infrastructure problems, which it does have - it needs a new runway and it needs a new incinerator - but we fail to talk about the £800 million in pension liabilities that we have. Certainly, if we looked at the States of Jersey balance sheet as you would on a normal

accounting process, we would not have a Strategic Reserve that this amendment tries to dip into. In fact the Island's balance sheet would show a £300 million deficit. Rather interestingly, if you look at Guernsey's finances in the same way - and we are always quick to say what a better position we are in than Guernsey - looking at Guernsey's finances on a like-for-like basis, they would have a £200 million surplus. We cannot afford to run a Budget deficit and the Budget deficit is a significant sum for a population of 92,000 people. We are, at the moment, from an economic perspective, staring down the barrels of a gun and spending must be cut. It is quite ironic in some ways that the proposer of this proposition is one of those that refuses to take the medicine that is needed for a small economy such as Jersey to survive. It is not just me saying that. It is also the International Monetary Fund that has said that spending cuts must be made if you are to survive in the current fiscal consolidation in a post-crisis world. Of course I would like to see spending cut. If you look at spending over here, in Jersey we spend 40 per cent more per resident on Government expenditure than our colleagues in Guernsey. Now, that is comparing 2 islands with similar infrastructure. This is not something that we can put off. We have a problem. No doubt it is easy to be enticed by these deals; put it off; if you want a new sofa, pay next year; pay in 2 years' time. There is no guarantee that we will be in a better position next year or in 2 years' time. It is time to make the difficult choices. This is the time for politicians to be realistic. It is not a time for career politicians. I ask people not to support this amendment and do what is best for the Island. It may not be popular with some but in the long-term you are doing the right thing. **[Approbation]**

### **1.3.2 Senator J.L. Perchard:**

What 5 years can do for a politician. I think that contribution from Senator Shenton typifies this debate and an excellent contribution that I think Members would do well to remember as this debate unfolds. Jersey must, if it wishes to maintain a successful financial services industry, be competitive. We simply have to be. The Government must do all it can to facilitate a competitive environment in which we can operate. A low tax regime is important, however. The fundamental ingredients needed for a competitive environment is supportive Government; legislative, fleet of foot, low tax, as I have just said, coupled with political stability and certainty. The nought per cent corporation tax that we have had to employ or engage has caused us significant problems. I said: "we have had to employ." I maintain that and I think most Members do realise that we had little choice; if we want to maintain a financial services industry we have had to be competitive and we must remain competitive. We have a nought per cent corporation tax and 10 per cent for financial services. I do not believe this is under any threat. It is simply some of the detail around the way in which shareholders are deemed to have received a dividend that is possibly being scrutinised more closely by ECOFIN and the European Union. But a competitive financial services jurisdiction is something that we must maintain. The question is: have we got the balance right between getting a grip on public spending and increasing taxes? We identify a shortfall in our aim to balance the budgets of about £100 million and the proposal is to reduce public spending by £65 million and raise new taxes to the level of £45 million. G.S.T. fills, I understand, about £30 million of that £45 million. This proposition, if approved, will leave us £30 million short in our ambition to balance the books.

### **The Deputy Bailiff:**

Only £15 million, Senator, I think, as amended.

### **Senator J.L. Perchard:**

Yes, for one year. But presumably the same proposition will rear its head this time next year. One per cent of G.S.T. represents £15 million. Have we got the balance right? I would suggest the Council of Ministers have not got the balance right and that we are not really doing enough to deal

with public spending. It is a tough nut to crack but we have seen the resistance from the Minister for Education, Sport and Culture to really deal with the fundamental issues. We are talking superficial attempts to save budgetary money. The Minister for Health and Social Services has come back and said: "I cannot possibly do 10 per cent." The Minister for Home Affairs is wriggling, probably at compliance and admission that he has to do it. But are we really doing enough? Are we, the Council of Ministers, really shroud-waving or are we genuinely getting to grips with public spending? Senator Shenton has just highlighted a figure, I think, that was pointed out by the Comptroller and Auditor General, one that Members should remember. Jersey, per head of population, spends 40 per cent more on its public services than our sister Island. A massive opportunity, surely, should that provide us. A sustainable economy and a Government that is supportive of that economy is something that we must aspire to. Now, coming back to this amendment where it would deliver one aspect of what I consider important for our finance industry, that we provide a low-tax jurisdiction, conflicts with the important message that Jersey must put out, in that not only can we provide possibly low tax but we are sustainable.

[12:00]

We have a sustainable economy. We have a low-cost efficient Government, low unemployment, a competitive jurisdiction, no government debt, and able to balance our books, are important messages that we must also put out. So this debate is about balance then. At what point do we sacrifice our desire for very low tax in order to balance our books and ensure that Jersey has blue chip credentials when looking to maintain or develop and expand its financial services industry. It is about judgment; it is about Members' judgment. On balance, and I struggled with this, I cannot support this amendment. I believe the interests of all Jersey people, all Jersey businesses, and importantly the interests of our young people, are best served by, as Senator Shenton has described, as taking some medicine now in order to ensure our long-term prosperity. Jersey must display a blue chip environment in which business can operate and safely invest. An important part of that shop window is balanced budgets, good sound governmental decisions, and, as I say, a proper display of our blue chip credentials. The most important factor in that is that Jersey is an economically viable jurisdiction in which financial service industry is to do business. It is with regret that I find myself supporting the increased taxes, because I do believe, as I have said, that, before putting taxes up, we should have looked harder at public spending, but we are where we are and I am faced with the decision I am faced with today, and Members are faced with the same decision, Jersey must balance its books, it must be seen to be a credible jurisdiction, and I suggest to Members they reject the amendment, albeit it is quite attractive on the face of things.

### **1.3.3 Deputy P.V.F. Le Claire:**

It is difficult to stand up and hold credibility after 2 Senators of stature have just spoken, one who is running an investment company and one who has been a very successful - I am not being derogatory - one that has been a successful businessperson, because they obviously carry a great deal of acumen in the community, and professionalism within their own approach to the States work. But I would like to try to reach out and add the other counterweight to the balance that the Senators are speaking about. Now I have not made millions of pounds, I have body-guarded people that have, I certainly do not have the ability to work in an investment firm, but I have looked after people that have managed significant investment firms. I realise that there are different sectors and different needs in society that need environments where they can work and survive, and it has been mentioned today, for example, Bermuda and the cost of their debt, but nothing else about Bermuda. We do not talk about the fact that they have a payroll tax that has just been increased from 12 per cent to 16 per cent; we do not talk about the fact that there are businesses in Bermuda that are now looking to go back to Ireland possibly, or on to Switzerland; we do not talk about the fact that we are not investing a much money in promoting our finance industry as Guernsey has been doing. We have just been talking recently about the money we have invested in Jersey Finance, in a kind of weird way, when we are not putting in the same sorts of investments in that industry as we see

from our sister islands Guernsey and the Isle of Man. If we would have been doing so, perhaps those businesses that are now looking to relocate from Bermuda would be coming to Jersey and we would be able to cope with the growth. The Senators spoke, both of them, about cutting costs, and I completely agree with them. I put forward propositions to merge Ministries, which I think is possibly a way of saving money and a way of rationalising the way that we do business in Jersey. Those proposals are not going to be supported, but yet I believe they will bring millions of pounds in savings and efficiencies. Senator Perchard, to his credit, highlighted for the first time the costs of the compost operation at La Collette, an operation that Government is involved with, does not and should not be involved with, is costing, well it was the last time we counted, £750,000 a year to produce £50,000 worth of compost, subsidising the private gardener and the people that have gardens. The balance I hope to bring to this portion of the debate is that we have people who have had enough medicine already. It is not a case of them not wanting medicine; it is a case of applying medicine at regular intervals that do not cause the patient to succumb to the adverse affects of applying too much medicine. Senator Perchard mentioned that we have low unemployment, and I am not going to do what some Members do when he speaks, I am not going to reinterpret what he says, but I would like to balance that with, yes, I agree, there is relatively low unemployment, if you look at the global context, but there is still in excess of 1,700 people in this month of December, going into Christmas, unemployed in Jersey; 1,700 people out of work. If the Government had done something over the last 30 years about protecting the employment rights of the people that were born and educated here, and if they had done something about the opportunities for housing those people that were born here and educated here, perhaps those people that are working here, who are in the lower quintiles of earnings, would not be screaming out against these seemingly small increases in taxes that our well-placed members in society are unable to fathom that they cannot afford. But, as highlighted recently, I think it was from Deputy Tadier, when you are earning £12,000 a year, I think the cut-off is £10,000, and then instead of having a graduated level of tax where you say: "Right, on your £11,000 you will be taxed on the first £1,000", no, you are taxed on the whole thing. Deputy Tadier mentioned the fact that some families exist on a very, very small amount of money, and they have nothing, and the rents that they pay are a significant burden upon them, and until this Government does more with less, we should not be espousing how great it is for the poorer elements of our society to take their medicine now because there is worse things ahead. We say that Guernsey spends 40 per cent less than us, well is it because we have G.S.T. and they do not; is it because we have more money, and as a Government beast, the Government beast is all about spend, spend, spend? Because smaller governments with less money spend less; they also tax less. The need is not there. We have put in taxes and kept the same infrastructure, in fact we did not even keep the same infrastructure, we grew our civil service base, and we have been paying them extraordinary amounts of money; extraordinary amounts of money. Now I would argue some of them, and I do not mean to point this, I would argue some members of our States employment, including all of the Crown Officers, deserve what they get, in fact some of them are working for less than what they would get in the private sector, and it is more to do with a service than it is to do with a career. I applaud them for their hard work and dedication. But other people in the private sector are not looking at the same benefit structures that we give our employees, and the same pay packages that we give our employees, and the same work that we ask them to do, without any risk whatsoever to themselves, about bringing in an element of profit. There is no profit in government, there is no profit element. We have this mammoth business that we are running and there is not a single element of profit, demonstrated by the compost operation. We spent £750,000 to make £50,000. Now I am not a businessman, but if I was I would say let us stop doing that, let us privatise that part and get the garden companies that are trawling on down to La Collette in their vans and trucks and things, let us get them to charge their customers, to make their own compost sites. Let us not get the ordinary men and women that are down in St. Helier coughing and spluttering on the fumes to have to pay to subsidise those gardens. It is absolutely ludicrous. I agree we should not be running a deficit, but we need a balanced argument, and I am afraid to say I like to look at things in a balanced way, I

believe I am pretty much ... I am from a poor background but I come from an educated family that has, in previous lives, been quite successful. I certainly believe that we need to make money to fund social elements of society, I am not against making money, but I certainly believe that we need to take into account the conditions and the environment of those least able to afford these increases that, I am sorry to say, some Members within this Assembly have no experience of and cannot simply understand.

**Senator J.L. Perchard:**

Sir, just on a point of order about the quote that the previous speaker made about unemployment. He did say that I said we had low levels of unemployment currently in Jersey. I did not say that. I said quite clearly, and I think the speaker will agree, I described a formula to maintain low levels of unemployment. There is a subtle difference.

**The Deputy Bailiff:**

That is a point of clarification and is absolutely in order. Deputy Vallois.

**1.3.4 Deputy T.A. Vallois of St. Saviour:**

I am finding this fairly difficult because obviously we are here elected to make extremely difficult decisions, no matter what the debate is, on information provided to us by advisers, consultants, et cetera. So when I refer to the F.P.P. Report I find it can be interpreted into any which way you wish, whether you are from a left or a right or a centre or up or down or whichever way you want to put it. What does worry me, and Senator Shenton and Senator Perchard making a mantra of how we need sustainability and stability, et cetera, which, if I remember rightly from reading all the documents from the past spending review and the past tax review that we had, is the same mantra, apart from what we have seen over the years is not the spending cuts made, and what concerns me about this particular proposition is that I need some questions answered more than anything, and I am hoping maybe a Minister can pop up and answer some of these for me. It is with regards to the G.S.T. rising from 1st June next year, but obviously if this was to be agreed it would be up until 31st December, and I read the Oxera report from February 2005 where it talks about the level of inflation and how inflation affects from the G.S.T., how that affects businesses and how it affects wages. Now I understand that there was supposed to be a case study on G.S.T. ... on wages after G.S.T. was introduced, and I believe that was never completed, so I am just wondering whether it is the Minister for Economic Development of the Minister for Treasury and Resources could give some kind of assurance or some more information with regards to inflation and G.S.T. and what that affect will have within those 6 months of next year if this was or was not approved, and how that will affect the tax base. Also, I will refer Senator Shenton and Senator Perchard to F.P.P. Report on page 17 where it talks about fiscal outlook and the panel notes that the proposed measures are broadly in line with the guiding principles it set out in its interim report: "The panel welcomes the plan to restore the Budget to balance. However [and here we go] the plan relies on some ambitious savings and the States does not have a strong record of accomplishment on expenditure control. Efficiency savings and expenditure cuts have to be fully realised if the current plans are to be sufficient. While the references to improved financial management are encouraging, the panel continues to stress that a change in culture is required if efforts to control expenditure are to be successful."

[12:15]

I find myself now in between. I am concerned because, after the experience of raising taxes last time, and we saw the expenditure drift upwards from 2007, after those taxes were increased, and then where we are today with this deficit facing us, and I agree to balancing budgets and I agree to trying to do the best for the Island, but I do not feel like I have been informed enough on that basis, and I really hope a Minister can come back and, to a certain extent, try to allay my fears, and it goes on throughout the report, and like I say, it can be interpreted in any way. I mean working from my

own previous life with businesses, in all kinds of businesses, whether it was retail or whether it was hospitality, any kind of business, I know the effects that G.S.T. had when it was first introduced, and how they found it quite difficult within the retail, and restaurateurs, et cetera, were finding it extremely difficult. I am minded to support this amendment at this present time, but, like I say, I feel very stuck between 2 worlds because I do not feel like I have had the sufficient information to make this decision with regards to G.S.T., because I do not believe the work has been done, and I really hope a Minister can prove and give the proper argument that is needed for this case.

### **1.3.5 Deputy M. Tadier:**

Very much in the same vein as Deputy Vallois, I think she is quite correct to say that the message is not clear; I have already covered this to a certain extent in the previous speech, but the message coming from the Council of Ministers and from economists is not clear; clearly the homework has not been done and I will elaborate on that shortly, and that is why I think that, irrespective of what one's position in the House is, whether one fancies a smaller government, smaller society, or whether one fancies a government that does provide perhaps a higher level of services with the necessity to have higher amounts of spending, one can vote for this in confidence because, as I said before, we are buying ourselves some extra time really so that we can have a frank and open discussion, and I will say in a moment why I believe that, while we are not being give the full picture at the moment, and it is imperative that any decisions are made in an informed way, which I do not think is the case at the moment. We find ourselves in strange situations here where individuals and sections of the Assembly, where you would expect them to be saying one thing, but in fact, due to a whole host of reasons, are coming out with a different conclusion. For example, I would have expected Senator Perchard and Senator Shenton, who do fancy a smaller model, who have been critical of the fact that States' expenditure has not been under control, although that is not something I would advocate in a wholesale sense, the conclusion from that, and what we have heard from small society when they have made press releases, is that they oppose any kind of tax increases until the States have their spending under control. Now G.S.T. is a tax increase and that is what we are being asked to do, but I would say that, irrespective of your position, we should be sending a clear message out to the Minister for Treasury and Resources, first of all from that section of the Chamber, we will not tolerate any increase and any further burden of taxation, direct or otherwise, to fall on our constituents who are finding times tough, and retailers who are finding times tough at the moment, until you have sorted out your finances. Similarly, from my position here in the Chamber, I would say that I also do not have that confidence in the Minister for Treasury and Resources, but for different reasons, and the Council, I would say that we need to be looking at the correct figures, and I will give a few examples as to why I think it is the correct thing to do to defer this. The Strategic Plan may seem like a little while back now, because I think it was in 2008 that we debated it, but nonetheless that is the blueprint from which we work, and there are some interesting points in this. I happened to open it at the centre pages; that talks about increased social inclusion by encouraging and supporting people to help themselves. In fact, what is the argument that is given when we say G.S.T. is a regressive tax, demonstrably so, especially without exemptions, because it hits those who are least able to pay more, because the poorer you are the more of your income is spent on the necessities of life and buying things, which is not the case for those higher up the ladder. We say: "Well do not worry about that because we are going to increase income support." So, first of all, you are going to increase the dependency of those already dependent on the social security system, and we are going to bring a few more people into that net, so people who were not reliant on income support before, we are going to say: "Do not worry, we will bring a few more people to become more dependent on the State." Is that really what we want? That is certainly not what I want with my politics, and I suspect it is not what most people want who have voted for this Strategic Plan. What we should be saying is: "No, let us see how the recession pans out; let us allow members of the public to keep more money, keep more of their own money in their pocket", and this is the contradiction we talk about, it is not simply that we are going to be losing revenue, the members of the public themselves are going to have more

money in their pockets to spend, which leads to point one of the Strategic Plan, to support the Island community through the economic downturn. One of the points is that the downturn needs to be managed in a way that is consistent with the Island's social and economic objectives, and in a way that puts the Island in a strong position to benefit from the eventual economic recovery. So what you should be doing at this stage, if we are sticking to being true to our words there, we should be doing everything we can to facilitate economic recovery. You do not do that by increasing a consumption tax in the middle of a recession, taking money out of people's pockets again, making them even less likely to spend, and I have spoken to people and I know Members in this Assembly will have done the same and said: "Well I am just going to stop buying stuff", which might be good from a green perspective, if you are anti-consumerist, and that is an argument for another day. It might be desirable if members of the public in the world did stop buying rubbish that they did not need, but that is not how we are talking in conventional economics, we do want people to be going to the shops, the retailers in St. Helier, or elsewhere, who are, as we have heard already, finding it very difficult. So G.S.T. increasing at this point is certainly a foolish thing to do in my opinion, and in the opinion of many more wise than I. We have some other comments here, that we will support local business, it says: "Local business will need help through difficult times to support the economy and to maintain jobs." So what do we do? We look again to increase the G.S.T. burden, make it less likely that their sales are going to go up, in fact they will go down, and we also add into the mix a bit of social security contributions, which, while that is another debate, is going to have serious implications for the likes of sole traders and for smaller retailers in particular. It goes on further down to say that: "We will try to minimise the impact of the downturn on Jersey residents." You do not do that by taking more money out of the pockets of families, workers and pensioners, who are already struggling in the middle of a downturn. We should be doing the opposite. So those are the first points. I have already read the correspondence from Senator Ozouf and it would make quite a good headline in the *J.E.P.*, would it not, to hear those words that the recovery in Jersey is going to be weak, because that is what he says and I am happy to send that around to Members. Other times, we are hearing the message that Jersey's economy is likely to ... in fact we are not really being affected anyway and the recovery is going to be quicker than we expected and Jersey has a bright future. We cannot keep on having it both ways; we really need to establish what the facts are and we need time to be able to do that. I would like to read from a letter that I have been sent, which says: "The outlook is communicated by the Council of Ministers as prosperous through economic growth. If this is the case, presumably there is the potential for tax revenues to return, or even exceed the levels prior to the recession. Following such optimism, one must ask why it is proposed to increase G.S.T. in this way, because G.S.T. is a regressive method of taxation, which will hit local businesses hard and it is also to a certain extent in-reversionary as many retailers would rather opt to increase their own profits should there be a future reduction in the rate of tax." So the argument simply does not wash that saying: "If the recession is a temporary problem, and if the black hole, the deficit, is a temporary problem, we will just use G.S.T. and we can always bring it down later on." I think none of us live in cloud cuckoo land, we know that is not going to happen, and we know that, even if it did happen, as the Minister for Treasury and Resources himself has recognised, there is no guarantee that that reduction would be passed on to the consumer, it is quite possible that it would be kept with the retailer. So let us be under no illusion about what we are dealing with here today. Another part of the Strategic Plan of course is diversification, it is to do with promoting, among other things, our tourism industry, which we do invest in, although not quite to the same extent as the finance industry, whereby we will cut the funding to tourism, but we will increase funding to Jersey Finance. So what are the impacts going to be for the tourism industry and all the peripheral resale and commerce that go on around that, and of course we always have said that finance and tourism are very closely linked, you need the hotels on the one hand that could not simply exist just from tourists, and neither could they simply exist just from business clients, there is a very close symbiotic relationship there, which I think we all acknowledge, so what is good essentially for tourism is also good for finance. Clearly the impacts on tourism are not going to be good, no matter how one tries to dress it up, any increase in



G.S.T. is going to make the Island less competitive, and we always hear about this idea: "Jersey must be competitive; we must be competing with other jurisdictions." Of course, and we are also competing with other tourist destinations. There is no longer really the incentive to come over to Jersey for the cheap cigarettes and cheap booze, and in some ways that could be seen as a good thing, but it is important that we do sell the very good credentials that Jersey has as a tourist destination, and I know that, in spite of often very difficult conditions, the team that we have a Jersey Tourism do a remarkable job, and it is evident certainly at this time of year with events like the Christmas Fair, which is taking place at the Weighbridge. One must make a mental note to get down to that. But of course these conditions are not made easy if people are not coming to the Island and if they are not spending money commercially as tourists, then simply any amount of these events is going to be limited in its efficacy. I would warn Members to be careful of rhetoric, we hear lots of fancy words being said that we have to really make tough decisions here, we really have to get things sorted. What is more important than making tough decisions is making the correct decision, I believe, and this simply, if we do vote now today to increase the burden on members of the public, is not going to be the correct decision, it may be tough, it is possible to be tough and to be wrong, and I would suggest it is better to be considered and to be correct. I think I will leave it there, certainly points will come up in the debate, as I have spoken fairly early, which I will not be able to rebut, but I would simply encourage Members to not be taken in by the shroud waving that will ensue from following speakers. We do have time, I believe, we are not in dire straits, we do have money in the background, and what I would ask is, is it correct, if you do believe that the Assembly has been spending too much money, and certainly there has been elements of profligacy, Deputy Le Claire, you are quite correct, in terms of the incinerator, et cetera, et cetera, we know what they are. There are genuine savings to be made. Is it correct therefore to go to the public today and say: "We want you to pay for these mistakes that the States are making", whether the mistakes are due to over-spending or whether the mistakes are due to bad planning with the likes of Zero/Ten, which caused the deficit in the first place. It is not correct to go to the ordinary member of the public, it is for us to come here and come up with a coherent plan, an exit plan, which does not rely on a regressive taxation and it does not rely on the zero taxation of companies, which can well afford to pay. We need to get our act together, we need to do it very quickly, and we need to make sure that we instil confidence once again in the public. My last comment will be, I know comments were made yesterday to do with, I think it was J.J. Le Marquand, before my time, but somebody who evidently had much respect from across the House and across the Island, and the point was asked: "What would he have done in this situation?" It was Cyril Le Marquand, thanks, there are obviously too many Le Marquands on the politics circuit, one gets confused. But what I suspect, these kind of men in the past, as they often were, were there for the people, they were seen very much as looking out for the people because they were very much in touch with ordinary members of the public; this is not something that is the case unfortunately, it is not perceived to be the case today. I do think we need to support this amendment, we can do it wholeheartedly, and we can carry on having a real debate about how we want to take Jersey from strength to strength in the future.

[12:30]

### **1.3.6 Deputy A.E. Jeune:**

I have said it before, who would be the Minister for Treasury and Resources? On the one hand we have the Minister for Treasury and Resources standing there with a very, very bitter pill, and on the other hand we have Deputy Southern being so tempting, so alluring, with a rather sweet apple in his hand. **[Laughter]** It is what is with that apple that is giving me indigestion before I even take a bite. Deputy Southern is suggesting that in order to retain a 3 per cent G.S.T. we will use our savings, and there is no way I as an individual would do it with my own money if I did not know I could keep it. I have never lived spending beyond my means and I will not start now. Yesterday, one of the Connétables made one sentence to me and it was a sentence that made a lot of sense, and somewhere in this debate it may well be said by that Connétable, but the fact is I do believe there

are still savings that we can make. So, whether we accept or reject this amendment, those savings must be made, we have to keep going down that road, and I for one will not let the Minister for Treasury and Resources sit quiet. The fact is, I missed a night's sleep and he is not going to get away with it and I do not think Deputy Southern is either. **[Laughter]** But earlier this morning Deputy Pitman said we should be consistent, and Deputy Higgins has also said we stand before our electorate. I stood before the electorate 2 years ago and I told them there were difficult decisions on the horizon that would have to be made, and if necessary I would make them. The one thing that has been clear to me is people want savings, they want us to demonstrate we make those savings, but it is also clear to me that the people, any approach that I have had, are behind the Minister for Treasury and Resources, and in relation to G.S.T. what has been said to me is: "If you have to put it up, so be it, but do not mess with it." The final consideration I have is that which the F.P.P. have been saying, I have a great respect for the 3 people on that panel, they speak in a language that we can all understand, they make our position very clear. And on that note I will say no more. Thank you.

### **1.3.7 The Connétable of St. Helier:**

I am sure I am not the only person scratching my head as we launch into effectively a repeat of the debate we just had. I realise there are some subtle differences of emphasis in some of the speeches we have heard so far, but surely we have just voted, albeit by a small majority, to support a full-year breathing space from a rise in G.S.T., so should I now repeat my speech, is the question that I am thinking about, or is the Council of Ministers trying to get that half dozen States Members to change their minds and to vote against Deputy Southern's amendment as amended? So I am a bit confused, I think members of the public listening to this must be wondering why they have to listen to the debate all over again, so I am simply going to take issue with a couple of comments made by 2 Members who I do not think spoke in the previous debate, Senator Shenton after the cheap shot, the anti-car jibe, went on to tell us to take our medicine, to do what is best for the Island. I have already made what I thought was a compelling analogy with the old quackery of blood-letting, and I am sure Members do not want me to give that to them again, I think the: "Take your medicine", we are already taking our medicine as a community, we are now, we have G.S.T. Senator Perchard, I do not know how many times, used the phrase "blue chip", it must have been at least half a dozen, and he went on about the financial services industry, which of course we all support, and the low tax regime that allows that to flourish, but nor would I disagree with him that there is more to be done on public spending, but when he said: "All Jersey business will be better off with an earlier rise in G.S.T.", I have to disagree with him. I made that point in the earlier speech. He wants Jersey to be an economically viable place to do business, and so do I. I do not believe that hinges upon, and that is all this amendment now amended is about, I do not believe it hinges upon not having a 6-month delay in raising G.S.T.; I do not believe this is irresponsible, I think it is a responsible approach by the Assembly, and I think the Assembly has already indicated its desire to follow it.

### **The Deputy Bailiff:**

Well, Deputy Vallois.

### **Deputy T.A. Vallois:**

I do apologise, Sir.

### **The Deputy Bailiff:**

There is a fine. Thank you very much. Is there any other Member wishing to speak? Minister for Treasury and Resources.

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

Can I start by saying that I am very grateful for the comments that were made by Senators Shenton and Perchard. They are fairly tough to convince sometimes. But I think that Senator Shenton, who

is not an economist, but he has a better understanding I think of the world financial situation than many people, and I think that he is right in terms of the concern that he expresses and the warning that he gave Members about the risks that are associated with the financial services industry globally. I do not agree with him on the pension issue, but we will have that debate at P.A.C. (Public Accounts Committee) or other places. I still do not accept that the liability, the P.E.C.R.S. (Public Employees Contributory Retirement Scheme) scheme, is an issue for the States under FRS 17, but the point that he makes is absolutely the same. I want to say to those Members who have asked for reassurance, of which Senator Perchard, Deputy Jeune, and Senator Shenton, I think there were others, they wanted to know about the commitment for savings in terms of delivery. I am committed to savings; that is the issue, which I stood for as Minister for Treasury and Resources, I regret that I have had to bring forward, not only saving cuts bigger than I thought that were going to be necessary, if I am absolutely honest, £65 million, 10 per cent cuts, and spending rises. I am afraid that the charmed existence that Jersey has had, and has enjoyed, of which I think can continue, is not as charmed in future because we have seen a fundamental change in the world economy, and we have to change our mindset, we have to change our spending habits, we have to change our taxation habits, and this is what it is all about in this overall debate, and I am committed to delivering the savings, yes there are difficult decisions with Ministers, and we have all had difficult disagreements, I expect Ministers to defend their turf, but ultimately savings targets are going to need to be delivered and I hold myself accountable in order to deliver that. Many Members have jibed at me outside of this Assembly in terms of changing my mind on taxes. I am sorry, but the world has changed and we need to change our policies on the back of it. I am sorry. Now, I am going to just say, I am not sure, I think maybe there was some tactical voting in that debate; I have certainly understood that there were some people that were voting in terms of that debate in order to limit the damage in terms of the public finances. I do not know obviously, we will see. Deputy Vallois has asked about some issues on G.S.T. and I want to say to Deputy Vallois I hope that she has good evidence and good advice in relation to everything that she gets at Corporate Affairs, G.S.T. adds to R.P.I. (Retail Price Index) for 12 months and then it drops out, it is not inflationary unless it is added to wages; that is not just me saying that; that is everything that any economist would say to Deputy Vallois. Every 1 per cent increase in G.S.T. increases for one year effect at 0.6 per cent on the G.S.T. rate, and if there is a concern about inflation, you take money out of the economy, you do not spend reserves, if that is the concern, but I do not think the inflation issue and the inflation outlook is the concern that we are looking at. I think that there is a whole paradigm shift in terms of the whole world economy; I do not think that inflationary pressures are going to be the issue that are going to be commanding the attention of governments, it is stimulating the economy, hence quantitative easing and all the rest of it. Deputy Southern, when he proposed this overall proposition, and I am going to ask the Usher if I may to circulate this, or perhaps put it into Members' envelopes, I just want to correct one thing. Deputy Southern, in his opening remarks on the overall amendment, circulated some information about the G.S.T. I do not think he sourced the information, but I am going to source it, I am going to send Members the whole of the information that was sent around by him, with those tables. The data is from the Tax Research U.K., Tax Justice Network, written I think by Mr. Richard Murphy, and it is interesting that I am not sure; I take my advice from important institutions like the Institute of Fiscal Studies, backed up by the Office of National Statistics, in terms of evidence. I take my advice from people that can spell "proportional", which this could not be done. But anyway, we take our advice from whoever we want; I just wanted to be clear that information ... if it is a point of order I will give way.

**The Deputy of St. Mary:**

On a point of order, Sir, I fear that was misleading; I am relying on my memory of what Deputy Southern said about a day ago, but I thought he said that those charts were derived from the UK Ministry of Work and Pensions, so I am not sure, but if the speaker would like to clarify?

**The Deputy Bailiff:**

Deputy, I think that is not a point of order, and in any event Deputy Southern will have the opportunity of answering the point when he replies.

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

So I just want to make the point that it is absolutely clear where that information in terms of the context of the argument to say where it came from. I am sorry it is very small; I did not want to waste paper. I will forward the information by email to States Members so they are clear. There is a difference of opinion in terms of the analysis, in terms of G.S.T. and V.A.T. I take my advice, which has been backed up by the Office of National Statistics, and I am sure that Deputy Southern does not wish to mislead the Assembly, I am not suggesting that he is at all, it is just that we all take our information from different sources. I take mine from the sources of those that advise the U.K. Government in terms of what they are overall doing, and so we can have the argument, but I will never convince Deputy Southern ...

**Deputy P.V.F. Le Claire:**

Sir, may I request a point of order. I appreciate the Senator is making a speech, but quite frankly, and it is a point of order, or at least my usual hope it is a point of order, when Members are circulating materials to the Chamber, is it possible do you think that you could rule that information is at least large enough for us to be able to read it?

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

I apologise to the ... I genuinely did not want to send around 6 pieces of information; I will email it so that Members can see. I just wish to make the point very simply that those graphs were taken out of a Tax Justice Network briefing on G.S.T. in terms of that; they have seen the overall charts. I apologise to Members, I do not wish any offence, I will email the information to ...

[12:45]

**Deputy G.P. Southern:**

From Tax Research U.K.

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

From Tax Research U.K., the same authors. We will never agree in terms of G.S.T. and regressivity; we have a difference of opinion, I have made my point clear.

**The Deputy Bailiff:**

I was going to invite you, if that is a convenient point, now you have already been interrupted, whether you would like to ...

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

Yes, I propose the adjournment and I will continue after lunch.

**The Connétable of St. Mary:**

Sir, I wonder if before we formally adjourn, could I advise Members that, following what happened on Monday evening, at the end of business today I will be asking Members to consider reconvening on Friday this week, if they would like to put their minds to that before then.

**LUNCHEON ADJOURNMENT PROPOSED**

**The Deputy Bailiff:**

The adjournment has been proposed and the States will now stand adjourned until 2.15 pm this afternoon.

## **LUNCHEON ADJOURNMENT**

[14:17]

### **PUBLIC BUSINESS - resumption**

#### **The Deputy Bailiff:**

The States resumes its debate on the amendment by Deputy Southern and the Minister for Treasury and Resources is in the chair, and the chair is equipped!

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

Sir, that worries me. I am sure that Members have had enough of long speeches so I am not going to be very long in my concluding remarks. I just wanted to remind Members that there are strong arguments for rejecting Deputy Southern's amendment. The Budget proposals, as unamended, are a medium-term credible plan. They balance the books for Jersey, not next year, not the year after, but by 2013. There are a range of measures. Members have been concerned in supporting potentially Deputy Southern of measures to support the economy. We are supporting the economy through the continued use of fiscal stimulus monies, supporting the economy in all the ways that the Minister for Economic Development does. We will be, as a proposition unamended, will be running a Budget deficit of 1.5 per cent of G.V.A. (Gross Value Added), £55 million. That is support to the economy. The problem with this amendment by Deputy Southern is that it does not have, I do not think, a medium-term plan. I am confused about it, Deputy Southern, and I would be grateful if in his summing-up he could explain what his medium-term plan is. I say that I am confused because he is going to be, I think, suggesting in the summing-up that we should not be taking money out of the economy next year by this delay of G.S.T. I just remind Deputy Southern that in fact he was the one that was proposing that we would be taking money out of the economy with the social security charge of £22 million of a job tax that would happen next year. So I am just a little bit confused, and if he could confirm to me what his medium-term plan is. Members have differences in terms of political views on different issues, but I would hope that we would all be unified in needing to have a credible medium-term plan to balance our books. So in his summing-up, in justifying the delay in G.S.T., could he please convince Members what are his plans in delay in terms of spending, in terms of taxes, and how will he pay for this delay? Is he suggesting that we should be having a plan to refill the Strategic Reserve? I am of the view that probably a vote in favour of this amendment is a proposal to delay G.S.T. or even put G.S.T. off completely, because I am concerned about the underlying difficult decisions that we are going to have later when we come forward with the legislation. Deputy Southern, I do not think it is unfair to say, has been not exactly clear as to the consequences of this amendment. Could he confirm that this amendment will mean that he will support the increase of G.S.T. at 5 per cent on 1st January, and he will support the legislation? I think he needs to be absolutely clear. This Budget that I am proposing unamended is a package; it runs a deficit, it cuts costs, it delivers economic growth, it is a balanced tax package; it is involving not only just G.S.T., but there is a package of measures, a carefully judged packet of measures involving duties, future revenue proposals in terms of social security, further proposals in terms of income tax, and of course G.S.T. I urge Members to listen very carefully to the arguments that Deputy Southern puts forward, in terms of what he means in terms of this, what the consequences of it are, and I urge Members to hold their nerve, to get the other amendments debated, and to vote in favour of this amendment, which I think is delay, and delay, which has a serious effect on our public finances. Thank you.

#### **1.3.9 Senator B.I. Le Marquand:**

The Council of Ministers find themselves in a difficult position, we are caught between seeking to maintain core services and activities, attempting of course to always run these in an efficient and

effective manner on the one hand, and the consequential need to raise taxes on the other hand, within an overall goal of not raiding the Strategic Reserve. We have already put into the fiscal stimulus fund considerable sums of money, indeed as much as we could, without raiding the Strategic Reserve. This proposition as amended asks us to delay tax increases at a cost of at least £16 million. My calculation is higher than that because I have calculated seven-twelfths times £30 million; that comes to £17.5 million, but the advice I have is it is somehow £16 million, as a further fiscal stimulus. But the price for this is that we have to raid the Strategic Reserve. Now, even if we did not go ahead with this amendment, the fact is that matters are going to be very tight, very tight indeed. The estimates that we have of future taxation are estimates, but there is a further potential downside to those. The position could be slightly worse than we think. That will make our task even more difficult. But let us get this clear, anyone who votes for this is voting for taking money out of the Strategic Reserve, and that is the bottom line, and that is an important issue of principle. I have very grave concerns that once we start to do that on one pretext then it will be very easy to do it on another occasion on another pretext, and so we will have some sort of snowballing effect, and we will lose the necessary discipline in terms of financial management, which now needs to be put in place. But how big is the Strategic Reserve? Is it £500 million or is it, as Senator Shenton thinks, minus £300 million, because of the effects of the shortfalls on the pre-1988 and the post-1988 pension funds? What is clear is that the Strategic Reserve is well below £500 million; there is a considerable pre-1988 deficit, and I, as a holder of a pension, or potential pension, if I reach the age of 60, have just received notice that my pension increases in future years are not going to go up by the cost of living. This is the first time this has happened; I think it is overdue, I think it should have happened before. But this is a recognition that there is now not enough money within the fund to pay pensions with cost of living increases for the future. So how big is that deficit? We do not know. The expectation is that this Island is still in recession this year, but will come out of recession next year. Frankly, the case for a further fiscal stimulus is simply not made out. It is time to make the difficult decisions, both in terms of reducing the costs of services and activities with notable cuts in services as part of that in order to maintain core services, and in terms of increasing taxation, which is now inevitable. If I have to pay off a debt then I personally prefer to start paying it early, rather than increasing the burden on me at a later time, and that is the type of decision, which we are facing here. It is too easy to put off making the tough decisions; that is not something that I as an individual am known for, indeed many people who appeared before me in the Courts in years gone by discovered that. I cannot support this amendment.

#### **1.3.10 The Connétable of St. Mary:**

Certainly one thing is certain, is sure, I do not want to increase G.S.T., I absolutely do not want to do that, but I am not here to do what I want unfortunately, I am here to do what is absolutely necessary. It certainly has to be said that, in comparison to other places, we in the Island really do not have a huge tax burden. The grass looks greener in many other places, usually that is because there is either higher taxation, there is a national debt, maybe there is a lack of infrastructure, you could be really unlucky and have all 3. But I believe that the Island will pay the G.S.T. but it rightly expects that we have done absolutely everything we can to rein in the public spending and to rein in the profligacy, which I can almost say, that really the society feels is endemic. We now know that we have massive cuts and massive efficiencies, let me be correct, in hand. The cynics among us in this Assembly, and I think the majority of the general public, say it has been in hand for a long time, where is the result? That is the problem. We keep saying we are going to do it, but it is hard for the public to see the result. Now I am under no illusion, just to put the Minister for Treasury and Resources on notice, that accepting this amendment is a delaying tactic. I understood from the word go that what it was doing was accepting a rise, but just postponing it. It is not postponing the decision to take that rise. But what it does do, as I said before, is give a breathing space, it puts us on notice of where we are going, gives everybody in all areas of society time to prepare, time to take advantage, time to do what they need to do. But, more importantly from the public's perspective, and I think this is crucial, it gives the public a chance to see that the measures

we are putting in at hand we are serious about and that things really are happening; that this time, despite everything that has been said before, this time we are going to make it work, because I do not want to see G.S.T. go up at all, but I certainly, absolutely certainly, do not want to see it go up above 5 per cent. We are talking about a spiral, I think it was the Constable of St. Helier this morning talked about a spiral where, once you have done this, it is easy to do it and do it. I do not want to see that. If we have to make it 5 per cent then it has to be 5 per cent for some time. The Minister for Treasury and Resources asked how Deputy Southern was going to deal with the money that we are losing. Well he has made it quite clear what he wants to do with it. I have never ever been for spending the rainy day fund, except recently I have come to understand certain things, and I believe, and this is no secret to the Minister for Treasury and Resources, he knows how I feel about this because I have talked to him at length about it, that we should be doing something substantial for the people of this Island that will come from that fund, but something that benefits everybody, not something that we just fritter away, and not something that does not go to the core of everybody in this Island.

[14:30]

We know, we have called it the Grand Projet, I have been searching for it, but maybe what the people need is to know that when times are hard for everybody that we will listen and that we will say: “Just a small cushion, just a small chance, a breathing space for you”, maybe that is what we need. The Constable of St. Helier said: “Well I felt this morning about the ...”

**The Deputy Bailiff:**

Excuse me, Connétable. Usher, will you please desist from circulating this document.

**The Connétable of St. Mary:**

This is perhaps time, if we are looking towards not using our pension, just making sure that we remain healthy to take full advantage of that pension when our pension age comes, and talking of pensions, I just have to pick this up, and I have mentioned it to several Members, and I know that it is nothing strictly to do with revenue that has been spent, but Senator Le Marquand raised the issue that he had a letter about his pension at the weekend. Did Senator Le Marquand notice, as I noticed, that letter was sent out priority post with 3 pence extra on every single envelope? Did the Senator notice that? All right; that was not under taxpayers’ money, but it shows the culture of not really getting to the nub of savings. That letter did not matter whether it was received on the Saturday, Monday or Tuesday, the information was not time-critical to that day, yet the one we received at our house, and I am sure there are thousands of people out there, all had 3 pence extra on it. If we cannot demonstrate to the public that in all areas we cut unessential wastage, then what are we doing? I, at this moment, unless Deputy Southern does what he has done so many times in the past and loses me at the last moment, I think this is the way to go, and I never thought I would say that because I wanted any time we used that rainy day fund to be something; that magic thing that everybody needed, and I have talked about things, something for dementia care or old age care or something that would possibly benefit every family in this Island, but no, this may be the way to go. But this is not saying the G.S.T. will not rise, because I am a realist, and those people who have said things about finance and about how the finance has to pay its way. Finance has been paying its way in this Island for years and years and years, and if we had not built up what we have built up today then we would not be even having this discussion. The people who do not understand that, I wonder what their real place in this Assembly is because we cannot afford to take away the thing that has made us strong. But I think for this small amount, for this 6 months’ extra, this may be the time ... and it is not taking your finger out of the dam, this is just saying: “This is a decision that we consciously take and we take it after much reflection and we take it after listening to what the people are feeling. Thank you.

**The Deputy Bailiff:**

Deputy Tadier, I have asked the usher to desist from circulating a document which you wish to put out for information. I just wish to explain to you and to Members why I have done that. There is absolutely nothing stopping you from putting a document in Members' pigeonholes outside the Assembly, absolutely nothing stopping you from circulating documents on email but you have already spoken in this debate and I am afraid I take the view, perhaps strictly, that putting out a piece of paper in the Assembly to Members when you have already spoken in the debate amounts to putting out a second speech. If any person present wishes to have this document circulated as part of their speech, somebody who has not yet spoken, then of course it will be circulated. I just make that clear.

**Deputy M.R. Higgins:**

Can I indicate that I would like it circulated because I am going to mention it in my speech.

**The Deputy Bailiff:**

It is a point of principle for me. That is absolutely fine, it will now be circulated but I just wanted to make that point.

**Deputy M. Tadier:**

I can go down and change the name and get some more copies.

**The Deputy Bailiff:**

No, the Members will understand that it has been circulated at the request of Deputy Higgins.

**Deputy M. Tadier:**

I did it in good faith, Sir, I was not attempting to make a second speech but I understand your point.

**The Deputy Bailiff:**

Thank you. Does any Member wish to speak? The Connétable of St. Peter.

**1.3.11 The Connétable of St. Peter:**

I stand here to speak after my fellow Constable a moment ago, the Constable of St. Mary, and it was raised earlier on in the debate in this morning when somebody said: "It is only £15 million." That is why we are where we are today because Members of this Chamber treat £15 million as though it is petty cash. It is not petty cash; it is a substantial amount of money. In the Parishes myself and many of the other Connétables have worked very hard to drive down our costs and reduce the rate burden on the people of Jersey, our parishioners, the residents of our Parishes. In fact in St. Peter we dropped ours slightly even more this year to accommodate the Island-wide rate. Now, that has been done to support the people on low incomes, the people that have suffered not having income coming in on their investments, but equally the young homeowners have had a significant reduction on the amount of interest they are paying on their mortgages. So there is an element of win/win there as well. But it does really frighten me when I hear Member after Member making these sort of comments: "It is only £15 million." £15 million is a significant piece of money. Coming back to the point of this debate, Deputy Southern's amendment, to stall it we would be stalling it as a penalty because we have not been able to save money within the States as a whole. Is that really what we are saying? We want to punish the States by delaying the savings so we can raise the money? Is that what we are saying? Because this is how it is starting to come across to me. Because we have not managed to make the savings then we are not going to let them gain more money by putting up G.S.T. tomorrow. That is the way it is really coming across. Is that the right thing to do, to punish the States by taking even more money out of the economy, coming into the States? On those bases, on those little principles alone, I cannot support the amendment because it is prejudicial to the whole thrust of what the Minister for Treasury and Resources was trying to do. The Council of Ministers put forward a package, a package of hopefully recovery and sustainability and what we are trying to do is find reasons why we do not



want to do that, and that causes me great concern. Once again, I will not support the amendment. Thank you very much.

**Senator B.E. Shenton:**

Sir, can I just say that I think it is very bad form that someone who brings an amendment does not even stay in the Chamber to listen to the debate.

**The Deputy Bailiff:**

It certainly is customary for those who are proposing propositions or amendments to be in the Chamber for the debate. I call on Deputy Martin.

**1.3.12 Deputy J.A. Martin:**

It is interesting to follow the Constable of St. Peter and I will try and stick to this amendment and not repeat much of what was said yesterday. Some very weird arguments have started, and I will start with the last speech, that this is punishing the States because we have not been able to make the savings. Senator Ferguson said earlier in the other debate: "Remember we are not starting today where we were starting in 2004 when we introduced G.S.T." I would say we are exactly where we are. We knew where we were going; we moved tax from business to people. We knew. We did not know how painful it was going to be but we knew what we were doing. Senator Ferguson shakes her head, but she may not have been in the House. Then I hear 2 incredible speeches from businessmen who want savings. They want to cut spending. We had questions from Deputy Vallois saying she has not had the explanation of why we have not had these spending cuts. Senator Ferguson may not remember being in the House in 2004 but she certainly remembers being in the House when she pulled a Budget amendment worth about £3 to 4 million or more on the promise that it would be sorted out. I am going back 4 or 5 years ago. She was going to have our support and she pulled it on the promise again of jam tomorrow. It is jam tomorrow. Deputy Le Claire said the 2 Senators had business acumen; yes, they are successful. I cannot remind people enough that it would lovely to run a States just purely from an accountant/business point of view. Unfortunately that cannot be done. But then they also went on to say: "What about the state of Cayman and Bermuda, Bahamas?" I totally agree. We are in a very good position. Finance has got a great carve out of G.S.T. So do not bring finance and G.S.T. into the same debate. They did the deal with the States; it is not G.S.T. that is keeping finance out of Jersey. Do not make that mistake any of you. There might be other taxes across the horizon but it is certainly not G.S.T. The finance centre have got a very good deal, and if I had millions of money, where would I go tomorrow: Caymans or here? I think we have got a very good track record. This is a domestic debate about a domestic tax and it is called G.S.T. It is very clear to me. As I say, Deputy Vallois asked a question, she has not been in this House as long as some other people. Now, if you have somebody who has been doing it for years - and I have been here 11 years in May and some of you have been here a lot longer, some of you have been here less - and every year you hear: "We are going to cut back on spending." You only have to listen to them out there, they think there is so much waste. What do you do then? You give those people more money. You will give them more money in the coffers. It does not make any sense to me. It really does not. Deputy Jeune says it really does not matter either which way this debate goes, she's going to keep her beady eye on Senator Ozouf because he kept her awake last night. **[Laughter]** But I am saying to Deputy Jeune, if you do not keep your beady eye on him the only way to give some leverage to this Council of Ministers is not to give them ... it is 6 months, we have already decided it is not Deputy Southern. I listened to the Constable of Grouville, these are all people ... all the people who are going to speak and are going to vote against this are the people who want to save. They criticise and criticise and criticise the States for overspending but they will not support this. I am absolutely amazed really at the Minister for Treasury and Resources and the vote that went before - yes, it may have been tactical and this one might not get through - but if he really believes in his principles he should have accepted this amendment. It is 6 months, it has been proven out there, there is people out there ... it

is talking about balanced budgets, only if we do what we are doing today and I think Deputy Higgins has said, economists are like this way and that way. It may be different advice; it may be different advice tomorrow. If this is not upheld we are letting ... it is 6 months, it is a delay of raising ... the Minister for Treasury and Resources keeps saying: "This is a debate against G.S.T." There is no one more realistic in this House that knows, we have got G.S.T. now and it is there but as Deputy Fox said, it is a tap and if we let them keep turning it on every time we need it it will be turned on and it will be turned on and it will be turned on. A very funny speech from Senator Le Marquand. Apparently we have not got as much money in the rainy day fund as we think we have, or it is not being managed properly and £15 million: "It is only £15 million" said the Constable of St. Peter. As if we are saying that. Who had a discretionary £44 million in the fiscal ... who had a discretionary? No rules set down, not passed by this House. No rules again passed by this House, it all came out of the Strategic Reserve. All came out. Sorry the Stabilisation Fund. It is all money, it is not our pension as the Constable of Grouville says, it is money that the States have been prudent with, taxpayers' money that people have invested. They are desperate out there and I am still confused, and I hope when the Minister for Economic Development speaks he can persuade everybody that we have to do this because we are dire, or we do not have to do it as the Minister for Treasury and Resources ... we have to do it, it does not matter because the economy is rising and everything is back to normal. Totally mixed messages and I presume the Minister for Economic Development has got the economic advisers in his ear and not necessarily just the Treasury. I would just like to quote, before I finish, what the Dean, the Reverend Key, said in the question time before we brought the law in on 17th April, he was talking in open question time to the Chief Minister: "Does the Minister not agree that the theory of consumer choice in realistic terms is more open to the rich than to the poor, and it may be that there is a moral imperative on those who could well afford to pay a price equivalent to the U.K." That is what I am saying, we are going up. Yes, some of it is political. We know we can afford it. I said it yesterday; we are nowhere near where we were.

[14:45]

To me, I have heard the hard decisions that you have got to make, giving more money is the easiest decision this House can make, every year for years and years and years. It was not an easy decision to take the grants away from the fee-paying schools, was it? But as soon as that got political it was a dead duck from the Minister for Treasury and Resources, absolute dead duck. He shakes his head. Okay, he was misquoted in the paper. Misquoted. I accept that he was misquoted but it is not here. It is not here. What I am saying is if people are ... please if you really believe in cuts, you really want to rein in some money, do not give them more to play with for all the luxuries that they want because that is exactly where this money will go. It is a matter of principle now. It is a delay of 5 per cent straight for 6 months. That is what it is. If you cannot give that to the ordinary working people and the smaller retailers and the hoteliers in Jersey, we really are just in one boat and I have already covered that. They have protected their self. G.S.T. is a domestic internal tax. Thank you.

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

On a lighter note, I have to say I am slightly confused by Deputy Martin's speech, only because she made reference to the fact it was the Minister for Treasury and Resources who kept Deputy Jeune awake half the night, I thought it was the alluring Deputy Southern. I have to get rid of the image in my mind before I continue my speech. It is slightly unusual for me to be in this position and I think because I am in the position I am in I do need to speak or take a few minutes to say what I am going to say. Essentially I am going to supporting this amendment. I have felt so strongly over this matter that at the end of the day there are potential consequences from our position. I hope there are not because I hope it is part of the robust matter of debate. But at the end of the day this is where I am. As far as I am concerned, I think it is right to be freezing things for 6 months. I would stress it is not a decision I am taking lightly, indeed I have spoken to every one of my signatories on

my nomination form, and some other supporters as well. I have spoken to a number of retailers of varying size, tax advisers, local accountants and ordinary regular people. The message from everyone is that they agree with me with my logic. In essence, next year is not the time to increase taxes and the feeling is, as we have heard before is they want to see the States delivering on their promises as regards expenditure before more money is taken out of their pockets. That is something of which I have made various electoral commitments in the past. I do need obviously to emphasise that by effectively disagreeing with this part of the Budget I do not condone in any way any of the personal tax from the Minister for Treasury and Resources. I think it is a matter about principles and policy and not personality.

**Senator J.L. Perchard:**

I would ask the speaker to speak up a little; it is a struggle to hear to you.

**Deputy J.A.N. Le Fondré:**

I think it was the coughing in the background as well. I also note that it is fairly unusual for me to find myself in a similar camp to Deputy Southern. It is normally a little worrying usually for both of us but obviously I am coming at this from a rather different perspective and arriving at the same conclusion - I am not going to lose any sleep over the alluring Deputy Southern definitely - that G.S.T. should not be increased during 2011. One thing I will say is that the argument has been made that G.S.T. is extremely regressive. I have to say I have always disagreed with that perspective, particularly if we look at the overall package. We have always ensured that we have measures in place to support those who are in need of such support and that is through income support, the G.S.T. bonus and tax exemptions. But this debate is about whether we increase taxes in 2011. We stand at a crossroads, we have been told that we are faced with challenging times ahead but we not alone. The F.P.P. has commented it will be prudent for Jersey to continue to plan based on a fragile and drawn out political recovery. Indeed, it was quite an eye-opener to me when within a few days of each other 2 separate individuals, one a fellow politician, pointed out the graph on page 6 of their recent report which basically showed that in the last decade we have had average economic growth of roughly zero in real terms. The panel has commented in the very recent past that it feels that Islanders want the States to be prudent, avoid government borrowing and create the conditions for economic growth. They have been very consistent with their continuous commentary of the States expenditure. I think in almost every report they make comments along the following lines. The States must control expenditure or the overall level of taxation will have to increase. Since 2007 income and expenditure have grown sharply in real terms. I will add a couple of extra comments from their interim report in September. "Financial forecasts have deteriorated. This is due to the additional spending pressures that have been identified as part of the C.S.R. In particular restructuring costs, court and case costs and the creation of contingency funds." They also go on to say the balance between raising taxes and reducing expenditure is ultimately a political one and not one that the panel is in a position to comment on. The report then notes: "While many of the items that constitute the spending growth are important they should have been foreseeable. It can be seen at higher income than expected between 2006 and 2008 was built into forecasts of income going forward, which in turn was used to finance a permanent increase in expenditure. It is apparent that much of this income growth was likely to be cyclic rather than structure." I think Deputy Vallois has made the point about a change in culture that they referred to previously as being required if efforts to control expenditure are successful. But the F.P.P. also commented - and in fact there has been some public comment in the press recently - about decisions need to be made with a robust case based on other financial policy grounds. So, in essence, the summary of a lot of those comments is every time we have had new money we have spent it. I am going to make some very simplistic comments, they are numerical, and I expect to be challenged on the numbers at some point. But if we look at the 2009 accounts what was originally presented was that we had made a surplus of £75 million, which is the basis for every forecast that we do. If you look in the notes to the accounts, under the revised method of reporting, i.e.

G.A.A.P. (Generally Accepted Accounting Principles) which, broadly speaking, is how private organisations report their results. The reported surplus for 2009 is now £46 million. The same period, the same base set of data but nearly £30 million lower. That I rather suspect is one of the reasons we have the problems today but for many years we have been presented with data prepared in a way completely differently to how private sector organisations reported. I suspect - and I emphasise I just suspect - that these surpluses have effectively been significantly overstated and we have effectively spent to that limit. That is an observation rather than criticism because that is the way the system has been designed and, yes, we are changing that but I think it is something that is very important to bear in mind. So what we are now doing is saying to the public: "We have overspent, we have not yet got our own house in order but we want to tax you some more, and we want to tax you some more now." That to me is therefore a significant issue over how the public will perceive this and that is part of the point about the acceptability of the changes going forward. It is about perception, this, because overall package there has been a lot of work done and it is not bad. But it is the fine line of distinction and it is that fine line of 6 months. I would like to go back 5 years to the last black hole, and that was around the time when I was first elected and the promises that were made then were that personal taxes, G.S.T., 20 Means 20, would raise around £55 million and the balance would be £20 million worth of savings, and I believe £20 million in economic growth roughly. Economic growth, for whatever reason, does not appear to have lasted. As previously referred to the average change in our G.V.A. in the past decade or so has been zero. I am not saying anything new, I have said it on record previously, I have previously made some robust comments on the £20 million so-called savings. The ones that are spent or the term at the time was reinvested. I can always remember the first time I came across this and being told: "Welcome to Treasury" because it was this contradiction that that department always faces. I have always felt in that regard that, to me, very simplistically the public trust has been, at the very least, dented on that. I think a large number of the public still remember those assurances that we were given. Where I am concerned is that we are back here again. We are now forecasting significant deficits going forward and, just to clarify, because there are, I have to say, some spurious arguments - which is why it is not a comfortable position for me to be - that a lot of this is due to Zero/Ten. It is not. The 2008 Business Plan, which was issued in 2007, was forecasting a deficit of £26 million after Zero/Ten. The present revised forecast is £89 million. So, yes, there is a fall in income but there is also an increased in net revenue expenditure of something like £42 million compared to that original forecast of just over 3 years ago. Basically, where we are now, we have another black hole of about £100 million and we are being assured, and I know the work is being done, of £65 million of savings will be achieved and then we need to raise the taxes, the main taxes of £46 million, G.S.T. and what is often referred to as 2 per cent from social security above the threshold. I am not going near duties. I do not have a issue with that at all. Only to say in total we are taking £55 million a year by 2013 and almost all that will fall on to the individual. The impact on a single individual will be to create an effective rate of taxation of just over 30 per cent in certain instances. That is in the back of the Budget pages. That is obviously including some of the social security rates. Let us get this clear, the £63 million of savings are absolutely necessary. Some of the work performed thus far seems to be quite good. The review of terms and conditions, both according to the Minister and to the Budget proposals shows that potential savings of £32-42 million have been identified and I was very impressed with the briefing I attended with the comments from the independent person who oversaw that review. But where I get nervous it is claimed that it could be damaging to the economy to exceed £14 million of savings in that area alone in the next 3 years. That is stated in the Budget document. Again, going back to the public perception, we have stated that we are accepting inefficiencies in our systems and in our payroll of between £18-28 million a year on top of the £14 million. But we are not going to do anything about it for another 3 years and we are going to tax them instead. The issue I have is how can it be damaging to the economy not to try to exceed £14 million of savings out of the terms and conditions review, yet not damaging to the economy to take out approximately £30 million in 2012 by way of G.S.T. If you go back to more of the £63 million savings, we do have an extra £10

million of new growth over the next 3 years. That is an improvement. Let us be clear here. It is a big improvement on past years but is still an extra £10 million a year. The F.P.P. have commented that we always seem to have more growth in our expenditure figures. Then we come to the contingency provision. Obviously the under the original proposals we were going to take £65 million over the 3 years, that averages out about £22 million a year. That is the central provision. As we found out on Monday there are additional departmental provisions but we do not know how much they are. We also found out about a £4.4 million underspend in one department. I would suggest it is potentially prudent to estimate that you might be able to achieve another £8 million of contingencies across all departments a year. If that is remotely accurate, so we are talking about originally £22 million, that is now less £6 million according to Deputy Vallois, let us say £8 million departmental contingencies and apparently inefficiencies of between £18-28 million per year under the terms and conditions stuff. You cannot achieve that in any shape or form but you must be able to achieve, maybe by the end 2013, another £10 million one would have thought. In total that is slack on those numbers that have been built into the system of potentially £34 million a year. So we are potentially raising - and again this is about public perception and how it is presented - the main taxes by £46 million a year to fund £34 million worth of slack at a time of recession. We are raising £46 million to fund £44 million of slack plus expenditure. Does that sound ever so slightly similar to the £20 million of savings that we made 5 years ago and then reinvested? Now, I fully accept it will take time but I think we need to give a degree of time to the population as well and I do not think an extra 6 months is insurmountable. If you look at the numbers in the Budget, which I think is on page 27 and you exclude capital expenditure, we are showing an increase in revenue of expenditure against projections of 2010 of around £5 million a year.

[15:00]

So we have not reduced expenditure in actual terms - I am not going into real terms - we have just barely managed to hold it at present levels. There I think we are getting to the nub of the issue. Can I seriously be expected to go to the electorate that re-elected me 2 years ago and say: "Yes, I believe taxes need to go up in 2011, I believe that next year we should choose to raise taxes because that is the tough decision and that this the right decision, that we are operating at the level of efficiency that you expect of us. That we as custodians of your money are acting in your best interests and we are doing this not because it is easy but because it is hard." No, I cannot. It seems to me that the easy decision is always to raise taxes. It does not matter whether it is on the wealthy, the middle class or the taxpayers at the lower end of the scale. They all deserve to be treated with respect. They are all entitled for us to only come to them for more money when we have exhausted all the other opportunities and not because it is the easier choice, when the harder choice is to look in on ourselves and reduce our own internal costs. Since when did Government become a job agency? Government is about providing services as efficiently as possible, both for the benefit of those receiving the service and for those who pay for it. Obviously, ideologically, I would be at odds with other people supporting the proposition but that is where I am coming from. We are in different and difficult times and I believe we need to demonstrate our commitment to the public about getting our own house in order before we increase the main taxes during 2011. Just to be clear, I think it is likely at some point ... we know this is a deferral of 6 months, the taxes will go up and I think G.S.T. is probably one of the best answers, however, not during 2011 from my perspective and we need to demonstrate we are serious about the savings over and above what we are doing. When the C.S.R. proposals were first mooted the Chief Executive presented a slide which basically said that the C.S.R. would look at what services we provide, whether we should provide them and if so in what way. That is absolutely correct. Yet I still feel where we have ended up is with salami slicing expenditure of the departments generally by set amounts across the board. I know that reference has been made in the past that various Members have made sweeping comments and never delivered, that the angry young men have been silenced. Speaking personally that is not the case, I can categorically state that I have put proposals into the C.S.R. programme. So, yes, this angry young man is still young and is still pretty cheesed off. Getting older by the

minute. When the findings from C.S.R. were presented to the States Members, one of the comments from one of the independent Members was that often we look for 10,000 reasons for not doing something rather than the 5 reasons for doing something, and that is the point. There is a crying need to change our culture and deliver what we need to deliver in a different way. But that is something we should have obviously been doing already, not something that is going to possibly start taking place in 3 to 4 years' time which is what was inferred in one of the presentations we have had recently. To an extent I want to use this as a spur to cause change. Now, let us assume, because I know some Members will be thinking it, that I am having a complete aberration. This Deputy of St. Lawrence has temporarily lost the plot. **[Interruption]** Well, it is obviously something connected with being in this seat because one of my predecessors, the former Deputy Voisin, the former Deputy of St. Lawrence, was reported as saying the following, and this is in the *Evening Post*: "Instead of their fixation on filling the structural deficit, politicians should be absorbing deficits for a few years while they get the economy back up and running. Seven straight quarters of declining retail sales and an economy that has declined 10 per cent from where it was a decade ago in G.V.A. terms painted a picture of an economy in a far worst state than politicians were letting on." This was purely what was put in the press. "Mr. Voisin urged his former colleagues to swallow some short term deficits because he says that the economic recovery creating more job security and pay rises for workers is much more important than balancing the books by 2013. Mr. Voisin said that the economic figures released [this was a month or so ago] show just how bad things are and how bad an idea extra taxes might be. If you look at the G.V.A. figures allowing for inflation in a 12 year period, we have gone nowhere. If you are looking at it as a short term need then really we should not be looking at it at this time." I spoke to a number of retailers very recently and I appreciate there may be recent figures that have been held out as showing a different picture but their views reflect those that I have just stated. At the end of the day, he does know what it is like in here. He was in here for 6 years and he was President of Economic Development. He is not someone prone to speaking out in this way normally. As I have said, I have spoken to a number of other retailers. One small retailer said to me there would be a sigh of relief from everyone if taxes did not go up next year. It was a very heartfelt remark and struck home. Some Members have previously stated that they do not support G.S.T. and it will be interesting to see how they justify an increase in a tax that they do not support at the time it is being proposed. Some people may say we have no choice but to put taxes up but the question I ask is whether it is right to be taxing people because of our inefficiency at this time. I still believe, and I have very good reason for this view, that there are considerable opportunities for efficiencies which have not yet been fully explored. The Budget Statement recognises some of them. It will take time to break down the doors of the fiefdoms in the States but, again, should we be bringing the taxes forward before at least we start knocking on those doors. I am nearly there. That is my possibly cold and accountant's view of the world. I am going to try an emotional one as well, and it is on track and will take me another 2 minutes. Unfortunately I have attended rather more funerals that I would prefer this year. One poem I have heard once or twice now is something called the dash. I am going to start summing up and it does tie in but I would like Members to think about this. "I read of a reverend who stood to speak at the funeral of his friend and he referred to the dates on her tombstone from the beginning to the end, he noticed that first came the date of her birth and spoke of the following date with tears, but he said what mattered most of all was the dash between those years, for that dash represents all the time that she spent alive on earth and now only those who loved her know what that little line is worth. For it matters not how much we own, the cars, the house, the cash, what matters is how we live and love and how we spend our dash. So think about this long and hard, are there things you would like to change because you never know how much time is left, you could get dashed mid-range. If we could just slow down enough to consider what is true and real and always try to understand the way other people feel. And be less quick to anger and show appreciation more, and love the people in our lives that we have never loved before. If we treat each other with respect and more often wear a smile, remembering that the special dash might only last a little while. So when your eulogy is being read with your life's actions to rehash,

would you be proud of the things they say about how you spent your dash?” Residents of this Island, the people whom we represent, expect us to act in their best interests. They trust us to make exceptionally important decisions that will affect all of their lives. So can I go back to those who voted me in and say: “Yes, I believe that the States are acting as efficiently as they could be, and I believe it was necessary to put taxes up during 2011. I believe that the civil service have embraced the changes you would expect and will deliver the requisite savings”? If I generally thought that this was the case I would not have a problem but I do not. Is it right to put up taxes in a time of recession when people and businesses are struggling? Effectively we are raising those taxes to pay for extra spending and contingencies. How does that motivate the cultural change and efficiencies of the public demand? Can I justify any of that? No. It looks suspiciously similar to the £20 million savings that were made and then reinvested 5 years ago. Can I justify that? No. Can I justify putting taxes up to cover our own inefficiencies at a time when after a decade the economy has, on average, not grown? No, I cannot and that is why I cannot support a rise during 2011 and which is why I will be supporting part 1 of this amendment. I am assuming the Deputy will be taking it in separate votes. I am not supporting the use of the Strategic Reserve because by my calculations earlier on I think we will still end up broadly on track by 2013 given the amendments that have been taken so far. As far as I am concerned that is my dash, I appreciate there will be a number of Members who will not agree and I am sure they will correct me in the error of my ways shortly. That is my contract with the electorate and I shall leave Members to reflect on their own position but I will ask them to put personalities aside and I am going to vote for these principles. Thank you. **[Approbation]**

**The Deputy Bailiff:**

For the avoidance of doubt, we are only discussing paragraph 1 of Deputy Southern’s amendment so there is only one vote to be taken. I call on Deputy Higgins.

**Deputy M.R. Higgins:**

It was the Deputy of St. Mary who put his light on first, I have not got my light on yet. I am going to speak though.

**The Deputy Bailiff:**

I understood from you a moment ago that you wished to speak and that is why the ...

**1.3.14 Deputy M.R. Higgins:**

In that case, Sir, I will. If you wish me to, I will. I will say that I will be supporting some elements of the revenue raising measures that the Minister for Treasury and Resources is seeking in this Budget. For example, I shall be supporting the increase in social security contributions and also impôt duties but I do draw the line at the increase in G.S.T. at this time. The reason is first of all, not least, because it is an easy tax option; it is a very easy option. It is very easy to put up G.S.T. and because also, like the Deputy of St. Martin, I believe if we increase it at this time it will go up and up and up. I also believe it is a regressive tax and I have heard what Deputy Le Fondré has said. I know there are arguments but I am sorry on my reading of the situation it is a regressive tax. But my main reason for opposing it at this time is because I do not believe in taking the additional £15 million out of the economy when we are in recession. To date we have had no data to say that we are out of the recession or when we are going to come out of the recession or really how well the economy is going to do when we do. So I happen to think that judging from what I have read, and I have been reading a great deal of information not only about the local economy but also what is happening in the U.K., Europe, the United States and so on, and I happen to believe that we are likely to achieve low levels of growth and we are going to also have underutilised capacity. So that means unemployment going forward for some time. In fact that is one thing I will agree with Senator Ferguson on, unemployment is a lagging indicator and the unemployment will go on for much longer than we do come out of the recession. So I am certainly opposed to taking money out

of the economy at this time. The reason why? To do so means we are using pro-cyclical measures. In other words, we have, at the present time in a recession ... a recession is when you have low levels of demand and that demand is not utilised such as the labour force and so on. What will we do if we raise G.S.T.? We will exacerbate the situation. We will reduce demand even further and we will create even more unemployment. At this particular time, when the economy hopefully is getting to the end of the recessionary period and coming out of it, I think that is a wrong time to be introducing this measure. I think 6 or 7 months further down the line we may see where we are going. But bear in mind, even when we come out of the recession and all the recession is is a number of quarters where we do not have any real growth, it is sort of negative figures, even when we get into positive figures of growth, whether it be 0.5 per cent or 1 per cent or whatever, there is no guarantee it will be sustained, so we need to be looking at the situation then. I spoke with members of the Fiscal Policy Panel at the time and they are also concerned about the economy in that sense. They do not know if we will come out of it in the near future and in fact it could well be that if the world economy does not develop and they did not know about the Chinese at the time or what China was doing, then they may well come back to us and say: "We think you should." The thing is that finally sort of held. I have no problem of increasing taxes and in fact let us go back to the savings. I happen to agree with Deputy Le Fondré also on the comprehensive spending review. As you know I have said on many occasions I support the comprehensive spending review. I do believe we have to look at everything and again I am going to praise him again because he is the only Minister I think who has done it properly, is Deputy Reed, in terms of looking at everything, top to bottom. That is the sort of review that has to be done in every single States department to make sure that we are getting value for money and that the taxpayers' money is going as far as it can do. I fully support the comprehensive spending review in that sense, but there may well be a need to raise taxes to fill the deficit later on and I have no problem with that. We will have to deal with that situation. I think the timing is wrong and this is why I am opposing it at this time. But I also believe that the delay being sought in the proposition is necessary, if only to take on board the implications of Zero/Ten. The piece of paper that Deputy Tadier wanted to circulate was one that I was going to mention anyway and this is an extract taken from Channelonline T.V. and they have just reported a statement from the U.K. Treasury, this is today.

[15:15]

The bottom line anyway, and you can all read it yourselves, but they are saying that obviously Jersey and the Isle of Man went before the Code Group and they stated their case and the Code Group basically said: "We do not agree with you. We feel this is a harmful tax." The important one is, the paragraph near the bottom says: "Under the terms of the Code of Conduct for Business Taxation the U.K. is committed, within its constitutional arrangements, to ensuring that the principles of the code are applied in its dependent and overseas territories. Both Jersey and the Isle of Man made voluntary commitments to abide by the code in 2002." The key part: "The Government expects Jersey and the Isle of Man to abide by these commitments and implement the abolition of the harmful measures." The main reason for this is they are confusing the tax to private individuals with corporation tax. We know that the whole purpose of a deemed dividend was to claw back the money from these people that we were going to be losing in company taxes. In other words it was a device to try and recover money that we would otherwise have lost. What the E.U. (European Union) have said basically, or their argument is: "We take the whole thing in its whole. You are giving zero per cent tax to outsiders when you are trying to claw it back from your own citizens by using the deemed dividend procedure." That basically is harmful tax. Both parties should be treated the same and this is why I felt that they would challenge us in the past. Going on to what the U.K. Government have said, they say at the bottom: "We are ready to offer support to Jersey and the Isle of Man in implementing the changes necessary. Although Guernsey operates a Zero/Ten corporate tax regime, similar to that operated by Jersey and the Isle of Man, its regime is not being assessed as Guernsey was deemed by the group to have made a strong enough public commitment to move away from its current regime." In fact Guernsey is having its Budget and we



know that they have indicated that they are going to move away from Zero/Ten. They took the view it was not sustainable. They could not argue the case for it and, judging by this, they were right. Anyway, it says: "The U.K. is supportive of Guernsey's efforts to move towards a normal internationally acceptable business tax regime" and they are offering their support to us. In other words we are going to have to rethink. I do not know how much thinking has been going on behind the scenes with the Minister for Treasury and Resources and the others but have they got a plan B and if not well we need to consider that in the round? One of the objections I had to the whole Budget debate was the fact we opted for G.S.T. very early on. I can remember going to the very first of the presentations at St. Paul's Centre and when they were trying to ask States Members whether they wanted tax cuts or spending cuts or what proportion. I thought the exercise was flawed then because what they were saying is: "What do you want; 75 per cent tax rises, 75 per cent cuts? What sort of figure do you want?" They came up with 50/50 but at the same meeting we were told 5 per cent G.S.T. will bring in £30 million. I felt from the very, very start they were fixated on that. The fact that we have not had the business tax review, I think again this exercise is flawed. We are looking at taxes on the ordinary consumer without looking at other possible taxes. We have to look at everything in the round. Again, my support for this proposition is the fact that Zero/Ten ... that the announcement has changed the game, we now know where we are. The business tax review; finally we may get some facts within 6 months and we can take that into account. It could be, and I hope not, but it could be that G.S.T. may have to go up. But the point is at least the public will have the full information, so will States Members, and we can make that judgment at that time. I certainly cannot argue for a G.S.T. increase at this time. It is possible with the full information, something we have all lacked, I may have to change my view. But the point is, if that is the case I will do so and I will tell the public why. At the moment I cannot possibly support it. I would also say too that something else we are going to have to take on board are structural changes to our economy. To give an example of that, I mentioned this morning, when I was talking about the upstreaming of deposits into the London money markets and so on, one thing I forgot to mention at that time is there are changes taking place within Europe and around the world with regard to the amount of liquidity the banks have to hold. One of the problems with the financial crash we had a few years ago was the fact that a number of the banks had sold toxic mortgages. Basically they were mortgages to people who could not afford to repay them and what they did was, rather than keeping them on their own balance sheet, they bundled them up and securitised them, including through a Jersey company, and sold them on to pension funds and other organisations and other banks. They also developed new financial instruments such as credit default swaps, which are supposedly a form of insurance. I think it was a form of insurance they hoped they would never have to pay on. But basically they were guaranteeing to banks that bought these toxic assets that if, for any reason, part of them defaulted then they would pay them the money and make up the difference. But what happened, the American subprime crisis broke, banks, I know this for a fact, including Jersey banks which would take money in from people from outside and offspin them to the U.K., suddenly found: "Who do you trust in the money markets? Who do you lend the money to? Have they got these toxic assets and if they are, are we going to get our money back?" I know for a fact that they were offering rates at a lower rate than the depositors actually wanted. The idea was: "Do not tell them we do not want your money, they will go elsewhere and try and place it somewhere else because, first of all, we do not know if we can place it at a higher interest rate and we do not know if we are going to get our money back." The whole financial system ...

**The Deputy Bailiff:**

Deputy, do you think you could please come back to the question of deferring G.S.T. rises ...

**Deputy M.R. Higgins:**

Okay, I shall do, Sir, I will be very quick on this point. The point I am trying to make though is that the financial crisis that we experienced and the subsequent crash on the world economy, in

terms of the real economy, was because of the total lack of trust that banks had and there was a complete meltdown of liquidity. In other words the money markets did not have the money and the rates went sky high. Because of that the authorities around the world are trying to bring in new liquidity measures, and those measures will rely less on overnight money, 7-day money and the sort of money that our banks have been putting into the money markets and just remember how important our banks are to the economy. We may find, in the years going forward, that business will be less and less, and that is a major part of our finance industry, so we have to be thinking again. The point I am trying to make is, there are an awful lot of things happening out there and a lot of things we have got to take on board. I think we all need this 6 or 7 months to sort out where we are going, our economy and come up with proper well thought out and well informed measures. Again, I urge people to support Deputy Southern's amendment and let us do this properly this time.

#### **1.3.14 The Deputy of St. Mary:**

Just 3 points really: the first is a lot of people have spoken about savings and making savings and while I find some of what some people have said extremely bizarre, and I may refer to that later in other debates, but what I want to say about savings is I want to ask the Council of Ministers whether they will be open to radical and fundamental savings or whether, as Deputy Le Fondré referred to, we are still in salami-slicing mode really? We will cut a bit here, we will cut a bit there but we will not look at the difficult things and we certainly will not look at invest to save. We spoke in the Sustainable Transport Policy debate about just allocating £0.5 million to it. In my view, if we were to allocate more we would save more. For example, the bus contract itself would cost a lot less. If we were prepared to invest to save, however that is done, then there would be a saving back. That is the kind of saving that I just wonder whether the Council of Ministers is prepared to embrace. Another example, of course, is energy efficiency, both within States property portfolio, there is still no overall target for departments on energy saving, although we have an overall target for cutting jobs but not for cutting energy. E.S.C. (Education, Sport and Culture) way back, I do not know how many years ago it was, there was serious talk and I think there was a proposal to tackle 6th forms and the way 6th form education is carried out in the Island, pointing to tiny little classes of when one person or 2 people learning Spanish here in a room, over there in a room and over there in another room and being taught by 3 different teachers and that was howled down by all the vested interests at the time. Will E.S.C. be brave enough to go there? Will we be brave enough or will it be the "wailometer" yet again and we will find that those changes just do not happen because of vested interests rising up and making it apparently impossible? Deputy Le Claire referred to the crazy situation of us spending £700,000 a year turning green waste into compost, as we should do, and then managing to sell £50,000 worth and then paying the farmers to take it, even though it is agreed that it has a value to their land, both nutritionally and in terms of soil structure, nevertheless, we pay the farmers to take it. Another vested interest you might say: £700,000 at stake, will the Council of Ministers be open to that sort of indication about savings and I just wonder? That is the first point. The second point and coming much closer to the debate, the third point is the moral one, but the second one is about regressiveness. The proposer, way back when he proposed this amendment to the Budget, circulated a sheet of paper with quite clear graphs about regressiveness and the fact that G.S.T. was regressive. I was very interested to see that because when personal taxation went out for consultation in this green document that Members may remember, G.S.T. was referred to as a regressive tax. The Minister for Treasury and Resources admitted, or whoever wrote this: "However, while a certain proportion of every family's expenditure is made up of G.S.T., it has more impact on lower income households." He was quite open about it back then in June, I think, 2010. When it comes to the Budget Statement that position had changed and we were told that it was proportional. It was not regressive any more, it was proportional. Then in this debate Deputy Southern shows us these graphs which were very striking and showed, to my eyes, just how regressive G.S.T. was. When the Minister for Treasury and Resources stood up to speak I thought: "Right, now we are going to have the rebuttal. We are going to have a reasoned case for arguing this point that G.S.T. was not regressive, it was fair. In

some sense it was either proportional or even progressive but it was not regressive, it was not unfair, it would not hit lower income families proportionately more” and there was no such rebuttal. I was waiting for it, it did not happen. When the Assistant Minister for the same department mentioned regressiveness he mentioned it but he did not make any sort of case about its regressive nature. I just remind Members of that key point, the case about regressiveness has been made and it has not been rebutted. My third point is that I too got to speak with a jeweller. It appears to me that every retailer in the Island is selling jewels [Laughter] but I am sure it is not the case and it is purely coincidental. But I got to speak with a jeweller and the conversation was quite open. What struck me was that the first thing he zeroed in on was the assurance, the categorical assurance about the 3 per cent rate. I was quite struck by that because I had not expected him to say that. I only expected him to say: “I have got less customers at 3 per cent, if it goes up to 5 per cent ...” and so on and tourism and all the rest, but that was his sticking point. I would remind Members that it is not just for the Minister for Treasury and Resources to stand up and say: “Circumstances have changed, the world has changed”, which I accept but when he made that assurance the change was already well underway. He made it in the context of being elected by us to be the Minister for Treasury and Resources. He made that assurance, and I would say obviously that it is quite unwise to make categorical assurances because circumstances can and do change, but he made that assurance and became elected by Members of this Assembly. That means that it is not really for him to say: “But circumstances have changed, I am afraid I am going to have to go somewhere with G.S.T. that I said I would not go and I am sorry” which he has said. I am sorry but he was elected by us on the basis that G.S.T. would not be raised, on the basis of a categorical assurance. We are implicated. We cannot get out of that moral obligation. I just put that in the balance for Members to consider but I do not think that there is a get out clause on that. Thank you.

[15:30]

### **1.3.15 Deputy J.G. Reed of St. Ouen:**

First of all let us make it quite clear, the deficit that we face is real. We might spend inordinate amounts of time arguing about the size and the scale of it, why it has happened, but the fact is that we face deficit. Was it anticipated when G.S.T. was introduced at 3 per cent 3 years ago? No. Was the financial crisis and the global crisis that the world has faced over the last 18 months anticipated 2 years ago? I doubt it. Have we got to deal with it? Yes. As a member of the Council of Ministers we have been faced with significant and major challenges as a result of these issues and we have come up with a plan. Is it perfect? No. Do we all subscribe to it, to a greater or lesser extent? Yes, we do but we will continue to argue for our own particular departments because that is the nature of the beast. However, it is a plan and it is a plan to bring us back to balanced budgets. It is a plan to put us in a position which we want to provide for this Island, a stable financial environment. It is the same plan that in fact not so long ago all States Members had a chance to debate and discuss with regards to the 2011 Business Plan. That was just the start and it is very easy, at that time everyone was saying: “Save money, save money.” Yes, but what was the result? I have just 2 examples of the detailed savings proposals I was producing: language assistance and lifeboats, small areas in the bigger scheme of things and yet there is a resistance to it. Since that time my department and others have been involved in major and significant reviews. We were tasked with identifying a total of 10 per cent reduction in our Budget. Has it been easy for my department? Absolutely not and I think that we have experienced, and States Members have experienced, the reaction to a particular group of Islanders who are faced with a change to their particular circumstances as we seek to reduce our Budget by an amount of money over time and that is the issue. If we are going to deliver savings, if we are going to protect frontline services, if we are going to provide for our community we need to do that over time. However, time is not on our side. We need to deal with this deficit. Part of the plan does involve raising taxes. Is that popular? No. Is it popular to cut services? No, but it is tough decisions that we need to make. Furthermore, and I know the current Council of Ministers perhaps are not perfect, and I would not suggest we are, but Members will realise that this Council of Ministers has chosen and recognised

that there are a number of costs to provide the services and the infrastructure that our locals require which, up to now, have been ignored. This States Assembly has tended to be a little bit ostrich-like in its approach to some of the issues that it needs to face because they do not, and no one does, like to make difficult decisions. We are faced, over the next few days, of making some difficult decisions. They will require us to introduce and to raise G.S.T. and other taxes and duties. We have heard various States Members require the Council of Ministers and individual Ministers to deliver the savings that have been identified which will form part of the £65 million. I am disappointed that a number of States Members have spoken and focused on the fact that we should not be introducing G.S.T. and are prepared to say: "Let us put it off" but I will guarantee you here and now that when we come to debate the Business Plan and look at the savings and the cuts that will be proposed in it to deliver the £65 million worth of savings to help balance and deal with the deficit, that a lot of States Members are going to say: "No." You only need to look as far as the report that accompanies this proposition to see that the proposer is exactly of that same mind and view. The proposer of this proposition raises the fact that we face the prospect of major cuts to public services which, along with the associated 400 job losses, will take at least £65 million out of the economy. It is not for me to speak for the proposer but I firmly believe, and I have known the proposer long enough to know that he is not necessarily supportive of the delivery of all those savings. Yet, he suggests that we can still defer the raising of additional taxation for a period of time. For what purpose I ask if those savings that the States Members have spoken about today are unable to be delivered? I also would draw Members' attention to the fact that a number of States Members who have spoken against these proposals equally have spoken and have firm views about the G.S.T. itself and the type of tax it is. In fact, again, the proposer in his report speaks about it as a "most reviled and regressive tax." On the one hand we have got the proposer suggesting it could be put off for 6 months but then he clearly expresses his views on the tax, and he is quite entitled to those and I fully appreciate and understand that view. It might not be reflected by all in the States but that is his view. Coming back to it, I do not believe that putting a decision off for 6 months is appropriate or beneficial to anybody, whether it is States Members or indeed the Island as a whole. I think we have to make some tough decisions and it will be for the benefit of this Island. We do not know what is around the corner. We did not know what was round the corner 3 years ago when we introduced G.S.T. I, for one, brought the amendment that said: "You do not change this for 3 years" and I was expecting that there would not be a change. I was expecting to see 3 per cent carry on in the same vein that 20 per cent had carried on. I was not expecting the economy to suffer as it has but should I be an ostrich and bury my head in the sand and pretend that we can still carry on as normal? I do not think that that is wise. Therefore I would suggest for Members to really think very carefully before they choose to defer the difficult decisions that we are required to make. Thank you.

### **1.3.16 Deputy J.M. Maçon of St. Saviour:**

After hearing a few Members I am slightly more hopeful. Much of the debate has centred around money and quite rightly so, we are in a Budget debate, however, we need to talk about people as well. We are being asked to take 5 per cent off people by rejecting this proposition and by commencing it in June next year. As we know, the States are able to spend people's money better than themselves. We make much better decisions than people do. Some Members might turn around and say: "Yes but this money is to be spent on people so surely it is a good idea to take it off them." Quite rightly so, better to be spent on the communications unit, on the salaries and final salary pensions of senior and middle management, on external independent consultants, on our own reports on climate change, on internationally renowned architects, on international finance officers. Yes, quite clearly those things that Members are crying out for us on the streets that we must have. Clearly the Council of Ministers is talking to different people that I am talking to, but that is certainly not the person that rolls off of people's lips but again we mix in different circles. We have this deficit, we have this black hole and we have been asked to plug it but we have to ask the first question of what exactly is it that we are spending our money on? I, for one, am certainly not

convinced that we are spending our money on the right things. I appreciate that that has gone through some political debate but I certainly do not think we are there yet. People in my district who have spoken to me, and I am not talking about the elderly or the poor but I am talking about those on middle incomes as defined by the Statistics Unit, by the methods that were used to fill the last black hole are still struggling. The removals of the exemptions, mortgage relief, child allowance, those types of things and with the introduction of G.S.T., they have not recovered yet and many of them have not had wage increases either. In which case we have not discussed at all about the cost of living in Jersey: rents have gone up and the food has gone up, but that is also due to kind of global effects on food and the prices of things like that; electricity went up. Again, disposable income that people once had has gone because of the methods that we have already employed as the States Assembly but also because of the global aspects of it as well. This comes to my point; again, I must be talking to different people but I would like to know who the Council of Ministers think have these bags of disposable income just lying around their homes because many people do not have extra disposable income. Many people are struggling at the moment in order to pay for things they have got to pay for. We have to ask ourselves, will that situation be better if we are to delay increasing G.S.T. for an extra year? Well, 6 months but including what the Minister for Treasury and Resources is proposing, overall it is a year. I have come to the conclusion that we would be in a better position to analyse that then than we are able to do now. People have not recovered from the measures that we have already imposed upon them and I for one cannot justify making it less.

### **1.3.17 Connétable D.W. Mezbourian of St. Lawrence:**

I may be one of the few Members who has not spoken to a jeweller before this debate. **[Laughter]** The Minister for Treasury and Resources will not be surprised to learn that following my support of the amendment by the Connétable of St. Helier to this amendment I will also be supporting this amendment. He knows my politics and he knows the view I take on this, although we are all aware of the difficulties faced now by the ordinary man, woman and family in the Island. I am prepared to help them by effectively voting to delay the increase in G.S.T. for the additional 6 months to the Minister of Treasury and Resources' proposal. I was prompted to speak by the strong economic argument in support of my moral stance for delay, made surprisingly by Deputy Le Fondré, the Assistant Minister for Treasury and Resources **[Laughter]** and I am certain, knowing the Deputy as I do, that he gave some considerable thought to whether he should give the speech that he gave.

[15:45]

I applaud him because I feel that he has perhaps put himself in an unenviable position. But, nevertheless, he did prompt me to speak and, as I say, his economic arguments for delay support, I believe, my moral argument for delay. His speech reminded me of a somewhat bizarre email sent to me and my 2 Deputies earlier this year from a parishioner asking why we never vote the same way. This parishioner could not understand why I, as Connétable, and the 2 Deputies do not get together before every vote taken in this House to agree to effectively have a block Parish vote. I make no comment on that other than when I invited the parishioner to come to meet me to discuss it I never heard any further from him. But it seems to me that it is now the ideal opportunity to put in place that Parish block vote **[Laughter]** and it gives me great pleasure to ask the other Assistant Minister for Treasury and Resources, **[Laughter]** Deputy Noel of St. Lawrence, to join his Connétable and his fellow Deputy in voting for the amendment of Deputy Southern. Thank you.

### **The Deputy Bailiff:**

We are just about to find out, Deputy Noel. **[Laughter]**

### **1.3.18 Deputy E.J. Noel of St. Lawrence:**

I am glad I have followed my Constable as going before her. One little thing that is niggling me as an accountant it is not 6 months, it is 7 months, that is just the accountant in me but I really stand to say that I sympathise with my fellow St. Lawrence Deputy. Although he and I share the view of savings first, tax second, we are faced in Deputy Southern's amendment with being asked to raid the household pension fund, the Strategic Reserve, to fund consumption. I cannot agree with that. If we were being asked to put off tax increases and to fund this by increasing savings, I would be more inclined to agree if it was feasible to do so in the timescale that we set out. We are not in that place. I expect greater savings to be made in 2014 and 2015 and will be doing my best to ensure that they occur, if I am in this House at the time. If I am not in this House I will be lobbying strongly for that. We also need a change in culture within the Island, not just within the public sector, to pick up on the Constable of St. Mary's point where we post non-urgent letters out at the urgent rate. I cannot take the gamble with our fiscal health. I want us to balance our books as soon as possible and then to rebuild our Stabilisation Fund for the next fiscal downturn, whenever that may be and let us hope that it is a long way off. As I said, I sympathise with my fellow Deputy and now with my Connétable as well. All 3 of us want to end up in the same place, well I believe we do. This is merely a matter of you take the high road and I will take the low road because I believe the low road carries less risk. I will not be forming a coalition with my fellow Deputy and my Connétable. I will not be supporting Deputy Southern.

**1.3.19 Senator F.E. Cohen:**

The increase in G.S.T. next year is part of the balanced Budget proposals. The proposals rely on a mix of public sector cuts, tax increases and, of equal importance, proposals to promote new business. We need to deal with these issues now. We cannot put them off and a proposal to delay the implementation, in my view, delivers very little. We need to respond to the downturn and the measures contained in the Budget are the responsible balance. We need to cut the cost of government and that is what we are doing and we need to raise revenue and we need to raise revenue now. Most importantly those on low incomes should be protected through income support and that is what is being done. In conclusion, this is rather like being prescribed painful medical treatment and putting it off until a later date in the full knowledge that in doing so it will make the treatment even more painful. I urge Members not to support the amendment.

**The Deputy Bailiff:**

Senator Maclean, is this the long speech that you ...

**1.3.20 Senator A.J.H. Maclean:**

Yes, Sir, absolutely. I bet you did not think it was going to move as quickly as it has, this debate, Sir. I am sure you are surprised by the pace at which we have moved. I would also like to, if I may, just clear up one other little point. As a resident of St. Lawrence I also, unfortunately, will not be joining the Constable [Laughter] in her little alliance. I was having a conversation with a banker the other day. As it happens it was not my banker, he was a member of the Jersey Banks Association but the conversation I was having with him was about lending and as to whether or not he felt banks within the Island were lending to the degree that perhaps we would like to see them doing or there are some who feel, certainly within this Assembly, that banks are not lending as generously as perhaps they could. He made some interesting comments on 2 areas: one was lending to the business community where he said to me he has got a similar problem both with businesses and consumers and that is quite simply the fact that there is a lack of desire for businesses to borrow at the moment in the current economic climate and there is a lack of consumers' willingness to take on further debt. I thought it was particularly illuminating that the banks are claiming that yes, they are lending, there is a desire by them to lend but there is no desire by businesses to borrow in the way that they were. In fact they are trying to write down debt. They are trying to operate in a far more cautious manner, as you would imagine, in the current climate that we are operating in. The reason that I mention this is that there seems to be somewhat of a

fallacy floating around that this particular amendment, and some of the other measures that are being proposed, are taking money out of the economy and of course that is the case. But it is the effect of taking money out of the economy that some Members seem to be suggesting is going to be bad, both for consumers and for businesses within the Island. I think what I would like to do is just draw Members' attention to the experiences that we saw occurring in Japan some years ago during the 1990s. Japan went through a significant recession. They were the forerunners of the economic stimulus packages. They put in significant amounts of money to support their economy. They drove their interest rates down to zero and they have maintained them there for the best part of a decade and a half. All that could not get consumers to spend. Consumers would not spend for the simple reason that they were frightened. They wanted to write down debt. They wanted to make sure that they were safe and secure and they did not want to spend. The reason that this is important in the context of Deputy Southern's amendment is quite simply this; if we think by delaying the introduction of G.S.T. for a matter of 7 months and effectively taking £16 million is going to have some beneficial effect on consumers or the business community in the Island there is evidence to suggest that that is clearly not the case. Although it pains me to say this, there are encouraging signs already within the economy that the retail sector ... for example, in the retail sector report that has just been published, there are signs there that the recent falls in activity have bottomed out and indeed there are some positive signs of growth. Indeed we are seeing turnover and churn, ebb and flow I think is probably a description that is more effective, within the retail sector in Jersey. Yes, businesses have closed but many more have opened. We have seen Liberty Wharf open: new businesses down at Liberty Wharf, some fantastic brand names in the pipeline. We have seen businesses open in St. Helier and I am delighted that, although it is sad to see businesses not survive, others are coming along and replacing them. That does not mean the conditions are not difficult. Of course the retail sector conditions are extremely challenging but it is not just about G.S.T. that means that the challenges are difficult for the retail sector. The difficulties are far further afield than that. The internet plays a significant role in the challenges that the retail sector faces. I attended recently a breakfast event and the guest speaker was a senior executive from Barratts, the shoe shop, they have a shop in St. Helier. He was pointing out that they see now, in their retail outlet, approximately 10 per cent of business going through their internet site and within a year, within one year, he is expecting that to double. It was not the type of product that I imagined would be particularly successful over the internet but it demonstrates the success that it has got. The way he described it was quite simple. He said: "In one shop we can run X number of lines of our products. On the internet we can put every product we have got." But the point is clear, there are challenges to the retail sector from the online world. I think what Jersey businesses need to do, and there has been some evidence that it is already beginning to happen, is that Jersey businesses need to look outwards as opposed to just inwards. We are seeing them do it already and I think there are tremendous opportunities for local Jersey businesses to look outwards at the global marketplace and put their offerings online. I think that will assist enormously in that particular area. The position for next year is that we have budgeted a deficit of £55 million. A £55 million deficit for next year is supporting a weaker economy. By supporting this amendment that is putting another £16 million into that deficit, that is creating a deficit of £71 million. I really do not think that is a responsible way of budgeting in whatever the climate happens to be. We are already putting money in to support the economy. We are putting £155 million in, some of which has already gone into the economy to support businesses, to protect jobs and to help Islanders. That is the way, in a targeted fashion, that we need to deliver the support. Frankly, if Members feel that the increase, and I understand the emotive nature of G.S.T., but if Members feel that by the 7-month delay in G.S.T. it is going to assist either consumers or businesses for that matter, it really is not. If they think that consumers are going to see the benefit in their shopping basket, if they really think that that 2 per cent is going to go to the consumer as opposed to the bottom line of a business, I really do not think that it is going to make a material difference. Measures are in place already to assist the businesses and Islanders and I think those are appropriate measures. I also think though we need to bear in mind that it is expensive to live in Jersey. We need to ensure, as I will shortly be

doing, lodging a proposition for the Consumer Council. The Consumer Council does a very good job and I think there is more in the future that the Consumer Council can do in terms of raising awareness to consumers about the cost of products and services and by raising such awareness ensure that best value is delivered and that businesses are kept on their toes. Indeed the *Jersey Evening Post* used to run - I say "used to" because I have not seen it for some time - I certainly hope it has not been dropped altogether, their Fair Play column and that had some significant benefits, particularly in the petrol market at one stage and in many other areas. I would like to see the *J.E.P.* bring back Fair Play and make it as prominent as possible. **[Approbation]** It is certainly to the advantage of consumers and I would hope that they would do that. The Jersey Competition Regulatory Authority, another body that bears down on and ensures that consumers' interests are protected and looked after. There has been a recent report they have published on school uniforms, for example, which I think it was quite interesting and they are looking at many other areas that Islanders will find relevant. I think Members and Islanders will find, as we move forward, the J.C.R.A. (Jersey Competition Regulatory Authority) will focus more and more on issues relevant to Islanders as opposed to some of the issues in the past that have been perhaps criticised. While I am just referring to issues relating to the business community there were some comments about the hospitality sector and some suggestions that it was unfair that they should be given an exemption for the period in question.

[16:00]

I should just point out that the hospitality sector made a presentation which delivered the most convincing arguments of all as to why they should have an exemption and quite simply it is to do with legally binding contracts that are signed, have already been signed for the 2011 season and these contracts with tour operators and the like and the fact that brochures have already gone to print, mean that they would be in an impossible position if this particular exemption was not put in place. It is not a question of them being favoured over other business sectors, it is just purely a practical issue and I think that is perfectly reasonable. I would like to turn to Deputy Le Fondré, if I may. Deputy Le Fondré, I understand entirely where he is coming from. The Deputy and I, and indeed Deputy Gorst, both had views with regard to States expenditure, public sector expenditure, when we were first elected to the States and we spent some time looking, as Back-Bench Deputies, at that particular issue. In fact it was a matter that I felt strongly enough to seek election in the first place on so I do have a great deal of sympathy for his views. I would say though, and I think he must understand this from his early days when we worked together on the matter and indeed in his current position as an Assistant Minister at Treasury and Resources, that quite a significant amount of work has been done and quite a significant amount of progress has been made in many areas. I accept and understand his frustration that it is not moving perhaps as fast as he would like. But there has to be a balance in terms of delivery of some of these savings. I would describe his position in supporting Deputy Southern as perhaps an unholy alliance. Deputy Southern brought his amendment for the reasons which he has made very clear in his opening remarks, and I am sure he will confirm when he sums up, and I understand exactly where he comes from, but it is interesting. Deputy Le Fondré effectively is saying he believes there should be more cutting and faster cutting but what he is meaning because the only place to go, if you look at places like Ireland and Greece and other countries that have had to introduce significant austerity measures, is significant cuts to frontline services and significant cuts to jobs. Here we have got a really interesting alliance between Deputy Southern, who spends most of his political life trying to protect jobs and protect the interests and rights of the workers, quite rightly so, I understand his position, and here he is in bed, as it were, with Deputy Le Fondré **[Laughter]** who effectively is bringing out the axe and wanting a lot more chopping a lot faster. I think the only difference between where the Council of Ministers sit, where I sit and Deputy Le Fondré, is timing and trust. There is an element of trust as to whether it can be delivered, some of the ongoing measures. The Minister for Treasury and Resources said himself yesterday in his opening remarks that this is the beginning. What we are seeing now is the beginning of a road that we have to take in terms of delivering long term



sustainable public finances. It is not the end, it is the beginning. I think that Deputy Le Fondré probably has some degree of distrust in this but, for whatever reason, probably reflected by the views of the public who think that there is not the desire or the ability or a combination of both to deliver. But I can assure the Deputy and others that I am absolutely committed that we need to get to a position of balanced budgets as quickly as we possibly can and that does mean difficult decisions. One of those difficult decisions is ensuring that we do not make the problem £16 million worse by supporting Deputy Southern in this particular amendment. It is not the rational thing to do. All the professional advice we have had from the F.P.P. and others is that this is the wrong way to approach the issue of balancing our budgets and indeed the important issue about looking after Islanders and looking after businesses and the economy as a whole. I would urge Members to reject this particular amendment, however seductive it may indeed seem to be. We cannot risk the extra £16 million. We are precariously set, as the F.P.P. have already pointed out, we are in a very, very tight financial position; £16 million is a lot of money. We cannot afford to add that to the level of risk that already exists and the uncertainty in the world that any further shocks coming along would make the position significantly worse than that. Thank you.

**Deputy M. Tadier:**

Sir, can I ask clarification on a point, if the Senator would allow me? The Senator mentioned that he had called himself a Back-Bencher, has the Minister ever been a Back-Bencher because that is not my recollection and I would not want him to inadvertently mislead the House?

**Senator A.J.H. Maclean:**

It is hardly worth commenting on. Yes, yes indeed I was. I do consider I was a Back-Bencher when I first joined the Assembly and in fact I sat on the Benches on the far side very close to where the Deputy is. I think my point and so on is absolutely correct.

**1.3.21 Deputy R.G. Le Hérisier:**

The wind has been taken out my sails by the Minister, as I will allude to later. I think the view of Deputy Maçon was a very good one. I think what he was trying to tell us was, yes, the mathematics may require perhaps a rise of the order suggested but it is the accumulation of hits at the moment which is leading to the resistance by people. It is that accumulation that is leading to the resistance and there comes a time, in terms of old Chinese military sayings: “When you go forward sometimes and to go forward you sometimes have to go backwards.” I know that sounds paradoxical but I think there is a point to that and that is why I think Deputy Maçon makes a good point. I was, as was the Minister, struck by Deputy Le Fondré, again the paradox which he is proposing because yes, I did pick up the fact that he wants faster cuts. I have to say that is where I want some elucidation from Deputy Southern because it has become ritualistic for Deputy Southern to stand up and say: “Of course I believe in public sector reform but ...” I want to know because I think we do need public sector reform big time. I have bought into the notion, rightly or wrongly, as Deputy Le Fondré enunciated, that we have to show we are committed to cuts or to reform. Let us call it reform rather than cuts because as Deputy Vallois said yesterday: “We do not wish to be associated with the slash and burn party of cuts”, that we have to be committed to that before we bring the taxation proposals forward. The public are definitely not convinced that we have got it right. I am afraid we have again the spectacle of Deputy Noel talking about letter delivery when he signed off nearly £800,000 for management consultants which, quite frankly, the expertise for which, in large part, could have been found within the department. To talk about cutting stamps and how we are not really up to speed with cutting our stamp purchases in the light of that just shows how the whole thing has got out of kilter. Plus, I think Senator Le Marquand has a real concern with the

problems with second-class post at the moment, he would not get his letter before he reached 60. **[Laughter]** That is the real difficulty that he is experiencing but we will not dwell on that. Back to Deputy Southern, I have this real feeling that despite these statements I would like to sort of deny this scurrilous rumour that I am not in favour of public sector reform. I want some clear words from the Deputy as to what he is in favour of in terms of public sector reform because I have found in the proposals he puts forward, he essentially wants a public service frozen in aspic in all sorts of essential terms. I really want that assurance from him and I am sure he will address this in his final comments. I really want this assurance, with some detail, that he has bought into this 2-pronged approach, that we have to have some not slash and burn reform but we have to have intelligent reform of the public service before, as Deputy Le Fondré said, we embark on all this call for more taxes. That does worry me, this Trojan horse approach, that we may be participating in some kind of move which is essentially going to lead to stagnation and essentially is designed to block reform. I do not want to be associated with that. Thank you.

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

Interestingly, I have been talking to some local shops too and they have just set up their own internet site and they have increased their turnover substantially. It makes me wonder if we are living in times of change, and perhaps people need to take a long look at what they are doing and how they are doing it, just as the States has got to. I was interested to hear that a shoe firm is doing so well with internet shoes. Last time I bought some on the internet I had to sell them to my younger sister at a loss. Yes, people are playing down debt. I think the Minister mentioned Ireland; well Ireland, and I am sure Deputy Higgins will agree with me, is having significantly more problems because it is locked into the euro, whereas Iceland, which has just let its currency, the name of which I do not recall at the moment, sink and they look to be coming out of their recession quite nicely. But talking about retailing again, the Assembly seems to think that this proposition will encourage people to go out and spend. I have said it before today, consumer spending does not cause economic growth, it is the result of economic growth which is why increases in retail sales are so important. The actual proposition itself, yes, I am also a little exercised about it because according to the Mises' and Hayek's school of economics, yes, we should be cutting spending and if possible cutting taxes. However, I do not think this allows for such a bloated public services organisation as we have, 40 per cent more expensive than Guernsey on a per capita basis. This is rubbish. Now, Deputy Le Fondré mentioned the flat G.V.A. I took this one stage further and looked at the sectoral analysis of G.V.A., the contribution to G.V.A. by certain industries. According to the graph, which I have here, if anyone wants to look at it afterwards ... I am sorry, the printing is very small so I do not know if anyone is going to be able to read it. Can I borrow your magnifying glass? But according to the graph, agriculture has been growing since 2005. The construction industry is pretty well flat. The rental industry is growing. But the fastest growing section, guess what? Public administration. I want to cut spending but I also want to rethink the way the States works, with such things as the office strategy. I also want an overall review of tax in order to simplify it and I want to examine closely the interaction with Social Security because I do not think we have looked at it enough. If we want to restructure the States we will need seed corn, which we will not get if we pare income to the bone. Unfortunately, we would, with this proposition. It is for these reasons that I cannot support this amendment.

### **1.3.23 Senator T.J. Le Main:**

I do not intend to repeat what many people have said but I would like to certainly follow Senators Shenton, Perchard, and, latterly, Senator Cohen. This Island is so well placed to see through this downturn in the economy.

[16:15]

The business community and the majority of decent Jersey residents want to see a recovery plan now, not next week or the week after. They want to see something in place now. They want us to

live within our means. They want certainty and a stable government so they are able to trade and do business and local people know where they are going in the next 3 or 4 years. They do not want - and I go on the bus on a regular basis many times a week, 2 or 3 times a day - they do not want the Government to dip into their States pension pot, and I mean the States pension pot is a Strategic Reserve. They also want real savings in the public sector. Also the public sector, the workers and everybody involved in the public sector want a plan so they know where they stand. All I can say, I am very highly complimentary of the public sector - all good decent people doing a good job. But they want certainty. But here we go again: same old journey that I have seen for 30 years in this Assembly. We spend our way out of trouble. We need to hold our nerve. We need to give confidence to the businesses that trade all over the world. We need to give confidence to the businesses that trade in Jersey and the people that live here. We just cannot continue as we have always done, just as this amendment asks us to do. The message must go out today that this government, this States Assembly is able to give leadership, stability and confidence to those who work here, those who trade with us and those that live within our community. That is why Jersey is in the premier division, not only for businesses but for local residents. To support this amendment is a retrograde step and will just damage our credibility. I have listened to our financial advisers. I read a lot and I listen to the issues affecting the U.K., Ireland and other countries. We are still premier division and to reject this amendment will allow us to remain the best. But we cannot continue to provide uncertainty, every now and again a Member or someone coming up with their own solution of a funding mechanism that just is crazy. I ask Members to allow the Minister for Treasury and Resources and the Council of Ministers to move forward with what they are planning today so that we know and everyone knows in the next 3 or 4 years while the economy hopefully will recover, that we know with certainty the road we are taking. I for certain will be supporting the Minister for Treasury and Resources and I will not be supporting some of these crazy propositions coming before this Assembly.

**1.3.24 Deputy K.C. Lewis:**

As usual I will be brief. Retailers in town have been mentioned, with particular reference to jewellery shops. Where some are making money, people are so desperate for cash they are selling inherited gold rings, trinkets, as scrap gold, just to make ends meet. The people of Jersey are well aware there is a recession. But what they do want is the States of Jersey to put their own house in order first. If that means giving the Chief Minister the powers to compel his Ministers to come in on time and on Budget, then so be it. I do have a degree of sympathy with the Minister for Treasury and Resources. It is not an easy job. But I would say to Senator Ozouf that in the future, if he ceases to become a States Member, then a job at MI5 might be calling because to put 14 and a half pages of text onto one and a half pages of A3 was truly amazing. The Kremlin must be quaking in their boots. I will be supporting this particular amendment as amended and urge Members to do likewise.

**1.3.25 Deputy I.J. Gorst:**

It was some while since the mover of this amendment made his opening speech but I would just like to initially refer to those comments that he made, particularly the conclusions that he seemed to draw from the extreme difficulties that the Irish community is currently facing. I do not think it is ... I did not think the tone of his comments were appropriate but we will pass over that. He seemed to indicate that their problems would have been much alleviated if they had not proposed to cut expenditure, if they had not proposed to deal with taxation measures. I have got to say that that to me seems like the most bizarre of economic reasoning. That is not the reason that the ...

**Deputy G.P. Southern:**

If I may ...

**The Deputy Bailiff:**

Will you give way to the Deputy?

**Deputy G.P. Southern:**

Will the Minister give way? I recognise that I have my right to reply to come. However, I really cannot tolerate a misrepresentation so large of my position. I merely said that they have cut and burned and have not established recovery yet. They are in a far, far worse state than us. That needs repeating now before it settles in people's mind, I hope.

**Deputy I.J. Gorst:**

I think the Deputy just made my point for me, that they have cut and burn and they have still got a problem. Their problem, I am afraid, is not quite that simplistic at all. We are in a good position relatively to a lot of communities across the world. We must be responsible and maintain that position. I believe that if we accept this amendment we will be stepping away from being responsible and stepping away from maintaining an appropriate position for our community. So it would only, I think, be appropriate for me to make some comments upon those of my good friend Deputy Le Fondré. We are an independent Assembly. We develop friendships across the political rainbow within this Assembly and we do not always see eye to eye. While I understand the Deputy's reluctance to introduce an increase in G.S.T. at this time, I must also say that I do find it somewhat strange, as the Minister for Economic Development said - and I have discussed this in a more informal setting with the Deputy - that he is in this instance aligning himself with the mover of an amendment who we know is on record as saying he does not want to see States expenditure cut. He does want to see tax rises but just not of those being proposed by the Minister for Treasury and Resources. These I believe are the motivations behind this amendment and I find that somewhat strange. But there we are. Our political aims align and move out of alignment from time to time dependent on the amendment before us. I would, however, say to him to reassure him and perhaps to encourage him to change his mind, that the Council of Ministers have moved towards a greater element of cuts than we initially thought were feasible from our discussions. We have moved from a proposal of £50 million to £65 million. The first part of the Budget that we will come to eventually sets that spending envelope, and I hope that Members will approve, and therefore we can see that those cuts will be made and we as a Council and as an Assembly will have little choice but to make that quantum of cut if the Assembly decides to set that envelope. Some I know would like to see more cuts and like to see them made sooner. But we as Ministers, and ultimately as an Assembly, have to bring before the Assembly those things which we believe are achievable, those things which we believe are broadly fair and try and find agreement across a political spectrum within this Assembly. I believe that that is what we as a Council of Ministers have done and we hope that Members will agree that the approach that we presented is, in effect, balanced, and that balance of spending cuts is balanced with tax rises and those rises, we propose, will come in the middle of next year, not, as this amendment proposes, 7 months after that. My good friend also mentioned, and I think was mentioning it in a positive light, although it did not quite come over in those terms with relation to the improved reporting that Treasury has implemented and as he knows, he and I, when we were at Treasury together, helped the then Minister for Treasury and Resources oversee the move towards gap accounting. I believe that that brings forward much more transparency, a greater ability to understand what is in the States accounts and that, I believe, is a positive move forward. Of course, it will report accounting matters in a different light and the numbers will look slightly different. But that was a positive thing and I believe that he agrees that that was a positive thing. I will just touch on one other strangeness, if I might use that term, and that is that the mover of the amendment has consistently, as is his right, opposed, I believe, G.S.T. and yet my good friend in his statement and his speech said that he believes that if we do need to address this deficit. I believe that we do and we need to set in place a plan now that the G.S.T. is one of the best answers to addressing that deficit. I perhaps then ask him to consider whether it is not more appropriate to agree with the timetable put forward by the Minister for Treasury and Resources. I do firmly believe that we do have to make

the right decision and we do need to protect the position that we find ourselves in. I believe that we do that by, as much as it pains me to say it, introducing G.S.T. as proposed within the timescale that Minister for Treasury and Resources is proposing, rather than delaying it and putting it off to a future date.

### **1.3.26 Deputy P.J. Rondel of St. John:**

The words “fair play” were used by Senator Maclean. I think the public want fair play also, fair play by Government. Yesterday, or was it Monday now; I do not know; we have been here so long I am not sure; the Chief Minister answered, in response to a question on the £2.3 million that had been spent on La Preference, that the money had been passed on and the home buyers had picked up the bill. Is that fair play on first-time buyers, to pick up additional £50,000 per unit? I do not think so. Fair play, to Jersey people, all the taxpayers of Jersey ... where was the Chief Minister and the Minister for Treasury and Resources when the mistakes were made over hedging the euro, another £6 million or £8 million? We are up now to roughly £10 million. Fair play, it is a game. £760,000 for hospital consultants to do the job that the new Chief Officer should be doing, roughly now up to £11 million. Last week, a fortnight ago, we had a debate on taking ring-fenced money from Social Security so that we could bail out the hospital or the Health Department, £6.13 million, so we are now up to roughly £17 million. It goes on. We have many millions of pounds paid out in grants to multimillionaires and the like.

[16:30]

I have got no problems with grants if they will gain to help new businesses, to help people who need it. But when I see some of these grants and I look at the names on the list and you look at the 2009 Budget accounts, I think the second annex, you will find lists and lists, pages and pages of names who have received grants. I am shocked at the volumes of money that are going out of our taxes into some of these grants. That runs into tens of millions of pounds. Yes, some that is needed, if you are a young struggling farmer, area payments and the like. Yes, no problem. But when I see what some of the grants are paid for it is a shambles. It is diabolical. I have the Budget here for 2009 and the like and it is eye opening. I sincerely hope Members have looked at those back numbers. Then I look at the mistakes we have made. We are now on our third Police Chief in as many, well, over 12 months. That is costing us a lot of money. It is in the hundreds of thousands it is going to. So I am not sure how many million pounds in areas I have just picked up there but I am probably coming close now to £20 million. But I have not got my calculator with me. For sure, it is in excess of £17 million. This has to be put at the door of this Chamber. We are all responsible, some possibly more than others, but we are all responsible. We have got to play fair with the taxpayers. The fairness must start here. I am not saying one way or other how I am going to vote on this. But it is time that we got our act together. I must look at the Minister for Treasury and Resources and the Chief Minister to make it happen. You asked for my support and the Members' support in bringing your Budget forward. When we see week after week, month after month, documents coming out and most of the time it is picked up by the media more than it is by individual Members. I have spent most of my time in the Chamber since 1994 with the exception of one term, apart from being in government on both sides of the Chamber but I have been doing Scrutiny since the day I joined this Chamber, challenging the Ministers, the Presidents before them, the Committees, challenging the way they operate and the amount of money that we spend. This is the first time I will have given this particular type of speech on such a large sum of money over such a short period of time going in the wrong direction. It is time we see proper leadership from the Council of Ministers, proper leadership. I know it might be difficult for the Minister to take the medicine but I hope they can keep their heads up high while I am speaking and not be looking at their feet as most of you are because it is a shame, and I have seen a number of you nodding your heads as I go about those numbers, in agreement. It is a shame that I have to say this. I sincerely hope that the Minister and particularly the Minister whose job the Assistant Minister, Deputy Le Fondré from Lawrence, he has got his job at the behest of that Minister, I

sincerely hope he does not ask him to or dismiss him from that particular post because I think he has done this House a favour today by raising certain points. I am not going to pick any specific ones out. But I think he has. He has raised issues that Back-Benchers, fellow Ministers, in fact, should have raised and they may have done within their Council. But I have real concerns and I have not spoken today. This is the first time I have spoken. I have been listening to the various debates. But I really expect this House to get its act together from hereon because the people out there are relying on us to get them out of this recession. If for any reason the Minister for Treasury and Resources disposes of his Assistant Minister, I would like to offer him a job on my panel because I know he is a worthy man. But I sincerely hope that is not going to be necessary. I hope he will take what I am saying, that the man is worthy to be honest. He has been honest with this Chamber and I am sure he has been honest with his Assistant Ministers and fellow Ministers. So therefore I sincerely hope we do not see him replaced because of the way he wishes to vote and the way he has spoken today. That said, I will decide at the end of this when we come to voting, how I will vote. But there were a number of things that I thought had to be said and I hope they were taken on board.

### **1.3.27 Deputy A.E. Pryke of Trinity:**

Just before I start I just want to put up points that the Deputy of St. John has made about grants and how much it costs for grants. Part of that list I think that the Deputy was referring to was approximately £9 million, I think, that Health and Social Services give out to the third sector. Every one of them is well looked at and looked at each year and I commend the work that that third sector do and that the work that they do is excellent and this Island could not cope without them. Just going back, it is a very difficult scenario that we are in and it is very difficult decisions that we are going to make. I can understand why some Members will be supporting this amendment. But at the end of the day, we need to have a balanced Budget. We must live within our means. I am against dipping into the Strategic Reserve. The Budget that we have, that the Council of Ministers has presented is balanced. It comes from many different areas. Part of that package includes the rate of G.S.T. from next year, not 6 or 7 months later by this amendment. If this amendment is approved, the money will have to found from somewhere to make it up. Do we want to dip into that Strategic Fund? I for one will vote definitely against that. It was put aside by our previous Members in this House and we should not be dipping into it because once we start dipping into it, it will be easier to dip into it again and again. I just refer it is like to any household Budget. If we have not got that money coming in, how can we spend it? Or do we just want to be on the never-never and never make a proper decision. Just to pick up a point that Deputy Le Hérisier made and I felt that I really needed to answer that, about the strategic overview. £760,000, in some ways it can be said is investor saved. As I said again and again, this important overview is looking at our future Health and Social Services in Jersey. If it was not properly reviewed, properly come back to this House with all the economies put into place and the funding, et cetera, I will be held to account and I am sure the Deputy would be the first to stand up and say: "How is this going to be funded? Where are we going to get the money from?" So that money is well spent. It is about the future. Just to pick up the point ... and I am sorry the Deputy of St. Mary is not here but he mentioned that this review is looking into the management structure of Health and Social Services. It is definitely not doing that. It is looking into the Island's future Health and Social Services. I for one will not be supporting this amendment. As I have said, it is a balanced Budget. The Council of Ministers have done that, to look at every single area. We must stick to our nerve and vote against this amendment.

### **1.3.28 Senator T.A. Le Sueur:**

You did say earlier today in speaking about the amendment of the Constable of St. Helier that this was more about the date than the rate. I think we are still getting hung up here about a date, a date which, I think, has important repercussions because although it sounds simple to delay the increase in G.S.T. for 7 months, we do recognise that the increase is necessary, whether it be from 1st June

next year or from 1st January 2012, and your ruling this morning I think makes it quite clear that that is not in contention. But what we do have is a deficit caused by delay, a deficit of £15 million. Deputy Southern accepts that in his comments about management implications. He was quite clear about where that deficit should be made up. It should be made up, he says, from the Strategic Reserve, no ifs and buts. That is where he would like to take the money from. He does not want to increase savings. Well, we have already agreed the savings for next year. It is the only option left. If revenue does not exceed the forecast and the indications are that it is unlikely to, then in order to balance the Budget we have to take the money from somewhere. That is a step which I think is fraught with danger. Before I explain why, I would just like to pick up a couple of points made by other speakers. The Deputy of St. Mary - he is not here at the moment - asked whether the Council of Ministers would be prepared to look at more radical ideas for reform, ideas such as the spending of money on an invest to save policy. I thought we had already made it clear in the Business Plan debate that part of the way of achieving savings, not just in 2012 and 2013 but beyond, would be by investing for saving and changing and coming up with new more radical ideas. That is all part of a 3-year plan. I think it is important that we realise that bits of that plan all fit together and we take or try to cherry pick bits out of that plan to suit ourselves, maybe a bit like we did in respect of Clothier. But cherry-picking bits out is dangerous, particularly when that cherry-picking simply puts off the evil day. It is putting it off in this case by 7 months and it is starting a policy of using the Strategic Reserve to fund our own excessive consumption. Now, whether I think that is responsible or not, whether Deputy Southern thinks that is responsible or not, what I fear is that the outside world will regard us as irresponsible. We had a plan for dealing with the cyclical downturn. It was called a Stabilisation Fund. We applied that plan and we applied that fund. What we are facing now - and let us make no doubt about it - is a structural deficit which we have to address. Addressing it by dipping into our savings, even for a 7-month period, is not the way to do this. The outside world looks at us and they say: "Hmm, Jersey will not come to grips with reality. They will not acknowledge that they have got a difficulty there. They are simply going to try and spend their way out of trouble, borrow their way out of trouble, not find a solution." What does that do to the economic confidence in the Island? I am not just talking about the finance industry here particularly or any other industry. I am talking about economic confidence in the Island generally. When you have new shops deciding whether or not to set up business in Jersey, whether you have existing businesses deciding whether to expand or not, those decisions will be made on the directors' of those companies view of the economic future of Jersey.

[16:45]

If they see a government which simply says: "We have got a problem here. We will deal with it the year after next. Meanwhile we will dip into our savings" they will say: "That does not give us the confidence to invest long term in Jersey." Now, what does that mean? It means not only do we not get better tax revenues, but, more importantly, we do not get the job opportunities for our children and our children's children and other people's children because those jobs will not be created. If we do not create those jobs we do not stimulate the economy. If we do not stimulate the economy we do not get out of the recession as quickly as we should do. If we do not stimulate the economy we end up with further cuts or further taxes. So even though Deputy Southern may think that I am over-egging it, I put it to him that I am not doing so. I am speaking reality - reality as other people say it. The Deputy of St. John talked about fairness. I agree with him that we have to be seen to be fair. He talks about potential waste and I would say there may well have been potential waste. But 2 wrongs do not make a right. He asks: "Can Ministers take the medicine of savings cuts?" I would answer him very firmly that Ministers can and are taking the medicine as far as savings cuts are concerned. Ministers are taking some very painful decisions. What I ask the Deputy of St. John, what I ask other States Members: are they prepared to make difficult decisions, are they prepared to do what Ministers have done, are they prepared to do what the rest of the world expects us to do and that is, to act in a responsible manner? If we do not, we and how many generations

will come to regret it. I for one do not want to be part of that decision and I only urge Members to reject this proposition.

**Deputy M.R. Higgins:**

I may have misheard the Chief Minister because if I did I think it was unbelievable. Did he say that by raising taxes and cutting spending he is stimulating the economy? If he is, he has definitely got the wrong end of the stick.

**Senator T.A. Le Sueur:**

I was saying failing to balance our books will lead to a lack of confidence.

**1.3.29 Connétable P.F.M. Hanning of St. Saviour:**

Times are hard in Jersey. We cannot pretend that they are not. But I think in raining terms, what we are seeing now is drizzle, not downpour. When we get to the conditions that they have in Ireland, and it has been mentioned before, when they are looking at 20 per cent - 25 per cent cuts: cuts in jobs, cuts in incomes, cuts in minimum wage, cuts in benefits, that is when it is raining and that is the sort of occasion if, and I hope we never do, that we would have to dig into our reserve. That is what our reserve is for. We all want to protect our lower and middle income earners. If we raise the taxes it is going to hurt. It is no use pretending it is not. It is going to hurt. But if we get this wrong, we will be hurting those very people very much more. Those middle and lower earners in Island are going to be suffering very much more than our people are here. We must not get it wrong. The Deputy of St. John has listed waste and spending and losses but surely that is an argument not to make things worse, not to make the hole deeper. Basically, if you are in a hole. This amendment keeps us digging for an extra 7 months. I think this is the time for us to be prudent. Let us not regret dipping into our reserves until it is absolutely necessary.

**1.3.30 Senator F. du H. Le Gresley:**

I was very moved and impressed with Deputy Le Fondré's speech. I think for an Assistant Minister in the Treasury and Resources Department to have spoken out as he did, all Members should take note where at times the people are more important than the balance sheet. As most Members know, I have an amendment to the Budget which we may or may not be debating, which is the sixth amendment, which is to recommend a G.S.T. rate of 4 per cent. I think that this debate today has been pivotal in respect of the 2011 Budget and accordingly I will be withdrawing that amendment and throwing my wholesale support in favour of Deputy Southern's amendment. I do that because I do not think we want to go through the whole process of debating whether we should be moving from 3 per cent to 5 per cent by my amendment of 4 per cent. However, I want to use this opportunity to use a couple of extracts from my speech that I would have used if only because it reinforces some of the points that have been made about those who have spoken in favour of Deputy Southern's amendment. I was approached by the tourism industry to be the Member of this House to bring forward a rate of 4 per cent. I will be quite honest about that. I had also sat on the Corporate Services Scrutiny Panel as an invitee. I have spent a lot of time looking at what we need to do for 2011 and I need to remind Members that what we are discussing is the Budget for 2011, income and expenditure proposals for 2012 and 2013 can be changed, probably will be changed in future Business Plans and Budgets. Global events will dictate what is appropriate to leave in or leave out. It would be naïve to think that the basic rate of G.S.T., once increased, will ever be reduced. I want to talk briefly about tourism. Tourism is particularly fragile at the moment. Room yields and profitability has fallen to critical levels. The Minister for Economic Development stated in the Annual Business Plan for 2011 that the tourism sector will remain one of E.D.D's (Economic Development Department) highest priorities. Yet in 2011 there will be a cut of £175,000 in funding for route development, destination marketing and P.R. (Public Relations). Leading hoteliers that I have spoken to and met with have left me in no doubt that there will be a significant reduction in the current 12,000 beds if G.S.T. rises to 5 per cent. At the moment there is currently



no scheme for refunding G.S.T. charged on items purchased by visitors and a possible 66 per cent or even 100 per cent increase in the basic rate of G.S.T. will add to the uncompetitiveness of Jersey as a holiday destination. Hoteliers and retailers in Guernsey will, I am sure, enjoy taking business from Jersey as holidaymakers choose a G.S.T. free holiday in our sister isle. I think the majority of Members and the public expect the States to deliver savings promised in the Business Plan and Budget before being asked to pay substantially more in indirect taxation. The money in the Strategic Reserve is not our money. It is the people's money. Although our forefathers may have been very wise, I think if they were still with us today and some of them, I am sure, sitting in retirement, they would not necessarily say we cannot touch the Strategic Reserve. I do not believe that. I find it very odd that we have heard Ministers in particular say that by drawing from the Strategic Reserve we are going to increase the deficit. I just find that sort of mathematics unbelievable because we have drawn from the Stabilisation Fund and that is in the bookkeeping, so why are we saying that the £55 million will go up? I do not understand. In this Budget we have various proposals for increasing income. Members will have noticed that one of the only ones that is going to generate income in 2011 is the increase of the rate of G.S.T. In order to accommodate, more than likely, the finance industry, the 2 per cent increase in Social Security contributions over the ceiling are not going to be increased until 1st January 2012. Now, in that case, why can we not delay increasing the rate of G.S.T. to the same period? When I stood for election for this House I had in my manifesto the phrase: "Raising G.S.T. should be the last resort." I still feel that way very strongly. I think I would like to close by saying: criticism of Deputy Southern in this House has been quite a noticeable feature of my short time in the States. But I want people to put aside any criticisms of Deputy Southern. This is a very simple amendment. I want to read just the final paragraph: "The result of accepting this proposition would be to give some breathing space to properly assess where we are economically. It avoids the risk of tax rises, prolonging the recession and puts the decisions in the hands of a new Assembly in 2012." I think that is a very simple message. The fact that it came from Deputy Southern should be commended rather than criticised. Finally, I think I have said all I need to say.

### **1.3.31 Senator A. Breckon:**

I want to address the amendment and keep the comments basically on Island, with one exception. A number of people have mentioned things going on in other places and Ireland has been mentioned a few times. But Members should remember that some of the money raised is going directly to the banks to bail them out. Other governments have had to do that. We are not in that situation at all. That has been done elsewhere to banks that are operating in Jersey. To the amendment: what we are talking about is £50 million to come from somewhere in 2011. The question is where from? What has been suggested is: from our bank balance, which is what it is. It is a bank balance, not as a credit account but as a long-term savings and investment account that is there for good reason, and I think there are some good reasons, because if we look back to the basis of G.S.T. and 3 per cent, we have taken it from ordinary people - from Mrs. Gallichan in St. Ouen, from Miss Jones in Trinity, from Mr. Smith in Grouville - £3 in £100; sometimes pensioners, those on basic income, on basic foods and services. What we are talking about now is plugging that gap so that they do not have to find any more, because the simple answer is some of them do not have any more. People are already scratching round now, and having some difficulty. That is a fact. So, what we had is a tax on consumption, 3 per cent. It is very easy; it was said at the start, once you get it in place it is easy to press the button, change the number; and here we are at the earliest opportunity proposing to do exactly that. This amendment seeks to put that off, perhaps until we get into next year, until we see where the economic indicators are; because if we look at the economy, the indicators are not very good. Other people have mentioned that, and I will not go into that. The question maybe then Members should be asking is: "Are people in Jersey so much better off that we can just take this money off them? Or should we fill the gap?" Now there was and there still is to an extent, lots of money sloshing around out there, but I would say to Members: "Not any more." Those things have changed, and they have changed for many ordinary people.

People are being careful, they are being very, very careful in what they spend their money on; and that to some extent is a good thing. But if Members want evidence of how people are being careful, look at the restaurants; look at the pubs. We have had representations from the brewery, from the tourism industry and the leisure industry. They are people struggling out there, and they are struggling because the ordinary people are not going out spending their money.

[17:00]

Again, there is evidence: if you look at retail sales, where the growth is, it is in the supermarket spend. What is happening is, instead of going to out to eat, people are buying things in the supermarket, they are going to each others houses, having a bottle of wine, doing what they do; they are not going to restaurants. If you do not believe me, walk through the town at 7.30 p.m. tonight and go in some restaurants and see how many people are in. That is evidence and that is fact. The other thing, some of this is people's disposable spending, and they are taking a view, they are not spending it. There are some confidence issues, but I do not agree with what the Chief Minister has just said and I will explain why. Because what we are proposing to do is take a significant amount of money out of the economy, so people's disposable income is coming to us. So the things I have just mentioned are going to get worse. Some restaurants and pubs may close in the New Year and may not open again. That is a fact, and I think the brewery has said that. That is fact. That will happen. Whether we do this or not, it will probably happen. If we do not accept this amendment then it is probably more certain. But what we have out there is we have a lack of confidence. There is lack of job security in many areas. People have not had any extra money, and that is affecting the economy. So what are we proposing to do as a Government? Take some more off them, which is exactly the wrong thing to do at this stage. But what Deputy Southern is proposing is not to give them any more. It is just to stay as we are and stay calm and hopefully, hopefully we will come out the other side. Where people are maybe thinking of spending money - extension to their home, new bathroom - it is not happening. So that is the spiral, and if we add to that we make it worse. So what I think what we have here is a measure that will hold us where we are until more information is available, and that will roll out as I think somebody mentioned this morning, in the first 6 months of next year. What this proposal is to do is to bridge that gap and that is why I will be supporting it. The other thing, in the main Budget some things have been taken off the agenda. We have heard about ... we still have not quite caught up with companies operating who are not paying any tax, and some of those are charging V.A.T. equivalent prices, and we are going to look at that, and we are doing something, and the Minister for Treasury and Resources is proposing an amendment to sort of weaken the proposals of the amendment of the Deputy of Grouville. So again we are avoiding the issue, and it is not the first time; the former Minister for Treasury and Resources did the same thing. But if there is money missing here, then this could go in and perhaps you would not need to be doing these measures. But I do not think ... from my point of view there is no point targeting people who are already struggling. So I think there are things that we need to put on the tax agenda and do this together and be rational about it, rather than saying: "Well, who is it? What are they saying? No, I do not like that." We have heard about the angry young men that work. The other thing, from the Statistics Unit - again it is about evidence - every year they produce a U.K. Jersey Consumer Price Comparison, and when you look at that ... something that Senator Routier mentioned this morning: he is worried about on New Year's Day, affecting prices. Well, I can tell Members in the last fortnight somebody is doing some work, monitoring prices and they were changing while they were in the shop. They were changing the prices of some things while they were in the shop. That has to happen sometime. You would think they would do it when they were closed, but they did not; they were doing it while business was taking place. I am aware from monitoring some of this stuff that there are some significant price differences and this has been picked up by the Statistics Unit. There are 2 issues of measure: one is price movement, which is in percentage terms, and the other one is what it costs - actual prices - and there is a difference. Because if in Jersey Spar sometimes prices are not moving as quickly, that is probably because they are starting from a higher base. So, they do not go

up by 10 per cent, they might only go up by 5 per cent. But the other thing is the Retail Price Index which again the Statistics Unit produces. But in the Annual Report which was published on 1st September it said this - I will come to the Retail Price Index first: "The rate of inflation is measured by the Retail Price Index. It has increased at a greater rate overall in the Channel Islands by the U.K. since 2000. The Jersey Retail Price Index increased by 42 per cent between June 2000 and June 2010. In Guernsey it was 39 per cent and the U.K. was 31." Now, that is significant when you think about basic living costs over a 10-year period. In the report they produced on an annual basis, it found that over the last 5 years food prices increased by 30 per cent in Jersey, 25 per cent in the U.K. and 21 per cent in Guernsey, and: "The effect of the introduction of G.S.T. in May 2008 in Jersey is clearly apparent." This is what their report says, not what I am saying: "The food group saw an annual percentage change in 2008 with both Jersey and the U.K. recording annual percentage changes of more than 10 per cent. Annual increases of this magnitude had not been seen for the food group since the early 1990s." The reason I say that, the significance is if we are going to go there again, this is the consequence of what will happen. This is evidence; it is not somebody's opinion; it happened. On basic things like the bread element of the Retail Price Index, in Jersey the increases in bread and cereals was 38 per cent and it was 25 per cent in the U.K. Do not forget in many areas of the U.K. there is no V.A.T. on these things, so it will not be affected by what happens in the first week in January. Again, some confectionery products, in Jersey it was 42 per cent and 27 per cent in the U.K. These matters are of concern to people every day when they are doing their shopping because they are having to make some very difficult choices, and again in the last 12 months meat prices in Jersey increased by 5 per cent and they did not increase in the U.K. overall. But there are some serious issues there between ... that measure of price movement also fresh fruit. In Jersey the increase in a 5-year period was 31 per cent, in the U.K. it was 17 per cent; so it is nearly double, the increase in percentage terms. That gives some idea about the movements in percentage terms. But the other thing is there are some real, real differences in actual prices, and fresh vegetables for example, in Jersey on average are 31 per cent more expensive, and that is across a range of vegetables. Fresh fruit again: 31 per cent more expensive; and these are real costs. When we think the basic pension is about £80 a week more, although there are some income support issues in the U.K. which reduce it about £55, it is what pensioners can do with their money. That is what many older people are really concerned about with increases, and that is why I think in general terms Deputy Southern's amendment finds favour. Again with many bread products the difference in Jersey is between 20 and 52 per cent: in the U.K. a sliced loaf, 74p; you will not get anywhere near it here apart from one shop that has started importing it. So that is the only thing. But what we are talking about is life's basic essentials. Now, while we do not have an ideal situation with a 3 per cent tax on these things, and that is something that we might get to debating later, it is still something that people have got used to but are not very happy about, and it is where we are. It is a standstill position which is a breathing space. Yes, there is a cost, but maybe we have a fund that would absorb it rather than asking some people who are already struggling out there in the community. Something that I just want to finish on, is a couple of comments from the Chief Minister. He said: "Well, if people are figuring on investing in Jersey, companies do not like Government putting money temporarily in and they may take a temporary view." So they will not be going anywhere near Ireland, then, because it is not even their own money; it is somebody else's. Governments all over the world are taking contingency measures and we are fortunate in that it is our own money. It is nobody else's, and it is our decision, and I think that is where we are today. I would say it could be seen as a sign of confidence from this Government, from this House, to say: "Well, we are confident enough to believe that, yes, the economy is going through a difficult period, but we are going to put our own money in, in the hope that the economic growth and the things that are not there at the moment - are going the other way - will come back. So, we as a Government are confident enough to do that." Something else the Chief Minister said which I agree with, but my interpretation is perhaps different, he said: "We seem to be acting in a responsible manner." Well, I would agree with that, but I would say it applies to what I have just said; that is to say, we could be seen to having confidence in the future;

therefore we are acting in a responsible manner. I might have brought that back to grassroots levels, but those are the things that concern people out there in the street tonight, tomorrow and in the future. Their concern is with what this House is discussing and these debates, because the fear factor is more tax in a number of areas, especially on essential goods and services. The other thing I did not touch on is generally fuel, electricity, gas is cheaper in the U.K. by about 10 per cent, and we are proposing to maybe jack that up again. People are not comfortable at the moment, but I think the option that I would ask Members to seriously consider and it is between a rock and a hard place, is accepting Deputy Southern's amendment.

**1.3.32 Connétable J.L.S. Gallichan of Trinity:**

It is just for clarity really. Could the proposer of the amendment confirm that he will support G.S.T. to rise to 5 per cent in January next year when he sums up? If he could just give us that clarification. Oh, 2012, sorry.

**The Deputy Bailiff:**

Does any other Member wish to speak? Then I call on Deputy Southern to reply.

**1.3.33 Deputy G.P. Southern:**

At long last, and what an afternoon it has been. I have been described as seductive and alluring [Laughter] and I know that is a first for me in this Chamber though not, I am assured, by my neighbour next to me. I have been accused of somehow interfering ... joining with Senator Ozouf, and interfering with Deputy Jeune's good night's sleep [Laughter] thereafter. I was accused of climbing into bed with Deputy Le Fondré. [Laughter]

**The Deputy Bailiff:**

This is a family programme, Deputy.

**Deputy G.P. Southern:**

So when I get home tonight and my wife says to me: "Hello, darling. Have you had a tiring day?" it might have quite another meaning altogether. I am exhausted, I have to say. But that apart, I was aware that we were going to debate, that this was the meat of the argument, that we were going to have a serious debate about this issue, and this was the decision that we have to make. The indication from the earlier vote is that by and large, people are for a variety of reasons, tending to support the approach I am adopting. Before we go into the detail of those reasons and go through, I think it is probably, if Members will bear with me, we have 10 minutes or so, I will try and address all of the comments that have been made to me. But the starting point has to be with those people who spoke of the people. I was particularly struck by the contribution from the Constable of St. Mary who echoed my words when she said: "This is about giving ourselves breathing space."

[17:15]

She then went on to say something that I wrote down verbatim: "What we must do, we must be doing something substantial for the people of this Island" and I think that is the key to this proposition. The people of this Island are crying out not to receive an additional blow in the coming year, the blow of seeing their G.S.T., their taxes, raised beyond what they can bear. They also then have to go to Deputy Le Fondré. I was very impressed by the way he approached his decision, and particularly when he said that this was a matter of conscience for him - not an easy decision, a matter of conscience - and he went back to his signatories, the signatories on his nomination paper and said: "Look. I am going to vote this way. I am going to speak this way. This is a decision I am making. It has not been an easy decision. Be aware that I am going to do it. Understand why I am doing it. Do I have your permission?" So, I think that was a significant thing. What he said fundamentally, stripped down of all the economic argument, was he believes in all conscience that next year is not the time to raise taxes, and in that he agrees totally with me. He then went on to say: "And it does not matter if it is the wealthy, if it is the middle class, if it is the

least well off. All deserve to be treated with respect.” I think that is exactly what we are doing. We are paying due respect to the wishes of the people. The argument repeated from beginning to end of this debate is that whether right, left or centre, people are saying now is not the time to put up taxes. Whether they agree with my economic argument that we have yet to see any signs of the end of the recession, recovery is there, and that that increasing taxes depresses the economy further and therefore is a risky process, and I would argue not the responsible action. We have heard lots today about “responsible,” and I think to wait and see where we are is the responsible action, or whether as many speakers have done, not my fellow travellers in the main, but they have talked about: “And what the people out there want to see before we ask them to pay any more taxes is that we have delivered on the cuts that have been promised.” We have heard from several Ministers today and one of the issues is will we have seen, will we know, do we know now that those cuts are being delivered? Well, we have heard from the Minister for Health and Social Services before Scrutiny, and I have heard nothing absolute and concrete about what she proposes to deliver in terms of cuts. Again, the Minister for Education, Sport and Culture: we have an idea, he is doing all these reviews; he is calling one scheme to deliver his £11 million worth of cuts and he has abandoned half of it at the moment and we do not know where he is going to do those cuts yet. So those are not there. The Minister for Social Security has £3.5 million worth of cuts, and I talked about this yesterday. But he is reliant on the recovery coming and coming soon in order to deliver that, so that his income support bill goes down. Otherwise he is going to be cutting people’s benefits in selected areas. That is what he has said to us. So we have not got concrete evidence that the cuts will be delivered and all those Members who said that is what those people out there want above and beyond anything else, I think they are probably right. Senator Shenton kicked us off and made that point about: “I need to see those spending cuts in place and delivered. I need the assurance, otherwise I am not voting you [meaning the Minister for Treasury and Resources] additional money to spend elsewhere. Until you deliver the cuts you are not getting anything out of me.” I think that is more or less what he said. Senator Perchard then followed up and talked a great deal about the finance sector, and he said: “We have to be able to balance our books” and of course this proposition allows that. What it says is from the interest on the Strategic Reserve we can spend and balance our books. I point to the fact that what I am talking about now is £15 million out of £550 million; it is 2.7 per cent of the Strategic Reserve. It is not emptying the piggy bank by any means whatsoever. For those who talk about and would make parallels with the Irish situation, I would just say that if we were to end up, and God forbid, and we are not likely to end up, but should we meet that scale of disaster we are there talking about borrowing 80 billion euros. We are nowhere near that. Fortunately we do not have to go borrowing. We have the money in the bank, thanks to the prescience and foresight of our forbears. We have that money. We can afford to cushion the recession for our people. Then Senator Perchard went on about our blue chip credentials. I wondered what he meant by that. I think he thinks that having £550 million in the bank somehow marks us as: “We are okay. We are cock of the walk. We have got our blue chip credentials”, and that £535 million in the bank would remove that blue chip credential. Deputy Le Claire quite rightly brought us to talk about the unemployed. The fact is we will be cutting down on jobs in the next 2 years again. That will have its demand; will reduce the economic impetus on which we are working. Should we be raising taxes at the same time? I do not think so. Deputy Vallois again came back to this process of: “I want to be assured that the cuts are going to be delivered properly and in the right place. It is no place to raise taxes until the savings are in place.” Deputy Tadier talked about social inclusion and that goal that we had with the Strategic Plan. He also said, and it is significant, I think, it is a nice argument and it is nice to be able to use it: “The best thing we can do with money is leave it in people’s pockets for them to spend. That is the way to stimulate the economy.” Now we have had several references to the fact that possibly the recovery is on its way, and we have had several references to the volume of retail sales, the latest review. I just want to establish for Members exactly what that review says, because we have had very partial quotations from it. It says: “For predominantly food stores, the total volume of retail sales saw small increases on an annual basis. The latest quarter is up 4 per cent on an annual basis

on last year.” One has to ask why, because this time last year it was at an all-time low. There have been food sales in the supermarkets, et cetera; there has been a small increase. But on a quarterly basis, the total volume of retail sales in predominantly food stores was almost half a per cent lower than quarter 2 of this year. Okay? So, from where we were it has dipped again on the short term. For predominantly non-food stores - and this is significant, this is the disposable income, the freer spend - the period from early 2007 to mid 2008 saw annual growth. For each quarter of 2008 to quarter 2 of 2010, that is 18 months, recorded decreases in volume on an annual basis, although the rate of decline slowed from 8 per cent in quarter 2 2009 to 3 per cent in quarter 2 of 2010. The latest quarter, and this is the significant bit, quarter 3 of 2010, volume of retail sales in predominantly non-food stores was essentially the same as a year earlier, representing the first quarter for 2 years which has not recorded a decline. So, yes, we may have hit the bottom. That is all it says: we are flat-lining. There is no recovery yet. So do not be taken in by the fact that some people are taking that as: “We are on the way back.” We are not. Now, I thought it was going to get quite a heavyweight debate earlier on when the Minister for Treasury and Resources brought out the documentation, et cetera, and started talking about G.S.T. as non-regressive again. I will not deal with that here, but I will deal with something else he said which was, I believe, not deliberately, but misleading. He says: “G.S.T. adds to R.P.I. and then drops out of the R.P.I.” In that he is absolutely correct. What happens is G.S.T. raises prices and they do not drop out; the price goes up when G.S.T. kicks in; the price stays high, people pay more, once and for all, going onwards. The R.P.I. goes up and then down, it drops out after a year; no problem. The prices stay high. That impact is not lost. People end up paying more. So the 5 per cent rate will end up with people paying more for their goods for ever. It does not come down. As somebody said: “If we make this change now, we will do it for good and all. What goes up rarely comes down, taxes especially.” So, if we raise now we will raise taxes. We will not see them come down to deal with a temporary problem; we will not see them come down and they will stay there for good and all, for ever. We will have made a permanent change to our tax base on the base of a temporary recession. The Minister then asked me to give a full, detailed analysis of my medium to long-term plan for the economy from now, and I would say to him, then, if he wishes me to do that, nominate me to be the Minister for Treasury and Resources and I will give you the full works in my manifesto. However, the proposition that we have in front of us talks about freezing G.S.T. at 3 per cent until 31st December 2011. Equally, in response to Deputy Le Hérisier who asked me about more or less about what am I going to do: “What is your long term vision, et cetera et cetera? Will you back savings?” Of course I will back savings that are genuine, long term and not false economies. I will back structural and management reform that means that we deliver services more efficiently. I will not back wholesale privatisation. I will not talk about reductions in services. If those deliver services better, then I will back them to the hilt. If they do not, if they are not efficiency savings, I will not be backing them, certainly; and I will not be backing any privatisation until we have got T.U.P.E., Transfer of Undertakings, regulations in place which I believe are due to come. But that is in order to pacify Deputy Le Hérisier. Senator Le Marquand gave a remarkable contribution. He talked about a snowball effect: if we touch this fund now we will be in the snowball effect, he said, the equivalent of the slippery slope; and then started to conflate the pension fund issue with the Strategic Reserve and said at one stage: “We have got less than we think in the Strategic Reserve, by about £300 million, because of the pensions problem.” That sort of conflation is not to be borne with. It was not relevant to the argument at all. The Constable of St. Peter talked about stalling this change and in doing so I bring him back to what I started this amendment with, when I talked about what we are talking here is properly phasing the change.

[17:30]

Again we are back to this: next year is not the time to raise taxes. What I would come back to, apart from addressing the Deputy of St. John who quite rightly talks about fair play and said that the people are relying on us. He said: “The people are relying on us. One thing that people are relying on us for is not to make their situation worse at this time of recession; we are still in

recession next year, by raising the tax bill on ordinary people” and I would urge him to back this proposition. Senator Le Main came out with a whole list of what the people want, and he said that people want leadership, confidence and stability. That is what he ended up with. What he did not say is: “They do not want us to raise their taxes now, just when they are really suffering.” The Chief Minister also started to talk about the real danger which is to increase tax when we are still in recession. I thank particularly Senator Le Gresley who has kindly agreed whether or not this debate is won or lost, to forego his 4 per cent rise and to give this particular proposition his full backing. Finally, I bring us back to remarks I made earlier and Constable Crowcroft has raised them once today: what are we talking about here? We are talking about, do we want as soon as we possibly can, and without having delivered the cuts that we have promised, do we want to raise the average family’s tax bill by of the order of £900 straight away, as soon as we can? Do we want to raise the tax bill of a single pensioner by the order of £300 a year? Do we want to raise the tax bill of a pensioner couple by of the order of £550 a year? Because that is what the proposition to raise G.S.T. to 5 per cent means to people out there. We can defer it; we should defer it. Please, I urge Members to back this amendment.

**The Connétable of Trinity:**

I did ask the Deputy if he would confirm that he would support G.S.T. at 5 per cent - to rise to 5 per cent - in January 2012. Would he confirm whether he will or not?

**Deputy G.P. Southern:**

I will certainly confirm to the Constable that I will consider my position on that in a debate on raising to 5 per cent, absolutely, because this debate is about postponing the change, and only about the postponing of the change. It is about the time at which we do it. Now, if I have to fight that one again, I will at another day.

**Senator S.C. Ferguson:**

I wonder if the Deputy could tell me exactly where he gets his figures from: his £900 and his ... because I seem to remember when we were discussing this before, when we were discussing bringing in G.S.T. ...

**The Deputy Bailiff:**

Where he gets his figures from, but not to make a second speech.

**Senator S.C. Ferguson:**

Well, he quoted the same figures last year.

**Deputy G.P. Southern:**

No, I did not quote the same figures last year because I have redone the calculations. They are based on the household expenditures, 2004 to 2005, operated by inflation of about 18 per cent I believe, a cross between then and now, and I have redone the calculations for 2 per cent. That is how I got my figures.

**The Deputy Bailiff:**

Very well. The appel is called for. The vote is on the first amendment to the Draft Budget Statement proposed by Deputy Southern by the addition of the words after “as set out in the Budget Statement”, paragraph (b) “except that in Summary Table B States Income 2011 on page 74 the estimate of total income for 2011 shall be decreased by £15 million by maintaining the rate of Goods and Services Tax at 3 per cent until 31st December 2011”.

<b>POUR: 22</b>		<b>CONTRE: 29</b>		<b>ABSTAIN: 0</b>
Senator A. Breckon		Senator T.A. Le Sueur		

Senator F.du H. Le Gresley		Senator P.F. Routier		
Connétable of St. Helier		Senator P.F.C. Ozouf		
Connétable of St. John		Senator T.J. Le Main		
Connétable of St. Lawrence		Senator B.E. Shenton		
Deputy R.C. Duhamel (S)		Senator F.E. Cohen		
Deputy of St. Martin		Senator J.L. Perchard		
Deputy R.G. Le Hérisier (S)		Senator S.C. Ferguson		
Deputy J.A. Martin (H)		Senator A.J.H. Maclean		
Deputy G.P. Southern (H)		Senator B.I. Le Marquand		
Deputy of Grouville		Connétable of St. Ouen		
Deputy P.V.F. Le Claire (H)		Connétable of Trinity		
Deputy J.A.N. Le Fondré (L)		Connétable of Grouville		
Deputy S. Pitman (H)		Connétable of St. Brelade		
Deputy K.C. Lewis (S)		Connétable of St. Martin		
Deputy M. Tadier (B)		Connétable of St. Saviour		
Deputy of St. Mary		Connétable of St. Clement		
Deputy T.M. Pitman (H)		Connétable of St. Peter		
Deputy T.A. Vallois (S)		Connétable of St. Mary		
Deputy M.R. Higgins (H)		Deputy J.B. Fox (H)		
Deputy D.J. De Sousa (H)		Deputy of St. Ouen		
Deputy J.M. Maçon (S)		Deputy J.A. Hilton (H)		
		Deputy of Trinity		
		Deputy I.J. Gorst (C)		
		Deputy of St. John		
		Deputy A.E. Jeune (B)		
		Deputy A.T. Dupré (C)		
		Deputy E.J. Noel (L)		
		Deputy A.K.F. Green (H)		



**Deputy P.V.F. Le Claire:**

I propose the adjournment, please.

**The Deputy Bailiff:**

The adjournment is proposed.

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

There was an amendment which I do not think you have formally acknowledged. It has been said, has it? In my name.

**The Deputy Bailiff:**

Yes, the amendment to the seventh amendment. That has been announced already.

**The Connétable of St. Mary:**

As threatened, I am afraid I would like to ask the Assembly for their views on sitting on Friday this week. I think it is patently obvious that we will not be through the business tomorrow unless ... I do not think we will be. Could I propose that we meet on Friday this week as an additional day?

**The Deputy Bailiff:**

Is that a formal proposition you would like debated and voted upon now? Is that seconded? **[Seconded]** The appel is called for. The vote is on whether to continue on Friday this week.

**The Deputy of St. Mary:**

What is the alternative?

**Deputy J.A. Martin:**

Could I just put an amendment to that, to finish tomorrow and come back next week, because we have all got ...?

**The Deputy Bailiff:**

If you do not finish tomorrow then you will be able to propose coming back next week to complete the debates if this proposition is not adopted. The appel is called for to continue into Friday this week.

<b>POUR: 43</b>		<b>CONTRE: 6</b>		<b>ABSTAIN: 0</b>
Senator T.A. Le Sueur		Senator P.F. Routier		
Senator P.F.C. Ozouf		Senator B.E. Shenton		
Senator T.J. Le Main		Connétable of St. Clement		
Senator F.E. Cohen		Connétable of St. Peter		
Senator J.L. Perchard		Deputy J.A. Martin (H)		
Senator A. Breckon		Deputy of St. Mary		
Senator S.C. Ferguson				
Senator A.J.H. Maclean				
Senator B.I. Le Marquand				

Senator F.du H. Le Gresley				
Connétable of St. Ouen				
Connétable of St. Helier				
Connétable of Trinity				
Connétable of Grouville				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of St. John				
Connétable of St. Saviour				
Connétable of St. Lawrence				
Connétable of St. Mary				
Deputy R.C. Duhamel (S)				
Deputy of St. Martin				
Deputy R.G. Le Hérisier (S)				
Deputy J.B. Fox (H)				
Deputy of St. Ouen				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy P.V.F. Le Claire (H)				
Deputy of Trinity				
Deputy S. Pitman (H)				
Deputy K.C. Lewis (S)				
Deputy I.J. Gorst (C)				
Deputy of St. John				
Deputy M. Tadier (B)				
Deputy A.E. Jeune (B)				
Deputy T.M. Pitman (H)				
Deputy A.T. Dupré (C)				

Deputy E.J. Noel (L)				
Deputy T.A. Vallois (S)				
Deputy M.R. Higgins (H)				
Deputy A.K.F. Green (H)				
Deputy D.J. De Sousa (H)				
Deputy J.M. Maçon (S)				

**Senator A.J.H. Maclean:**

If I may, I just wondered if it would be possible for Senator Le Gresley to confirm. I did understand from his speech earlier that he was withdrawing his amendment to the G.S.T. at 4 per cent. I wonder if he is in a position to confirm that. He mentioned it in his speech earlier on.

**The Deputy Bailiff:**

As the Senator mentioned that in the course of a debate on another proposition, presumably with the intention of influencing Members in their vote, I am sure that is what he means.

**Senator F. du H. Le Gresley:**

Yes, I will honour that. Thank you.

**Senator S.C. Ferguson:**

You do not have to.

**The Deputy Bailiff:**

Very well. The adjournment is proposed. The States now stand adjourned until 9.30 a.m. tomorrow.

**ADJOURNMENT**

[17:38]