

# STATES OF JERSEY

## OFFICIAL REPORT

**WEDNESDAY, 18th MAY 2011**

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[9:31]

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

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

At close of business yesterday, when I asked for close of business, after that it was drawn to my attention something that I had raised to do with the fire training ground was basically incorrect, because the team, led by the Connétable of St. Clement, that went to America unfortunately came back with the best they could on the grounds that the Harbours and Airport Committee of the day, their records were not as complete as they could have been. Hence I would like to withdraw those comments I made about the team, because in fairness to those who went, that is the Connétable, the A.G. (Attorney General), *et cetera*, it is only fair if they have to go and deal with something and all the facts are not there then they can only do their best with what they have got.

**Connétable L. Norman of St. Clement:**

Could I just thank the Deputy of St. John for his comments, which I do appreciate and I am sure the Attorney General of the day also appreciates, but just for complete accuracy, I was not part of the negotiating team that went to America. I remained in Jersey working very hard to make sure that they did their job as well as they possibly could.

## **APPOINTMENT OF MINISTERS, COMMITTEES AND PANELS**

### **1. Appointment of the Chairman of the Chairmen's Committee**

**The Bailiff:**

Chairman of P.P.C. (Privileges and Procedures Committee), do you wish to proceed with the matter you said you wanted to do about a replacement member on your committee? It might be convenient at this stage.

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

Thank you, Sir. I am grateful for that. As required by Standing Order 122, I have now consulted with the President of the Chairmen's Committee and I would like to nominate the President, Senator Ferguson, as the representative of the Chairmen's Committee on P.P.C.

**The Bailiff:**

Is that nomination seconded? **[Seconded]** Does anyone else wish to nominate any other member of the Chairmen's Committee to be a member of P.P.C.?

#### **1.2 Deputy M.R. Higgins:**

Yes, Sir. He is not in the Chamber at the moment. Deputy Southern, I would like to nominate him for the position.

**The Bailiff:**

Deputy Southern is a member of the Chairmen's Committee, is he?

**Deputy M.R. Higgins:**

Yes, Sir, he is.

**The Bailiff:**

Very well. Is that nomination seconded? **[Seconded]** Are there any other nominations?

**The Bailiff:**

Are there any other nominations for the vacancy on P.P.C.? No. In that case, there are 2 nominations so there will be a ballot and I invite the ushers to distribute the ballot papers. Members should write on the ballot paper the name of either Senator Ferguson or Deputy Southern.

### **1.3 Deputy C.F. Labey of Grouville:**

Sir, at this time I wonder if it would be convenient to say that Deputy Paul Le Claire has agreed to join the Economic Affairs Panel, because I was nominated yesterday. The other 2 Deputies, Wimberley and Maçon, were nominated yesterday as well.

#### **The Bailiff:**

Do you wish to nominate Deputy Le Claire as a member of the Scrutiny Panel?

#### **The Deputy of Grouville:**

Yes, Sir.

#### **The Bailiff:**

Is that nomination seconded? [**Seconded**] Does any Member wish to nominate any other Member? I declare that Deputy Le Claire is elected to the Scrutiny Panel. [**Approbation**]

### **Deputy M.R. Higgins:**

Sir, could you explain, as there are 2 candidates for this position is it not normal for both candidates to set out ...

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

May I thank the Deputy of Grouville and Deputy Maçon for their kind nomination to the Scrutiny Panel.

#### **The Bailiff:**

To answer Deputy Higgins' query, it is only for the chairmanship that a Member speaks. I invite the ushers and the Deputy Viscount to collect the ballot papers. Have all Members returned their ballot papers? I invite the Deputy Viscount and the Attorney General to act as scrutineers.

## **PUBLIC BUSINESS - resumption**

### **2. Goods and Services Tax: exemption or zero-rating for foodstuffs, domestic energy and fuel (P.36/2011) - resumption**

#### **The Bailiff:**

Now we return to the debate upon Projet 36, the proposition of Senator Breckon.

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

I will learn next time not to put my light on at 5.20 p.m. or 5.10 p.m. just before the Deputy of St. John. Clearly there has been a lot said over the years to do with G.S.T. (Goods and Services Tax) and to do with exemptions. We have heard that a lot of the arguments will be fairly well rehearsed. So I thought what I am going to do first of all is, rather than listening to States Members, I want to read out a representation I have had in written form. It came from a blog site but it is unusually well written for a blog, although that is not to disparage. I may interject with a little bit of asides during the paragraphs, if that is okay by Members. "The proposals today will see a number of tired arguments rolled out in opposition. Notable among these doubtless we will be told it is essential: (1) to keep it simple, (2) the wealthy will benefit more than the poor, and (3) that there is a better way of helping the poor. Let us deal with there is a better way to help the worst affected. For a moment just let us accept it is true: what is the better way? Which amendment is it that allows us to visit this nirvana? Of course it has not been detailed and there is no option on the Order Paper that

the States can vote for. This is an excuse of the witless that need a fig leaf to cover their naked political embarrassment and simply not giving a G.S.T.-free fig for the poorest.” The aside: of course Members will be thinking we already do have a system, we have income support, we have the thresholds; we have already tweaked that. I think the point is we know that this is limited. We have already heard from other Members that those who perhaps need the most help in society is not those who are already covered, it is not the ones at the very top who do not really care about G.S.T., who do not care about other forms of taxation because, they have a very large amount of disposable income. Nor is it those at the bottom who, although life is tough for them on a daily basis, they are provided for by our handout State, because perhaps the wages or the job opportunities are not there. These 2 sections are catered for. There is absolutely nothing on the table that caters for what has euphemistically been called middle-Jersey but should be called hardworking, honest people who do not necessarily have to or want to qualify for other benefits. Returning to the comments: “So what about the wealthy benefiting more than the poor? This relies on the argument that the wealthy typically spend more on food, and I suspect fuel, than poorer people. Therefore if you exempt food you are letting the wealthy off more tax. So what? Is it really more important that wealthy people do not benefit from something than enabling the poorest a better chance to afford decent nutrition? On health grounds alone the argument is probably lost but there is, of course, a limit on how much food even the most affluent can consume. The benefit they derive is limited. This argument was noticeably absent when exemptions were made for marine fuel.

[9:45]

Clearly, the biggest boats with the lowest miles per gallon fuel consumption are owned presumably by the wealthiest people who benefit more than small craft owners. Does anybody recall ‘the wealthy benefit the most’ argument being deployed at that one? I think consistency clearly is the key here. The marine fuel case also points up the fallacy in the third argument in the list. It clearly did not make the system simpler, just as changing the old 20 per cent tax rate system to a mix of zero, 10 and 20 company taxes was not keeping things simple, was it? Do the ‘keep it simple’ proponents really think that this is the overriding concern? Should we simplify the payroll system across the Island by paying everybody the same? That would be a huge admin saving. Why are the ‘simple is essential’ campaigners not working on the labyrinthine social security income support forms and system to simplify that? The argument on fuels, of course, is more complex. We need to be doing what we can to reduce fossil fuel consumption. One of the bizarre and deeply inequitable aspects of how utilities are charged locally is that there is a fixed element, so even if you do not use a facility there is a regular charge to pay. This means that on a per unit basis the more frugal pay more per unit consumed. This is upside down. We need to make it cheaper for people to use less and more expensive for high use. We could achieve that from domestic consumers by outlawing fixed charges for utilities and requiring an increase in tariff with increased consumption. As an added side effect, those high consumption households will have added incentives to make energy savings and microgeneration improvements.” Just to add a few points of my own to those arguments, which I think are valid, and I was particularly struck by the consistency argument and the “let us keep it simple”. It is okay to keep things simple when we want to extract the maximum amount of money from those who are squashed in the middle of the distribution curve, but we know that when it comes to providing tax breaks, perhaps for the wealthiest individuals in society, or when it comes to devising systems which are theoretically designed to keep finance and capital in Jersey, we can make very complex systems which most States Members, probably myself and perhaps even the Ministers in charge do not truly understand. That is why it takes so long for Europe to go away to analyse the proposals and say: “I do not think this is personal taxation, this is business taxation”, *et cetera*. So the ‘keep it simple’ argument simply will not wash. We have to keep it simple presumably when others are trying to help those who are hurting, but when it comes to other matters make it as complicated and as complex as one likes. That argument, I am afraid, does not wash here. I want to combat the other argument, which I think is compelling but not true ultimately, that the money will not come off food. Now, it

certainly will not come off food if we do not vote for it to come off food. That is absolutely true; that is 100 per cent certain. If we do vote for it to come off food that is the only way that it can come off food. So if we want to see food prices come down by 5 per cent or stop going up by an extra 2 per cent then we have to take this off food. I will give an example. I shop at the Co-op, which Senator Shenton may be pleased to hear. I think they provide good value, but I am not here to provide an advert for the Co-op. The point I am making is when I go in on a Friday to buy my piece of fish ... I do go in on Friday and sometimes go in on Wednesday as well, but I like my fresh fish on a Friday. I think it is important to buy your produce daily. But anyway, we have not come here for a micro debate on which is the best day to shop in Jersey. **[Laughter]** The fish I see, which is normally pre-priced at £3, when I go to the till it is £3.09 that I pay at the moment. That 9 pence is not something that the shopkeeper has decided to put on for the sake of it; it is G.S.T. If G.S.T. is removed that 9 pence would come off. If it is not removed and it goes up to 5 per cent there will be 15 pence on that. That is quite clear. Now, perhaps that may not happen right across the Island but, as we know, that will lead to competition or to price shopping competition. So if, for example, we know that shop X is charging G.S.T. and it is visible, because the prices have not gone down - they may have gone up or whatever - the customer will be aware of that. By a process of what I think is rationalisation, we are trying to abdicate our responsibility as parliamentarians saying: "Actually, the money is not going to come off food." We do not know that. Are we saying that all shopkeepers in Jersey are unscrupulous? Are we saying that they will put their prices up? Of course prices can go up anytime but they can go up with G.S.T. on them as well. In fact, I would argue that it is more likely when people are having to make the price shift upwards to an extra 2 per cent that is the point at which they are more likely to put prices up or to round-up. So we simply must not buy into this argument. It is not our responsibility to predict what shop owners are going to do and say that they will necessarily be tight-fisted, that they will necessarily be unscrupulous. Certainly there is an amount of profit that they will want to make and if that 5 per cent on the price is something they do not have to put there any more there is no even-handed reason to think that they are going to put the prices up just for the sake of it. There is also what I would call the conservative argument; surely it is better to leave the money in people's pockets, it may only seem a paltry amount but we know if you are spending, let us say, £100 a week for a couple, that is £5,000 a year perhaps on shopping, most of which will be food related. That does have an impact and these are people, again, who will not necessarily be benefiting from tax breaks or from benefits. Surely it is better to leave the money in their pocket, let them decide how they want to spend it. We have heard the arguments again from the House that it is very unlikely that the current system we have is efficient, the States are not making the efficiency savings yet that they should be. I am not one who is for small government, I am somebody who is in favour of the right size government, but clearly one has to admit that there will always be efficiencies to be had and the message seems to be going out loud and clear that we do need to change the way we do business. We perhaps do need to reform some aspects of the Civil Service and it seems completely wrong, even in this aspect, to be actually asking for money to be put on food simply to raise an extra £8 million. I have changed that right around slightly, we should not necessarily be thinking about exempting food, we should be perhaps thinking of a default position where we have the chance of not having any G.S.T. on food. By putting G.S.T. on food and on fuel we will be making that extra money but I suggest this is not the right time to do it. We have heard the arguments that middle-Jersey - a term I do not like to use but I think it perhaps does have some poignancy - is really the one that needs the help. Lastly, I would say we have had this line which has been pedalled in the *J.E.P. (Jersey Evening Post)* that this argument is about head over heart or heart over head. Actually I would say that I am thinking both with my head and my heart. My heart is my head in that sense and the long term implications, I think, if we say today: "No, it is okay to tax food, it is okay to tax fuel, these are the essentials of life." I mean, we already recognise that we have threshold limits for income support and that is because there is an underlying principle that we all seem to agree with that you do not tax the fundamentals in life, whether it is £10,000 or £11,000 roughly, we accept that is what somebody needs to have a basic existence in Jersey, so we have

already made that accommodation, that link, saying that we really should not be taxing the essentials in life. The reason it is a head and a heart decision is because I think the long term implications are that first of all I do not want G.S.T. simply to be the easy option whenever the States, for example, needs extra cash, perhaps because it has not met its targets because it has not shown enough restraint, we just say: "Let us turn up the G.S.T. tap." But we will also turn it up on food and on fuels because the link has not been broken there, and I think those words of Senator Breckon when I went to one of the public meetings was something that struck a chord with me. We have to now break the link between taxing the basics in life - currently proposed at 5 per cent, perhaps going up to 10 per cent, let us hope not - and what is perhaps more luxury items. I have no problem with the consumption tax on Ferraris, on Aston Martins, whatever, on diamond watches; I have no problem with people paying 20 per cent, 10 per cent tax on those items. But I do have a basic problem about people paying on the essentials in life. So for me it is a head and a heart issue. I think I will leave it there, I think the arguments have been made, Members perhaps know how they want to vote, but certainly that is my position, it has not changed and I will be supporting I think both parts of this proposition.

### **The Bailiff:**

Deputy, I do beg your pardon, before asking you to speak can I inform Members of the result of the nominations for the vacant position in P.P.C. The votes cast were as follows: Senator Ferguson 33 votes, Deputy Southern 17 votes. I, therefore, declare that Senator Ferguson is elected to the committee. [**Approbation**]

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

This debate on G.S.T. has been difficult for me. Exemptions from G.S.T. have become a symbol and if we vote for the exemptions then somehow we have succeeded in making Jersey a fairer place, and if we vote against the exemptions then somehow we support an unfair society. I do not think it is that simple and later on in my speech I am going to look at what fairness would look like because I do not think that this particular proposition may be the right way. I have real difficulties with supporting the proposition (a) and (b), and I have real difficulties with siding with the Council of Ministers for the reason I have just said; that it makes it look as if one does not believe in fairness. So the difficulties with the proposition have been well put by the Minister for Treasury and Resources really, and also by Deputy Tadier, and I think I find it very difficult to argue with the 3 main points. The first is that the U.K. (United Kingdom) system is barmy, frankly, and to import that system into Jersey is just not a responsible way for us here in this Assembly to go. I am not sure the Minister is right in his assessment of the extra bodies needed in the tax office, but certainly we would be creating a lawyer's paradise with the litigations and the importation of judgment after judgment into our system from over the water. So that is the first problem and it is a real problem. The second one is that there is a more targeted way of helping the less well-off, which is via income support and we do use that and have used that to the tune of more than the charge on food and fuel cost the worse off. So I think that argument too is valid and despite what others have said - or Deputy Tadier in particular has just said - the fact is you get more bangs for your buck if you spend it directly than on this scattergun approach which does give benefits to everyone; an exemption gives benefits to all, whether they can afford the food or not. The third point is that, yes, G.S.T. protection has been given by this House. There is the point about middle-Jersey which I have not quite got my head around, but I think that is covered by my agenda for fairness, which I will come to under why one cannot support the Council of Ministers either on this issue. So why does it keep coming back? Why does this exemption issue keep coming back and why are the public... I mean, I have felt it as well, not just in emails but personal conversations - people do feel strongly about this issue. They do think exemptions are the way to go, we should exempt food and, to a lesser extent, I think, fuel. But food is the big one in people's minds and I think what lies behind that is a feeling in the public that we have a very weak commitment to fairness really and this is their way of saying that.

[10:00]

That is why this keeps coming back with such great public concern attached to it. I just want to set out the reasons why it keeps coming back and Members might want to remember these when they come to vote. The first is the anger about the broken promise. That is still there in the back of people's minds. "This will not go up, I give a categorical assurance that it will not go up." Even in Senator Breckon's proposition that when going back 3 years we see commitments to keeping the rate low, keeping it at 3 per cent: "It will not rise. It will not rise." But more to the point and more memorable is the present Minister for Treasury and Resources' categorical assurance, both to voters and to Members of this House, that the rate would not go up - and it has gone up. There is an anger there about broken promises, there is an effect on cynicism among the public, there is an effect on the amount they believe in their politicians and all that makes that broken promise and other broken promises unforgivable. That is part of the baggage that comes with this proposition, that is part of the feeling around it and why it carries so much political weight. The second is similar, it is the response of the present Chief Minister - then I think the Minister for Treasury and Resources - to the 19,000 signature petition: "I do not care if 100,000 people sign it." Well, what an extraordinary way of going about things. It was dismissive, it suggested a culture of not listening to the concerns which underlay the petition. I think that too is part of the emotional baggage that comes with this proposition. There is the broken promise, there is the dismissive attitude to what the public very loudly said. Thirdly, there is the policy context. Now, the Minister for Treasury and Resources yesterday said: "We care. This is a caring Assembly." I agree that on its better days this Assembly does have a social conscience, but that social conscience which we see sometimes, and we saw in the various measures to protect the worse off from the effects of G.S.T., nevertheless, falls foul of the dogma repeated again and again by the Ministers and their supporters in the Corporate Services Scrutiny Panel who are supposed to be scrutinising and making a critique of government policy and the Public Accounts Committee. But we get this dogma again and again that there is no money for this and there is no money for that and we must tighten our belts and we cannot afford that and of course that carries through into the Business Plans, which this Assembly ends up voting for. Now, what is the outcome of those votes? What is the outcome of those Business Plan approvals? Well, the outcome is like this: we had to fight for years for the Millennium Town Park. There is a case of something that is good for the heart, literally, good for the soul, it is a symbol of equality and fairness and the wellbeing of thousands of people; we had to fight for years in this Assembly to get that park unencumbered, to come to fruition. The sewage coming through the ceiling at A. and E. (Accident and Emergency): "Oh, well that is not the first time" we were told "it happens every now and again." Now, in another jurisdiction that might be a resigning matter but here we hardly managed a few questions in the House. So how did that happen? That must have been the result of failings in the past to keep up with necessary infrastructure and necessary maintenance. Then, of course, the failure to have a proper Children's Service and proper protection for children and in the end we had the Williamson Report which told us to spend at least £3 million and then annual amounts as well to make up the backlog to put those children's services right, to put right the neglect over decades. That is what our policy is, that is what this belt-tightening actually means. It means no parks, it means sewage through the roof, and it means neglect of our children over decades. I think that part of the underlying force behind this G.S.T. is we want to see those type of issues put right. That is the background, that is the context for this debate. What I would have liked to have seen the Chief Minister say instead of: "I do not care if 100,000 sign the petition, I am not going to listen" what I would have liked him to say is something more along the lines of: "We understand the concern about a fair society which is at the heart of this protest. We will protect the worse off in society and here is a list of what we aim to do." Well, he did not say that, did he, but I would suggest and I would like to hear Ministers and the Chief Minister hopefully respond to this little list of what might make people out there feel that we cared about fairness and went beyond exemptions on G.S.T. which, as I have said, are a pretty inefficient way of helping, but they are a way of helping. So let us look at what a real agenda for



fairness might look like. What the Chief Minister could say, and I would like to hear him say it today, there will be no more permissions for luxury houses and mansions on our precious coastline because the coastline is there for all of us to enjoy. We will bring in a tax on the rising value of land when it is zoned for housing and we will do this because this money is a completely unearned windfall for the lucky landowners or speculators, and we will do this because it is a symbol of our unfair society and we are trying to make it better. Our policy will be to keep the population steady. Why, because this will stop the treadmill of endlessly rising demand for accommodation which creates the scarcity, which creates the vastly inflated cost of all accommodation and we are determined to tackle this. We will have a major inquiry by the J.C.R.A. (Jersey Competition Regulatory Authority) into the cost of importing goods into the Island so that we can get to the bottom of why it is that food costs - as we saw from the Senator's proposition - between 25 and 30 per cent more here than it does in the U.K., and is that properly explained by the transport costs or is there something else going on. I have not heard that inquiry announced but it will be nice to have that commitment. We will get some more tax revenue from the 1(1)(k)s and the finance industry, I know some little bits of work are being done in this area but we should say that we have that commitment, they can afford to pay a little bit more and we know that they would not all fly away the next day because Jersey has many advantages that they would not want to be without. We have faith in the attractiveness of our Island and we will take the necessary steps to increase that attractiveness and to preserve that attractiveness so that Jersey remains a wonderful place to live. We will ensure that income support and similar schemes to help the lower paid are good enough and are working, and we will ensure that we have a genuinely progressive tax system, and we will not increase G.S.T. above its present level of 5 per cent. So if the Council of Ministers subscribed to an agenda for fairness like that I think the public might be willing to listen to the argument that exemptions on G.S.T. are - certainly in the form of importing them from the U.K. - a bad way to go, that there are better ways to go and those kinds of policies would convince the public that we did care about treating people fairly. If we get those assurances then I will be happy to vote against this proposition but if I do not then I will not. Now, turning to fuel, the first general point is that domestic fuel went up 26 per cent recently, on its own, without G.S.T., with or without that is the trend and it is not the last time that fuel will increase in price. So the 5 per cent is extra paying but the issue is that heating costs will rise anyway regardless and this Assembly has to grasp that fact that taking off 5 per cent will, in the last analysis, not make any difference because the next price rise will swallow the 5 per cent and more. So the right way to go is to make the homes of everyone cheaper to heat and the commitment that we would need to hear from the Council of Minister is, yes, we will create a scheme for insulating all our homes, we have made a start with those on income support and in the Westfield Health Scheme, but when the Minister for Planning and Environment last made comments on this matter only 23 per cent of those eligible have had their homes treated. We will be absolutely determined to reach all those householders who are eligible, plus all community buildings and then all homes in the Island with energy efficiency measures. That is what I would like to hear, that is what we should be hearing if we genuinely cared about the poor and their heating bills and, indeed, the heating bills of all Islanders going forward. But will we hear these commitments from the Council of Ministers? Will we hear sensible, progressive measures to tackle the real issues? So that is as far as I can go, I want to hear those commitments otherwise obviously I cannot vote against this. I am very reluctant to vote for it so I shall probably end up abstaining unless the Council of Ministers come across with some real commitments. In conclusion, a suggestion on the side really - I do not know whether this does have legs - and that is that somebody mentioned healthy eating. I think the Senator when proposing talked about the advantages of fresh food and so on. Is there a way of using the tax system to tax imported food and not locally grown, locally produced food? That would help the agenda of the Minister for Economic Development, it would certainly help the Health agenda, and if it is possible then we should look at that. It would be a way of promoting local produce, it would be a way of promoting fresh, and it might be more feasible and more practical than what is on the table today. So, in

conclusion, I would like to see not a States that cares, because that suggests some kind of catching-up process, but a States that is fair in the first place.

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

Can I ask a point of clarification of the speaker, is he suggesting that healthy food that is imported should not receive the same treatment as healthy local food?

**The Deputy of St. Mary:**

No, you have to be simple about this. What I am saying is that if you have a system which discriminates against imported food, that will catch all the tins and all the pre-packed pizzas and all the processed food, as well as obviously fresh imported food, but it does discriminate in favour of local produce and that will change the environment gradually towards less export and more production for local consumption as well, I think that would be a side effect. There are not many processors on the Island so the inevitable effect is it gives an advantage to fresh foods.

**2.1.2 Senator S.C. Ferguson:**

This is a simple decision. Deputy Tadier talked about the well-worn old argument being brought out, but I suppose the old arguments are still the best. Do you want to benefit a system which is to the benefit of the extremely rich and the extremely needy, or do you want a system where benefits can be targeted at those who need it most? Now, apart from some misunderstanding of the Corporate Services Scrutiny Panel's report on the fiscal strategy, which I very much regret and which we have highlighted in our comments on the proposition, the thing that bothers me about the proposition is that it falls into the same trap as the Fiscal Strategy Review. It is adopting a piecemeal approach without considering the overall implications. Our report said that we recognised that the October F.S.R. (Fiscal Strategy Review) was to meet a particular situation, but we recommended - in fact we specified - that there should be no more increases in taxes of any sort until States spending is reined-in. We also want an overall fiscal strategy and a fiscal strategy covering expenditure, economic growth plan and tax.

[10:15]

But, in particular, with a complete review of all tax, direct, indirect, income, consumption and property taxes, in considering the social effects and this is in progress. But the other thing that bothers me is that the Senator has not said where he will find the additional income. He says: "I believe this is recoverable in other areas of the tax system." Well, yes, the Deputy of St. John has made a few comments about this, which I think do point out areas that we should be looking at. But the real problem with this approach - a typical States approach, if I may say so - is that we are fiddling with the system before we have reviewed it, so we end up with a real muddle of a situation and nothing gets accomplished. The Senator has quoted the second of the reports by the Scrutiny Panels, which was some 6 years ago and much has changed in the 6 years. In fact, Australia is now looking for ways to simplify their system and reduce the administration and compliance costs. It sounds like a good system to me that, that they need to start looking at ways to reduce the administration costs. But by way of contrast, Singapore - with no exemptions - has been able to ensure that those needing assistance, the low income and the pensioners, can be targeted for benefits. This appears to be a recent move so I wonder if they happen to have copied us. Most of our businesses are small businesses who have already had to spend considerable amounts of money updating their systems for G.S.T. Are we going to inflict another substantial expenditure on them? When G.S.T. came in there were extra allowances included in the tax allowances to compensate the less well-off. Some of these were brought by the then Council of Ministers and some were proposed by Deputy Le Fondré and I supported him, and this has made changes to the distribution of the tax take. You can see the system beginning to take effect. In 2008, 18 per cent of taxpayers paid 59 per cent of the income tax collected; 53 per cent of taxpayers paid 41 per cent of the tax; and 29 per cent paid no tax at all. In 2009, which are the latest figures that I have been able to

obtain, for the financial year 2009, 15 per cent of taxpayers paid 54 per cent of the tax collected; 55 per cent paid at the marginal rate; and 31 per cent paid no tax at all. In other words, people at the margin, where the tax hits hardest, are falling into a lower tax band. In actual fact, the amount paid on average per person in the 20 per cent band has increased from £14,000 to £17,000. But at the same time nearly 700 taxpayers have dropped into the marginal rate band and nearly 900 have dropped from the marginal band into the no tax paid band. Members should remember that a married man with 2 children and a mortgage pays no tax until just over £40,000 a year, and what is more the marginal rate extends right up to over £70,000 a year. In other words, the measures to reduce the burden on middle-Jersey and the less well-off to compensate for G.S.T. are working. There are other factors but the main reasoning remains. Now, the G.S.T. bonus - as has been said - is a targeted benefit payable to all people who are not on income support and do not pay any income tax. I would say that if any members of the public who are listening have not claimed it then they should get down to social security, it is a simple 3-line form and only takes a couple of minutes. But ...

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

Would the Senator give way, because I do not want her to be inadvertently giving information which is not correct. She is right that for the previous 3 years people in the category that she has explained have been able to claim the G.S.T. bonus which was renamed the food cost bonus. As the Senator will be aware, it is a 3-year piece of legislation and I have down for debate at the next States sitting a renewal of that. So at this current point in time that will not be available until at the next States sitting - dependent obviously on how the Assembly decides today - we will be debating that and after that then they will be entitled to come down and claim that in the way that she outlined. So we just need to make sure that people do not go and do that today because they will not be able to do that until after the next States sitting.

**Senator S.C. Ferguson:**

I thank the Minister for his correction. Because it was quite clear at Senator Breckon's meeting on Friday at Communicare that the G.S.T. bonus message was not getting through to the population. The Senator also quoted the case of the pensioner couple paying something around £300 in G.S.T. and I have presumed that this is not all food because that would assume that a pensioner couple is paying about £10,000 a year in food. If you reckon that about half of that is food - about £4,500 to £5,000 - then that is G.S.T. of around £150. The Senator has on occasion mentioned that - I implied, I may have misunderstood that and perhaps he will advise us in his summing up - but he has maintained that I.T.I.S. (Income Tax Instalment Scheme) is not a tax, it is a payment mechanism. It is effectively our own version of P.A.Y.E. (Pay As You Earn) and it has been brought in to spread an individual's tax burden over the year rather than having to find a large sum at the end of the year which people found difficult. It is making life easier for the taxpayer. Now, I may be corrected by the Minister for Social Security but I understand that G.S.T. is taken into account in the current income support payments. Members will talk of G.S.T. being a regressive tax. I would suggest that regression is a theory and cash is a fact and a targeted benefit is cash. A simple system means there is no evasion, no avoidance, no escaping the tax and it means that instead of spending money on administration we have got spare cash to ensure that extra benefits can be targeted at those finding it most difficult to cope. Others have spoken of the complexities of the U.K. system. Currently there is a large case brewing on whether hot food eaten off the premises is zero-rated or standard-rated. Can you imagine the complexity for the small takeaways we have in Jersey? Take the excellent bacon rolls which you buy on the Albert Quay, if you eat them standing up they would be zero-rated, but if you sit at the tables they would be standard-rated. If you go off and eat them in your car are they zero-rated or standard-rated I wonder. I think the situation has been exacerbated by the fact that the original case heard by the European Court was apparently brought by a Mr. Manfred Bog and this has enabled a number of the more imaginative members of the media to come out with a number of interesting headlines. Now, if we look at other

countries, Singapore - one of our main offshore competitors - appears to have copied us with their version of the G.S.T. bonus, they have also kept their G.S.T. at a low level. Australians only exempt fresh, unprocessed food from G.S.T. but, as I have said, they are looking at ways of reducing compliance and administration costs. So can we really think that they are finding their system totally satisfactory? Furthermore, the O.E.C.D. (Organisation for Economic Co-operation and Development) have told the U.K. that they would be better to set the V.A.T. (Value Added Tax) rate at 17.5 per cent and remove the exemptions on food and fuel. Does this proposal make economic sense? We are looking for economic growth, does reducing consumption taxes make that sense? According to the O.E.C.D., no. Their research emphasises that there is a hierarchy of taxes, the top ones which encourage economic growth and the bottom ones impede economic growth. From the O.E.C.D. research, income taxes and corporate taxes impede economic growth and consumption and property taxes encourage economic growth, or are less detrimental to economic growth is perhaps the context. This is why our Fiscal Strategy Report recommended an overall review of taxation which is underway. Then there is the common sense, if we bring in these exemptions how do we make up the lost income? More income tax, but that will retard economic growth. Does it make economic sense? As it happens I would like to look at reducing income tax but we cannot do that at this particular moment in time, we have to make sure that we have the C.S.R. savings nicely tucked-up in our back pocket first. It also seems to me that Members do not perhaps understand the economics of corporation tax. Corporations do not pay tax, the tax is effectively paid by shareholders, employees and customers. In other words, high corporate taxes reduce dividends, reduce employees' wages and increase prices to the customer. Then there is the question of why prices are rising. The price rises that we are seeing are not just in Jersey, they are worldwide and I am concerned that the proposition makes no attempt to understand why prices are rising and has not looked at other ways to ameliorate rises. Now, if we are looking at fuel the chairman of Exxon Mobil was at a United States Senate hearing last week and said that the price of oil based purely on supply and demand should be in the region of 60 dollars to 70 dollars a barrel. The reason it is above 100 dollars a barrel - actually it is not above 100 dollars, yesterday it closed at 97 dollars - the chairman explained that the price is due to the oil majors using futures contracts to lock-in current high prices and speculation that is engineered by the high frequency trading of quantitative hedge funds. The cost of producing a barrel of oil is currently 11 dollars.

[10:30]

Now, the Senator - our Senator, not a United States one - talked of the Jersey cost of fuel being something like £5.09 or thereabouts a gallon. Now in the U.K. - which I checked yesterday - they are paying something in the order of £8.64 a gallon. The reduction in oil prices that has been going on - the 97 dollars - I do not think that these prices are properly being passed on to the consumer and I am, therefore, very pleased to see the J.C.R.A. looking at the costs of oil and I wonder if the Senator can tell us in his summing up whether he has - as the Chairman of the Consumer Council - been in touch with them to express his concerns. I am glad to hear, in fact, that the Minister for Treasury and Resources may be reviewing his ideas on fuel Impôts it he does not I feel an amendment coming on because the Impôts has been used as a cash cow and possibly as a behavioural changer and I have got news for him, the Impôts of oil by litres have fallen by 5.6 per cent over the past 10 years while the number of cars have risen by 26 per cent, which seems to me to demonstrate that the market works. As the price rises people buy more fuel efficient cars and probably use them less. The same sort of arguments with food costs, we have a situation where just over 6 per cent of the total worldwide food crop is being converted into biofuel, 41 per cent of that by the United States. So this has obviously boosted the increased cost of food. We import most of our food from the U.K. and the cost of that is increased by the common agricultural policy which increases prices by about £400 a household in the U.K., the E.U. (European Union) subsidies on renewable energy which increase prices on processed food, current estimates are about £300 a year, and of course U.K. supermarkets have economies of scale and very often use staple foods as loss-leaders. The current U.K. policy on energy, which was announced a couple of days ago, will

significantly increase the cost of electricity in the U.K. which will further increase the price of processed food so the sort of increases are going to be quite significant and the inflationary component of price rises has been boosted by the quantitative easing in the U.K. So should we not be encouraging supermarkets to buy from other sources, and why has the Consumer Council not taken up the investigation and why has this not been put on the agenda of the British-Irish Council? I happen to agree with the Deputy of St. Mary that the J.C.R.A. need to look at this as well, so a lot of these factors are totally out of our hands and we need to get in there with people like the British-Irish Council and just start kicking back. To get back to the point of this debate, I ask again, do you want a system which can be used to give a benefit payable to everyone, the extremely rich and the extremely needy, or do you want a system where benefits can be targeted at those who need it most? Middle-Jersey has been assisted by the higher tax allowances and our current system looks after the needy in society. Let us emulate Singapore, not the U.K.

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

This is a very seductive and enticing proposition and it appeals to our social conscience in looking after low wage earners, pensioners and income support recipients. However, I will try and demonstrate that not only is it unlikely to help but also that it does not help those that Senator Breckon hopes it would. It is only when you drill-down and fully analyse the impact that you start to realise that in all probability if it helps anyone then the proposition will aid those on higher incomes to a greater extent than those it seeks to protect. This includes those that are high energy users with multiple-room central heating, swimming pools, home theatres, game rooms, *et cetera*, will be among the most grateful for the reduction to the cost of their lifestyles. Many of the more well-off have worked hard for the lifestyle they enjoy but I believe the job of this Government is to concentrate our support on those that are least well-off and need our support the most. I will not criticise the sentiments of Senator Breckon's proposition in the slightest, but I feel that it is misguided and does not realise its intentions. I think that we have already acted several times over to protect the vulnerable in our society and that this proposition adds nothing, although taken at face value it may be seen by some as being helpful. Let us look at some of the detail of what Senator Breckon is proposing. While I acknowledge that we are required to decide on the wording of the proposition itself, there is the report that makes the arguments that gives Members the information that allows them to make judgments, judgments that are based on facts and examples that lead us to a decision, and it is the report to this proposition that led me to question some of the facts contained within it. Firstly I acknowledge that the proposition will have been compiled at a different time to my short analysis of the costs shown in the examples contained in the report. I discovered that on doing a search on [mysupermarket.com](http://mysupermarket.com) that the actual prices being charged by a mainstream supermarket such as Sainsburys, Tesco, Asda and others are somewhat higher than those quoted in the report, reducing the differentials claimed. This led me to also look at some other examples of support for those in receipt of income support and the U.K. equivalence. It is not an exact science in determining the probable annual cost per household of G.S.T. on food and energy as many other factors make up the average cost, such as toiletries, clothing, cleaning materials and even optional spending such as pet foods and an occasional meal out on a special occasion for those fortunate or careful enough to be able to afford them. However, Jersey frontloads income support and other measures to help low wage earners to compensate for G.S.T. on all purchases and services. This prompted me to look at an example and I took the example of a single parent with one child of 7 years old and no other means of support or income and requiring a 2-bedroom flat. Such a person in the U.K. would appear to receive in pure support alone £8,560 a year. That is made up of income support of £67.50, child tax credit of £59.36, council tax benefit of £17.46 and child benefit of £20.30 grossing at £164.62. But to create a level playing field I've added into that, with the help of Social Security, a £200 a week rental charge for a 2-bedroom flat being what would be a Jersey equivalent. That brings that U.K. example up to - including the Jersey equivalent rental - £18,900. Then I looked at the same person in Jersey in the same conditions and in Jersey that person would be getting £22,717 - nigh on £4,000 per year more. This

is an example to me how generous we are to our income support and I do not decry that in any way, it is right and just that we do that and in many ways I would be far more likely to be supporting a proposition from Senator Breckon that says something along the lines: "We should bring forward measures to increase the support to income support and marginal wage earners to compensate for the increase of G.S.T." because then it would be targeted, timely and permanent. Members can test my figures themselves on those examples by looking on the Social Security self-assessment tool on their website which I must say is very excellent. The directgov.co.uk one for the U.K. element was somewhat more difficult and I had to enlist the help of Social Security on that one to make sure my figures were correct. So I believe we have already recognised that G.S.T. impacts adversely on some of the worst off in our society and have acted responsibly and compensated them through our benefit system, possibly to the extent that we have done so several times over. The comments of the Minister for Treasury and Resources contained in the breakdown of support of at least £12 million a year and I will not repeat what Members can read for themselves in his comments. This is a far more sensible approach, in my view, than designing a complex tax system that affects different individuals in different ways. Our approach demonstrates balanced care and responsible government and a government that is aware of the needs of its people by giving them in advance to G.S.T. requirements. I would like to talk briefly now about compliance costs. Many of the arguments against Senator Breckon's proposition have focused on the additional administration burden and cost to the States. I would like to elaborate a little on the potential cost to business, particularly small business, at a time when we need to be fostering an environment where those businesses can recover, grow and thrive. I am going to use the words of tax guru Cedric Sandford, who found that across a sample of U.K. industry V.A.T. compliance costs for business are some 4 per cent of the revenues raised, a large sum for any business to bear. He also laid out 3 separate elements to the cost of their compliance: fiscal costs, that is the costs associated in establishing and registering a company, employee costs of running the day-to-day V.A.T. accounting, the cost of expertise to understand and keep up with the changes in policies, the cost of submitting V.A.T. returns, the cost of external accountants to verify their figures. Secondly, time costs: the time costs of senior management in overseeing the function, but in reality in a small business that is a very scarce resource. Third, the psychological cost: the worry about the onus that is squarely put on business to conduct their V.A.T.s properly with financial and even criminal sanctions for failing to do so. Having established what the V.A.T. compliance burden on most businesses is and which businesses does it fall most heavily, there is no doubt that it is the very small businesses just above the V.A.T./G.S.T. threshold who bear the heaviest burden. For example, a National Audit Office study in 1994 found that in the smallest businesses the cost of compliance was some 20 per cent of the tax paid and that cost will have to be met by higher pre-profit costs put on the products or services for sale. I think the important point there is, there was an argument put earlier on that the only way to reduce the cost of food is not to put the G.S.T. on it, I note by not putting the cost on it, it would bring the food cost down. The cost of administering the system will require the costs of the business administration to be put on the food, so it would come out - in my view - as net, no benefit at all.

**Deputy R.G. Le Hérisier:**

I wonder if I can ask a point of clarification. Given that the Jersey threshold is enormously higher than the U.K. threshold, are those figures just quoted based upon the U.K. threshold or an analysis of the Jersey small business threshold?

**The Connétable of St. Peter:**

Those figures are based on the U.K. threshold. Coming back on to the study about putting the costs on top of the base costs of the items before they are put on for sale, this is a critically important point. It is highly probable that if this proposition were to be successful, the very Islanders that Senator Breckon is seeking to protect will see no benefit and possibly even a worsening of their circumstances. Businesses will protect themselves through higher prices to cover their

administration costs. It is a fact of life that at this time when profit margins are squeezed this is how they will behave and it would be naïve to expect them to act in any other way. The Jersey Chamber of Commerce is alive to the position in the U.K. and in a recent communication on the proposed reduction of G.S.T. on some items commented: "It is our view that G.S.T. should be an across the board tax and there should be minimal exemptions to ease the burden on businesses that act as unpaid tax collectors on behalf of the Government." I agree with that view, but only if we then compensate those who need help the most. We have clearly demonstrated that we do this. In summary, this proposition is unlikely to help anyone. If it does it is not the least well-off that will be celebrating the most today if it were to be approved. We already help those that need our help the most and I encourage Members to reject this proposition and continue to support the less well-off by not bringing in a system that will undoubtedly leave them even less well-off. While the seductive nature of this proposition is very attractive, our parents, ourselves and our children will suffer from the failure of this Chamber to make the right decisions, decisions based on facts and irrefutable evidence, decisions made with the insight of the ramifications of making the wrong decision. It may be tempting for a Member to vote a particular way especially, as we are so often reminded lately, that this is an election year. But it is never the wrong time to make the right decision. Thank you.

**The Deputy of St. Mary:**

May I ask for a point of clarification from the speaker? The speaker researched the fact that in Jersey people who receive income support - and he quotes a specific example - would get £4,000 more on roughly £20,000, so about 20 per cent more.

[10:45]

Did the speaker also research the extra cost of living in Jersey and relate that to the 20 per cent more that they would get in Jersey?

**The Connétable of St. Peter:**

I looked at the differences in the cost of the basic items included in the report to the proposition and found that in most of the examples in the report the U.K. equivalent I found - by looking on [mysupermarket.com](http://mysupermarket.com) - were higher than the figures quoted in the report. So it closes the margins quite considerably. But those are a very selective, small sample of goods, it was not on what I would call a normal weekly shop example of goods which would have been probably more representative, and I did not drill-down to that detail. With regard to the housing costs in the U.K., the housing costs would be generally far less than I have added in to the U.K. component, for example £200 a week for a 2-bedroom flat in the U.K., you would probably have to be living somewhere on Oxford Street in London effectively to pay that. In many other places you would probably be paying less than £100, so I have gone for worst case scenario in the U.K. example to bring it up closer to the Jersey one, where more often than not it will be quite a bigger difference, £4,000 being the minimum. Hopefully that helps.

**Senator A. Breckon:**

I wonder if I may give a point of clarification in case a confusion occurs over that. The statistics I have quoted are from the Jersey Statistics Unit, they are not my things so in no way are they skewed in any way, they are independently done.

**The Connétable of St. Peter:**

I acknowledge that, thank you.

**2.1.4 Connétable S.A. Yates of St. Martin:**

I will try and remember what I was going to say now because I was quite clear in my mind about an hour ago. I fear that if this proposition is adopted that the income support recipients will suffer because their G.S.T. component must be, I would think, removed from their grants and also the

G.S.T. bonus which is paid to non taxpayers and non income support recipients would be removed also. So I think the vulnerable section of our population will suffer. I wanted to comment a couple of words on the speech that Deputy Martin made yesterday, which was very relevant, and in fact she was concentrating on the effects on middle Jersey, and this is absolutely relevant because about 3 weeks ago I received a letter from the oil company which supplies us with heating oil and they said that they wanted to put up my standing order by £40 a month. Well, I thought: "Wow, that is a bit much because that represents a 50 per cent increase." We did have a cold winter but it was a bit too much for me to stomach, I said: "No, I am not going to do that, here is the balance I owe you from this winter, kindly reassess me." So that is a factor of I cannot afford that amount quite frankly, to pay that amount every month so, yes, I think this belt tightening is affecting me personally. I am middle-Jersey and I think it must be affecting everybody. So I do believe that I am probably old enough to have lived through probably the greatest credit crunch, or the Second World War, which was not a credit crunch, but it was certainly hard times and I have lived through that and it was hard times, definitely very tight belt-tightening. I mean, if you have not lived through it you would not comprehend what it was like, I mean, you would save bits of gum paper from the edge of postage stamps in order to use an envelope twice. If you had a paper clip you did not send it off with your letter, you kept it because you could not buy a paper clip, and that is hard times. Rationing, income tax going up an incredible amount, and we were very, very short of everything and I am talking about really, really hard times. I do not believe that this current run of hard times is going to last for ever. I think basically we are talking in terms of the re-growth of our economy, I think we are maybe - as was yesterday - just showing the first fruits of re-growth. I think probably we have got to hang-on in there for another 3, 4, 5 years. I would urge Members to keep their belts tight, hang on in there and accept 5 per cent as has been agreed, 5 per cent was passed some time last year and I should say to the Minister that judging by the comments around this side of the Chamber, 5 per cent, that is it because you will not get any more and I think, quite frankly, stick with 5 per cent, keep it simple. I hesitate because if this proposition is carried I would quite expect to have a proposition from the Council of Ministers to put it up to 6 or 7 per cent and once that has done we have broken the magic 5 per cent because, quite frankly, we want to stay at 5 per cent and not a step further. I would emphasise that we must stick at a low percentage of G.S.T. and keep it simple and please vote against this proposition.

### **2.1.5 The Deputy of Grouville:**

It seems quite a popular acronym: keep it simple. Do we introduce a very complex system riddled with court cases and be a burden on small companies, possibly putting them out of business? Or do we keep it simple and tax everybody equally? Well, put like that it is obvious what we do, but if only it was that simple. Of course it is not that simple, we all know it is not that simple because by taxing everybody equally what we are doing is creating a welfare state. We are saying: "If you are struggling, if you are on low income, if you cannot manage in this Island then, as Senator Ferguson said, you just trot down to Social Security, fill out another very, very simple 3-page form and go and get your handout." Well, I know a lot of people in Jersey that simply will not do that. There are some that do and they are possibly the ones that are targeted, we are all paying for those. But there are an awful lot of people in Jersey that will not fill out a simple 3-page form and join the queue and get into this welfare state that we are trying to create because we want to keep a very simple system. Now, it seems to me that it is irking a lot of people that by introducing exemptions we may be benefiting the better off. We may be benefiting the people with swimming pools who are heating their swimming pools, goodness me, we cannot possibly do that. Well if Members find that scenario so irksome then find a means of taxing them. Different systems are quoted to us like Singapore, New Zealand, Australia, these are held up: "Oh, look what they have got, they have got a flat rate across the board." But what is missing in that analysis is what income tax they pay. Their income tax is not flat and across the board so if we are going to compare different systems, different jurisdictions ...

### **The Bailiff**



I am sorry, Deputy, we have gone inquorate. I will ask the usher to bring Members back.

**Deputy M.R. Higgins:**

Is it possible for us to have the appel so we can show people who do care about this debate?

**The Bailiff:**

Yes, well Standing Orders give us a certain amount of time but unless we go quorate immediately then otherwise I will call for an appel. Very well, we are now quorate again. So please continue then, Deputy.

**The Deputy of Grouville:**

I was speaking about different jurisdictions and if we are going to make comparisons I think we ought to make comparisons with their entire tax system, not just the G.S.T. element of it because I think that would paint a very different picture for Members. So when we go along with this keep it simple, send people down to Social Security to engage in the welfare state with their handouts - as Deputy Martin put yesterday - what about the middle-earners, what about those who are struggling, what about those who are struggling with mortgages that they get for an entire lifetime, they are struggling with school fees, they pay their dues? What about those people? Those people are being squeezed and there is no system in place for them. The only option those people have - those just above the threshold for help - the only option they have left to them is to get the boat in the morning basically, and I know an awful lot of people who are doing just that because they are finding this Island so expensive to live in, and it just seems to me that nobody particularly cares. So by keeping it simple we create a welfare state, everyone trots down to Social Security, those that do not, well, tough, they can just continue to pay their dues and struggle. Now, this Assembly has been split, this debate has come forward many times, I have brought it forward twice and it is going to be a very close run thing today, and it is going to keep on coming back and the Treasury need to be asking themselves: "Why is this topic going to be brought back time and time again?" The Minister for Treasury and Resources asked me yesterday, because not all of us come to this Chamber with our minds totally and utterly made up, we think we know how we are going to vote but I think if our minds were so utterly closed it would make this Chamber redundant, so no matter what your principles you do allow an element to be swayed or persuaded to change your mind. The Minister for Treasury and Resources said to me yesterday: "Is there anything I can do to make you change your mind on this because having brought it forward to this proposition twice yourself you are probably going to be voting for exemptions?" I would say to him: "I would love to be voting for a simple, across the board system." I do not believe - unlike the last speaker - that there is a magic number of 5 per cent, to me the magic number could have been 3 per cent but Treasury feel that we need the money so we have turned it up to 5 per cent, as we will do again and again and again. The Minister for Treasury and Resources is shaking his head, but he shook his head last time, did he not, so let us not get fooled by that. So is there anything that he can do to make me change my mind? Well, yes, there is. In order to keep this simple and vote for a very persuasive across the board system I would like to see some fairness or an attempt that there is some fairness of taxing people in this Island, because I am afraid there is not. When we have no attempts whatsoever - and I remember this point being brought up in 2004 - no attempts whatsoever to bring forward land value tax, so somebody gets their land rezoned, overnight they have won the jackpot, no tax payable. Foreign-owned companies, now, I brought this amendment to the budget last year, okay, and I am prepared to wait, the Minister for Treasury and Resources said: "We will definitely be bringing something in this year for this year's budget."

[11:00]

Well this is such a closely guarded secret, surely something ought to be on the table now, we ought to be celebrating the fact that we are going to tax foreign-owned companies and then there would be some fairness. But there is not, I have not seen anything and I live in hope that there is going to

be something tabled very, very soon. So, yes, there is something he could do, he can start to tax and look at other mechanisms and when all of those have been exhausted - even if the system is not totally and utterly fair - people would see that there is some attempt to make it fair and then if we really, really then have to raise taxes, have to put an extra 2 per cent on G.S.T. I think we would understand because all other measures would have been exhausted. That has not happened and if that were to happen that is what would persuade my mind. I cannot agree to taxing basics when there are all these other options. Okay, very, very complex but, nonetheless, there are other options that can be explored, can be tabled [**Approbation**] and we should be doing those now before we tax life's basics. It is as simple as that. That is what will keep it simple.

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

I am not going to speak too long on this subject, simply because I think all the arguments have been well rehearsed. Some Members - Senator Ozouf and Senator Ferguson - mentioned about oil and the fact that we should take comfort from the fact that the J.C.R.A. are going to look at it, as if some sort of miracle will happen. Well I just hope that the oil companies do not blame the high rent that they have to pay to the States as one of the reasons for the high price of oil, because the chairman of the J.C.R.A. will have to have a serious word with himself when he gets appointed as head of Property Holdings or the States Development Company. But we will have to wait and see how that one goes. It has been quite interesting in the Shenton household of late because my brother is the tax adviser to the I.O.D. (Institute of Directors) and he has taken a completely different stance to me on this. I made an election promise about not taxing food and he is in Greece at the moment - the country not the musical [**Laughter**] - and he has asked me to text him the result of the debate when it comes through. Now, he is obviously a tax accountant and he can see all the benefits of keeping a simple system. He also obviously is quite keen on getting people on to income support and increasing the benefit culture and making people go cap in hand, so this is an aspect of the I.O.D. I was not aware of and being a member it is quite revealing to find that they are quite so keen on people going off and claiming benefits. But, there you go, that is life. The arguments in the past have always been: "Keep it simple, stupid." I think it was Deputy Power who came up with this phrase in one of the previous debates, if we keep it simple then we will stay at 3 per cent, is what the argument was and they used the term "keep it simple, stupid" as if we were all a bit stupid by arguing for exemptions for food. But I think what most of us in the House in those debates did argue was the fact that it was not going to stay at 3 per cent and I think the argument was: "Actually we are not being stupid, it is not going to stay at 3 per cent, it is going to go up and it is morally wrong and just plain wrong to tax food." So the I.O.D. and the Chamber of Commerce, they are still coming up with this keep it simple, stupid, and when it goes up to 7 per cent they will probably still come up with it and 10 per cent and whatever. Then one day they will just sit down and think: "Well it is us that has been a bit stupid because we thought that we could keep it at 3 per cent and obviously that is not possible." So I think that the ones being stupid are not the ones looking to exempt food, I think it is the ones that believe that G.S.T. will stay at 5 per cent. I think the other thing is about targeting. People have talked about targeting, so I was sort of thinking to myself, well say we had 2 people go to a local quality supermarket and they have got £20 to spend and there are 2 people in the queue, one is a couple of pensioners, reasonable income, middle Jersey, not claiming benefits - much to the disappointment of the Chamber of Commerce and the I.O.D. and they have got £20 and their basket consists of Jersey butter, Jersey bread, a nice bit of Jersey lamb, Jersey milk, Jersey vegetables, a Jersey salad and a little bit of Jersey local fish and that comes to £20, because they have shopped well. [**Laughter**]

#### **Senator F.E. Cohen:**

Sir, I am not sure when the Senator last shopped but he seems to be out of touch. [**Laughter**]

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

Could I advise the Senator that Jersey butter in the Co-op 3 weeks ago was 20 pence more expensive than Waitrose? **[Laughter]**

**Senator B.E. Shenton:**

Sir, I cannot answer that without being accused of being biased. So, we have got the local couple with their basket of local produce and then behind them in the queue is a nanny that is working for a very well-paid individual that has been sent off to do some shopping to fill up the treats cupboard for the kids and this, that and the other, and her basket consists of imported sorbet, imported Arctic roll, imported chocolate bars, imported milkshake, imported crisps, some wine and some gourmet cat food for their cat **[Laughter]**, all favourites. Her shopping bill comes to £20 as well, so they both spent £20. Now, under Senator Breckon's proposal from 1st January the nanny's shopping basket will still cost £20, because those will still all be subject to G.S.T. However, the basket of the pensioners that have bought local, their basket will go down to £19, so they will have a £1 reduction in their basket because they will not pay any G.S.T. on any of those goods. I think that is what targeting is all about and I think it is also spreading the benefit across the whole of middle Jersey. So, I am going to support this and I hope other Members will do likewise, but I do think most people have made their minds up and that is why I am keeping my speech much shorter than previous ones, thank you.

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

Excuse me, Sir, may I ask a point of clarity from the previous speaker? Does he believe that the family with the nanny only purchase those particular items and that they are not likely to buy the same items as the previous shopper who was a pensioner?

**The Bailiff:**

I am not entirely sure that is a point of clarification.

**Senator B.E. Shenton:**

I will say that a couple of speakers have alluded to the fact that more well-off people spend a lot more money on basic items of food whereas in fact that is not the case. A very rich person will not eat 5 loaves of bread and 10 dozen eggs just because they are well-off. People tend to eat the same amount of basic goods.

**2.1.7 The Connetable of St. Clement:**

I am sure we are all grateful for that contribution from the Director of the Caring Sharing Co-op who I understand is a major food retailer, and there was a time in this House when we used to declare such interests and perhaps such courtesies will return. But, to the disappointment of many and despite very many requests, I am not going to repeat the rum baba speech which I gave on the last 2 occasions, and I know that will be particularly disappointing to Deputy Maçon and Senator Ozouf but I hope Members who recall it will take it as read and those who cannot recall it I can provide a C.D. (Compact Disc) afterwards. **[Laughter]** But nevertheless, there are one or 2 things which I do want to say, and it was really Deputy Tadier who inspired me. That does not very often happen but on this occasion he did inspire me and what I think he really showed, if Members analyse what he said this morning, is that we should see the folly of this proposition. We should see the inappropriateness of this proposition. We should see how well-intentioned it is but also how misguided. How it is going to have the opposite impact that those who are supporting it believe. You see, Deputy Tadier spoke of his £3 piece of fish. If we do remove G.S.T. from fish, 3 per cent or 5 per cent, Deputy Tadier will save undoubtedly 9 pence or 15 pence on that piece of fish, provided of course that the full amount is taken off by the retailer. Even the Deputy admitted that that is not by any means certain. Indeed the cost to the retailer of administering this more complex scheme will obviously increase his costs and they will need to be recovered. So, a full reduction on food is not very likely. In fact it is almost certain not to be the case. But, let us assume for the sake of illustration that the Deputy does save 9 pence currently, or 15 pence when it

increases, on his piece of fish. He will save that money, so of course will those who are on income support; in fact everybody will, and that is good. But, the element that those on income support receive to compensate for G.S.T. on their income support will reduce, so in real terms of course they will be no better off, or if the full reduction is not made they will even be worse off, and that is not good. The same applies to those who receive the G.S.T. bonus, which we have spoken about, which will no longer be paid because there will no longer be G.S.T. on food, but even though there is not G.S.T. there is no guarantee of lower prices. So, they too will be no better off or probably even a little worse off. So, there we have it. Income support recipients will be no better off and perhaps worse off and taxpayers will be no better off or perhaps a little worse off. Deputy Tadier, who I suspect does pay tax on his income of over £40,000 a year, will be better off on his £3 piece of fish by 9 pence this year and 15 pence next year. Where is the social justice in that? But it gets worse because there are people in this Island who have a greater disposable income than Deputy Tadier, and the majority of us in this Chamber, and they might spend more than £3 a week on their piece of fish. They might spend £10 on a crab and they will save 50 pence next year. Perhaps they will spend £20 on a lobster, they will save a whole £1 next year. There are those, believe it or not, who might spend £50 on a jar of caviar, they will save £2.50. Now, despite what the Deputy of Grouville was saying, the system that we currently have does not tax everybody equally. The current G.S.T. system taxes those with a greater disposable income more than those on lower incomes. That is quite obvious because if they are spending more they are paying more in tax. There are those in this Chamber who have made it quite clear that they believe that higher income individuals should be paying more tax. By supporting this proposition the better-off will be paying considerably less tax and that is not social justice. There is no social justice in that. On this occasion our heads really must rule our hearts. Otherwise it will be the poorer and the most vulnerable who will be worse off and the wealthy better-off. That is not what I am here to do and to achieve and I do not believe it is what the majority of us are here to do and achieve. To add to that, to introduce the system which will make the poorer worse off we are going to have to employ more civil servants to collect less tax. How the heck can we justify that?

[11:15]

#### **2.1.8 Senator F.E. Cohen:**

May I begin with an apology to Deputy Le Hérissier? Yesterday I made a point of correcting a minor error the Deputy had made in his speech on the Waterfront delaying proposition. I should not have done this and it was discourteous. We all have memory lapses and it was unnecessary to point out the error that many of us have made, and I am most sorry. Turning to the debate in relation to G.S.T. firstly I would point out that the Minister for Treasury and Resources has been extremely robust, and rightly robust, in relation to his stance on G.S.T. and keeping it simple, and the Chief Minister before him has been similarly robust and it is to his credit that he endured the implementation of G.S.T., which was by no means easy and rather difficult. Even contemplating the implementation of the U.K. V.A.T. food schedule is simply madness. No sensible person would even consider it and I am amazed that we are going down the path of even considering being seduced by this complex nonsense. The only good thing about the repetitive G.S.T. debates has always been the Constable of St. Clement's highly amusing rum baba speech, but it was a very significant speech when he made it in the past and I am deeply disappointed that he did not make our day today by making the speech again, because although it was highly amusing it pointed out the folly of the ridiculous V.A.T. exemption schedules. But this issue is not unique to Jersey and I would like to read to you some comments from a Tax Justice Network press release: "G.S.T. off food will be a defining political issue in 2011' said Mr. Gunson, Tax Justice Campaign Co-ordinator. 'How politicians relate to growing anger at rising food prices will be a test of whether or not they are prepared to put people first. The impact of ballooning global food prices is being felt at the supermarket and it is predicted to get much worse.' Tax Justice campaigners collected 25,000 signatures for a petition that calls for the removal of G.S.T. from food." Extraordinary words and very relevant but nothing to do with Jersey. That is a Tax Justice Network campaign in

New Zealand earlier this year. So, we are certainly not alone. But what New Zealand has done is consider something that I believe is something that in the future we should consider. That is keeping G.S.T. on food simple, as it is, but allowing a simple, healthy food option. There is a significant report that has been produced in relation to the introduction of such a system in New Zealand and in Australia, and I will circulate the report later on in the day. The conclusion of that report is that the simple way of doing it is to exempt local produce and fresh vegetables and fruit, and I think that is something that should be considered and indeed it was something that was proposed to the House some years ago by Deputy Shona Pitman. It is worth revisiting and it is worth some consideration at a later date. But it is vitally important that we do not tinker with considering the implementation of the nonsensical U.K. V.A.T. exemption schedule. It is an absolute nightmare. It does not deliver anything at all for the community and it would make life very complicated for Islanders, for retailers and would not have the advantages of a healthy food option, which has the wonderful, secondary consequence of improving the health and diet of Islanders; something that I could well do with. So, do not be seduced by the nonsense of the U.K. V.A.T. schedule. As far as fuel is concerned, the problem fundamentally with the high price of fuel in Jersey is that because of the inadequacies of the market we do not appear to have the usual dynamics working where price competitiveness reduces margins. Margins on fuel in Jersey are still, as I understand it, enormously high. It is not the G.S.T. that is the problem; it is fundamentally the margins that are the problem. Rather than removing G.S.T. on fuel from which all of us, those who can afford it and those who cannot, would benefit, we are much better to direct more of the existing G.S.T. that is raised on fuel to extending the energy efficiency service so ably chaired by Sir Nigel Broomfield. Something that has delivered through the work of this House over 1,000 homes in Jersey being now highly efficient because they have had home insulation improvements and now boiler replacements. The scheme will be extended to lower-middle income families in the future, but currently the system is directed towards the lowest income families and of course it has the advantage of helping reduce fuel use, reduce the cost to the family, reducing carbon emissions and once you have done it it is there for every year, not just the year in which you apply it. I would suggest that Members direct their attention to using existing G.S.T. fuel revenues to extend the energy efficiency service. It is an exemplar service, it is run extraordinarily efficiently and it is delivering on the ground, quietly, enormous benefits to those who need it within the Island. So, in conclusion I urge Members not to support changing the current G.S.T. system. The simple system is the best system. Yes, we could consider in the future using a healthy foods option as a mechanism of changing dietary habits but let us keep it simple, let us keep it as it is and let us consider the options that I have raised.

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

I am not going to pick up on all the arguments and quote a load of figures, just pick up on a few points. I think it was the Deputy of Grouville who said that this subject comes back time and time again, and why does it come back time and time again? Because it is fundamentally immoral to tax essentials in life. **[Approbation]** We hear about the U.K. system is not the right system but we never see any viable alternatives coming forward to help us. Senator Ferguson made a comment about processed foods and how they are going to become more expensive. In actual fact they are becoming cheaper and the problem with that is we are driving our community to eat the very foods we do not want them to eat. We are driving them to eat foods that are laden in fat, that are laden in salt, that are high in sugar, processed foods are the only foods that have gone down. I am a caterer, I follow prices very closely in *The Grocer*. The only foods that have gone down in price are tinned, canned foods that we would not want to encourage our people to eat. We are driving them to do so. We have talked about percentages of income. Yes, people that are well-off will be being allowed not to pay G.S.T. on their food but as a percentage of income many people on the breadline, many lower earners, are paying a much greater proportion of their income on food than those that are well off. I think we have got an opportunity here today ... maybe the U.K. system is not right, maybe we need to tweak it, but we have got an opportunity here today because perception is so important.

The perception out there of the middle-Jersey and lower earners is that we do not care, we want to tax. We have got an opportunity to put that perception right by agreeing to this proposition today.

### **2.1.10 Deputy T.M. Pitman of St. Helier:**

I will probably miss a few bits out because a few people are saying the same thing. I am glad. I just would flag-up some information I have got. The average full-time baby day and nursery place in Jersey, £15,938 a year average. Do they pay that in the U.K.? I think some people need to move into the real world, with due respect. I have to say yesterday I thought the Minister for Treasury and Resources belittled Senator Breckon's proposition. Perhaps he did not mean to but this talk of ferret food and German sausage. The lines are all well-rehearsed it seems for some, why we should not have any exemptions. But what about the issue of morality? Deputy Green touched on that. I would say to Senator Ozouf - I am a vegetarian so I do not know - but perhaps when he wants a bit of German sausage why should he have to go and get taxed on that as well? Why should we pay tax on the things we like, the essentials of life? There is not a great deal of consideration for morality I think in this debate, from some. The Deputy of St. John yesterday asked what kind of society we were when an elderly couple told him that they found it such a struggle that they hoped they would die soon. Well, I can tell him what type of society we have become. We are an out of control, free-market, fundamentalist society. We are a society with a Government dominated by individuals so politically, economically inadequate, I am afraid, that they keep following policies of tax breaks - and it is true - pandering to the wealthy individuals and companies, because we have not got that fair base, as we all know. Not much seems to be done about it to create that level playing field either, I have to say. They keep following these policies, failing to see that all this does is make the rich richer and the gap between them and the ordinary people ever bigger. It is a fact and no amount of spin from right-wing ideologists will change that. It is a fact, just read people like Chang, you cannot dispute it. Indeed, if I can use the words of one pensioner who phoned me - if I only use these words to save myself from getting into trouble - she said that this society really is the result of a Government dominated by a few wealthy people and run for the benefit of the wealthy. That is what she felt and how many would argue with that? Because that is the message we send out. We are hearing about it being a head and heart debate. I would suggest that we are here today again because the Council of Ministers does not have a heart and they have got very muddled heads. They are failing us and they are failing the people in both respects I think. The Deputy of St. Mary asks: "Why does this issue keep coming back?" And Deputy Green has picked up on it and the Deputy of Grouville. Why does it keep coming back? Well, those broken promises are a big issue and I think the Minister for Treasury and Resources would acknowledge that. I am willing to accept that he meant those promises but nevertheless they ring very discordantly with people. People I think can expect promises that are made so publicly to be adhered to. They go back to issues such as the comment from the Chief Minister when he said he did not care if 100,000 people signed that petition. Now, I was involved with Senator Breckon's campaign. I got a lot of those signatures as did several other people in this House. I remember it vividly when that message came out: "I do not care if 100,000 people sign." That rankles with people. That does not cement a feeling of respect or caring. It makes people angry, it makes people upset and it makes very many people lose faith, lose hope. But more than anything I think it keeps coming back, this G.S.T. issue, because - and a couple of Members have touched on it so I will not go on it for too long - because there are so many other policies that we could look at but we do not. If you go back to, I think it was 2004, former Senator Syvret, he called for this full investigation into other tax avenues; met with the usual disdain. It is fine to say, as Senator Ferguson pointed out, that we are looking at things now but then we should have genuinely considered these before we even went down this route. This Government ... you see I am slipping into it because it is not this Government, it is this Council of Ministers, and it is the one thing I get angry with when people say to me: "You, the Government." Because it is not me, the Government. I do not support these policies of this crazy, free-market fundamentalism where greed is rewarded, where the poor can fend for themselves, but we all get tarred with that brush. That is the good

thing, 5 months to an election people are going to be watching this time and I hope people will feel uncomfortable because they should.

[11:30]

It keeps coming back because we keep following these policies that are utterly discredited. Again, come back, read people like Chang. Despite the myth of every 1(1)(k) - my favourite subject-paying £100,000, we were told this for 20 years until I got the figures released. Out of 137 super-wealthy individuals, I note Senator Breckon touched on this, 82 do not pay anything like; 26 individuals pay less than £10,000; 17 of these super-wealthy people pay less than £5,000 tax. I had a very strange conversation with a lady who phoned me up and she phoned me up to ask me not to support Senator Breckon. She did not live in my district, she lived in St. Clement, and she had a bit of a rant really about all these pensioners she sees buying their luxury food in Marks & Spencer. I think some people really need to live in the real world. I do not know any pensioners who can afford luxuries. My mum is 80 years old, she certainly cannot. This debate seems to always come back to people's political ideology. For me this is about morality and it is about the fact that policies we have pursued, as governments around the world for the last 30 years have pursued, do not work and the facts are there and they cannot be argued about. Making the rich richer does not make the rest of us better off; it is a fact. How can we tax the essentials of life when we have 17 multi-millionaires paying less than £5,000 tax? I hope that gets into the media because it should, because if nothing else it shows one of the routes that we really should have gone down before we went down this easy option of hitting the soft targets. The fact is we do not want a fair society. Some of us believe that words like equality and fairness should be more than just words on a strategic plan but I am afraid for the Council of Ministers that is all they are, they are words. This Council of Ministers has no heart. I appreciate that the Minister for Treasury and Resources has a difficult job. Any Minister for Treasury and Resources is going to have a difficult job. But if he really believes this is the way to go in dismissing Senator Breckon I challenge him to stand on this platform in the next election. Stand on this policy and see where the Minister gets. See if he has the support of the people. Because this is not about left and right now, this is about how people feel about a Government that has lost touch with morality and I have to say I totally agree. As I say, I agree with Senator Ferguson when she points out about things are being reviewed but it should have been done, and yet happily we move, we broke the promises from 3 per cent up to 5 per cent, the soft targets. Of course I knew I could not agree with everything Senator Ferguson said because I always remember her comments about the so-called poor and I do wonder if she understands what it is like to be poor in Jersey. I see a lot of them in my district as I know Deputy Martin and Deputy Le Claire will and the other St. Helier Deputies. She talked about the increase in people who are not paying tax. Well, I am afraid some of that is because they have lost their jobs and why have they lost their jobs? As a result of policies followed here and elsewhere in the world which can only lead to the ultimate outcome of a society that is fractured. Because again, we always come back ... we must be bullied, we must be blackmailed by companies, certain companies, certain individuals who will tell us that they are very mobile, they will mobilise away. So, what do we do? We hit the people who are not mobile. Is that why we are in Government? Well, I am certainly not in Government for that reason. I was looking forward to the rum baba speech as well, but I have to say I do not agree with the Constable's conclusions, much as I respect him. We need to put this mentality aside and start from a base of fairness, that is what I strongly believe. It is not really rocket science. We keep hearing that it is not a simple issue. Well, it is a simple issue because the simple fact is that tax should not be on the essentials of life. What else do I want to say? Not a great deal. When I think about this debate and the way that the Council of Ministers follow these policies I am reminded of a maxim, I suppose you would call it, from the Alcoholics Anonymous group, which says: "The definition of insanity: doing the same thing over and over again and expecting there to be a different outcome." Well, that is what this Council of Ministers, just like the last one, does. A total unwillingness to look at other alternative measures of taxation, fairer measures, that is what the Deputy of Grouville has pointed out, Deputy Green, myself, and we are

right, and that is why so many of us feel uncomfortable with this. If it was the only way forward I think a lot of us could bite the bullet and swallow it a lot easier. Bite the bullet and get taxed on it probably. But we do not look at those other measures, and there just seems a complete - I am trying to use a word that will not get me into trouble - there just seems to be a mental block on the Council of Ministers' part that they just will not look at other fair taxation measures. We get it wheeled-out every time in these debates: "We have to do this for the finance industry; we have to do this for the rich." We are the Government, yet we are being blackmailed, and the people are being blackmailed. It just goes on and on, and the only way it will change I am afraid is in an election, and the good thing about Senator Breckon bringing this is there is an election in 5 months' time, and the good thing about that is the people can hear the speeches and the hand-wringings and the: "I totally support this, however ... but ..." and this time they can look at the voting and they can see who thought it was all right for those multi-millionaires to pay £5,000 tax, but they had to force people in difficult circumstances, and credit to Senator Cohen here, for he mentioned it; I was going to raise it. I sat and listened, I think it was 2008, but before I was in the House, Deputy Pitman, the better looking one, she brought a proposition about healthy food and when we hear things: "This will cost us money." If you did remove G.S.T. on healthy food it would save us millions over the years, you cannot dispute that fact, because we pay a fortune because people who indulge in bad diets and the resulting health problems, who pays for that? The taxpayer. I was in Denmark before Christmas for the Parish, and they are going down the route of healthy food taxes being reduced and putting it more on to luxury items; that is what the former Minister for Education, Sport and Culture was telling me, and does that not make a lot of sense? Now we hear Senator Cohen bring it up and maybe that will make some people think: "Oh well, yes, that is a good excuse not to vote for Senator Breckon," but just remember I listened to that debate, the proposer was ridiculed for bringing it. We had the usual argument about what is a mackerel and what is a conga and all the other nonsense. It is always: "Put it off until tomorrow." So I say, people should think with their heads and, thinking with your heads, because that is where the morality comes from, you should be supporting Senator Breckon today. There are many people I see every day in my job who are absolutely struggling to make ends meet. They do not have the luxury of eating some days, it is that bad, I mean how anyone cannot be moved by what the Deputy of St. John has said; that an elderly couple can want to die because life is so tough, in the 21st Century in an affluent place like Jersey that really is the only argument that needed to be made. No ifs, no buts, no however, no jams tomorrow, I say to everybody, please do support Senator Breckon, the public will watch this time, and sadly, if they do not react to how this vote goes then they deserve the Government they get. Thank you.

**Senator J.L. Perchard:**

I believe that speeches that are now being given are in breach of Standing Order 104(2)(a), repetition of arguments. I also believe that Members are decided over which way they intend to vote on this matter and, as such, I would like to give notice of my intention to propose the closure in half an hour.

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

On the back of that, could I point out that this has the support of the Council of Ministers and we have heard so far from one Minister. I think that is a shameful state of affairs.

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

Very briefly, I will be supporting this proposition. I have seen the queues of people in, shall we say, the bargain supermarkets that sell food for less than sort of £1.05, they are doing a roaring trade. Even the shops now that sell goods for less than £1 are starting to sell tinned goods, bread, *et cetera*, very, very cheap and not the highest quality I dare say, but very cheap. People are feeling the pinch. If you go into a regular supermarket, there used to be lots of food whose sell-by date was due out that day, which would normally be thrown away, it is now put in a huge basket in the



middle of the supermarket and everyone going in; that is the first place they stop. We are still in a recession and I have seen many people, senior citizens, families, *et cetera*, buy things like bags of rice because they can get 4 meals out of one bag of rice. I will be supporting this, and I urge Members to do likewise. Thank you.

**2.1.12 Deputy S. Power of St. Brelade:**

I am going to vote against this proposition again and I would like to tell Members why. I was one of those Members originally in 2006 who voted against G.S.T. in the first place and I accepted the will of this Assembly in 2006; that it was a majority decision and I went with the flow. But I did decide that the only way this tax system was going to work was a simple model with as few exemptions as possible, and that is what we have. I accepted the will of the Assembly in 2006 and that is where we are now. In my view, Senator Breckon's report and proposition being brought at this time, after a similar debate in November, and I was not here in November or December because I was not well. We are 16 weeks to nomination night, we are 16 weeks to nomination night and I think this has been driven politically, and it seeks again to effect a change in the simplicity of a simple tax, the effectiveness of the collection costs, and eliminates any hope that the base rate could stay at anything remotely near 5 per cent, because it gives an ace card to the Council of Ministers. I do not believe in populist or electoral politics and I would like to read to Members my ...

**Deputy G.P. Southern:**

Point of order. Is the Deputy not impugning the motives of Senator Breckon?

**Deputy S. Power:**

No, Sir. I am saying that ...

**Deputy G.P. Southern:**

Because Senator Breckon is not up for election this year.

**Deputy S. Power:**

I am saying that it is inappropriate. I think it is electoral; it is using politics to bring this report and proposition at this time, 16 weeks before nomination night. That is what I am saying. I am not withdrawing it.

**The Bailiff:**

Carry on, Deputy. I think that is something that is in the rough and tumble of politics.

**Deputy S. Power:**

Talking about politicking, if I may refer to ask Deputy Southern to listen, I want to quote from my electoral manifesto of 2008, and I quote: "States Members supported G.S.T., it must be left alone without modification to see how it performs. Any attempts to introduce the nightmare of exemptions, the recruiting of an army of public servants to administer a U.K. V.A.T.-type monster must be avoided and resisted. The problem is G.S.T. and not the exemptions." That is what I said in 2008 and I stick to that. If I chose to stand in this autumn I will say that again.

[11:45]

Senator Shenton referred to the K.I.S.S. (Keep It Simple, Stupid) principle, it is an abbreviation out of the U.S. (United States) Army and it was "Keep it Simple, Stupid": K.I.S.S. is "Keep it Simple, Stupid", and that is a generic term to refer to "Keep G.S.T. Simple". A number of points have been made about what does it affect and who does it affect. Very briefly, it affects Treasury, because Treasury will lose revenue, and a possible increase in the rate of 5 per cent, or 6 per cent, or 7 per cent, or 8 per cent, or 9 per cent. It talks about consumers. Retail prices could - in conditional terms could - retail prices could be reduced by the G.S.T. content, but in an open market economy

such as Jersey's, this is not as easy as it seems, and is by no means a foregone conclusion. In tax administration, we know it will cost more, it will cost more to collect less. In the business community, it will be much more complicated, bigger businesses may be able to cope, but let us talk about small business Jersey, how easy will they be able to deal with this, and the answer is it will cost them money and affect their bottom profit line. External experts have told us that a simple system works. Vulnerable low-income groups will lose in terms of income support and they will have less ability to control their own level of consumption tax. Higher-income groups, what will happen there? The more you earn, the more you spend, and the more you will gain from exclusions from food and particularly fuel and energy costs. Treasury: more revenue will be lost than just the cost of the loss of G.S.T. because a more complicated system means fewer G.S.T. payers will comply fully straight away. Finally, what do other countries do? I quote from: "E.U. Member States must have V.A.T. Food must be taxed, the low rate must be 5 per cent or greater. The U.K. and Ireland", Ireland also has a nightmare V.A.T. system, absolute nightmare system: "are under still what we call transitional arrangements." But it has to be adjusted. I was talking to a Portuguese friend of mine who told me at the weekend that the V.A.T. rate on food in Portugal is 23 per cent and the V.A.T. rate on golf in Portugal is 6 per cent; it is their tourism industry. When I read the proposition, it is very clear in the proposition that this proposition relates to everyone living in Jersey: those on income support; middle-income Jersey; comfortable Jersey; and, as Deputy Trevor Pitman said, the very wealthy; the super-rich; and everyone else. So Senator Breckon's proposition is to benefit those who he thinks he will benefit the most on the lower end of the socioeconomic scale, but it benefits those more who are extremely wealthy, so all those people with very large houses and big garages and big swimming-pool complexes and all the rest, they are going to be laughing because they are saying: "What a wonderful chap Senator Breckon is, he is going to make it cost us less for fuel and energy." I wish I had been able to go to Communicare last Friday night, but fortunately, or unfortunately, I had a wedding in my family and my domestic credits were such that I had to do what I had to do for this wedding. So I have to take a diverging line from my colleague in St. Brelade, Deputy Tadier, and I disagree with most of what he said, as the Constable of St. Clement said, and I give you a profile of a couple in any Parish, they may have a large house, they may have a garage, they may have a swimming pool, they may have a stable block, they may have a whatever - flood-lit tennis court - these people will benefit enormously from taking off G.S.T. on domestic energy and fuel. I think, if we apply this right across the board, were this proposition to be carried, it is grossly unfair in that those who can afford it, can afford to pay it, will benefit the most by having it taken off. Looking around the Chamber, none of us need to have G.S.T. lifted, none of the Members of this Assembly need to have G.S.T. taken off, we are all earning the same amount, most of us have mortgages, some of us live in ordinary-sized houses, some of us live in large houses, but if I were to look around and say: "How many of us need to have this benefit us in this Chamber?" I would say very few. So what we are doing is we are blanketing across the Island and we are a cross-section of the Island, and I think that is wrong. There are probably families out there this morning listening to this debate, scratching their heads, and saying: "Well it is all very nice, this is all very nice, if that nice man Senator Breckon is going to make my cost of living cheaper when I do not really need it," and I think again, to apply a blanket across-the-board exemption on food, fuel and everything else is simply wrong and I think the mechanism that we have through the Minister for Social Security to deal with those on low income support is a fair system and it can work. Senator Ozouf has rehearsed many times, the Constable of St. Clement has made speeches, Senator Cohen has made speeches, and I give 2 simple models, a retired person on limited income on a pension will probably benefit by saving about £60 a year on his or her food costs, and about £30 a year on their fuel costs, so they save about £90 a year. But a high net-worth individual can save upwards of £240 up by taking the G.S.T. off food and the G.S.T. off domestic energy and fuel, and I just simply think this is insane. I have had a much longer speech, I do not think I need to do this, I think the Assembly is clear where I am on this; I believe that the G.S.T. system, a simple system is fair, I believe exemptions are going to cost us more to collect less, I

believe the Social Security system does pick up those who are on income support, and I will be voting against the proposition.

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

What a funny old system we have. We claim to be democratic and we claim to be representative, but we are far from it. Deputy Power's speech touched upon a blanket approach and that we broadly represent the people in this Island and that we do not need to have these exemptions lifted from ourselves. Broadly speaking, I would say, I would argue contrary, we are more representative of the wealthy in this Island. If you look demographically at the people who are elected into this Assembly, not in their own personal circumstances, but in the areas they are voted in upon, they do not hold, in the round, the urban swathes of population that the Deputies of St. Helier and St. Saviour represent; they represent middle-upper Jersey. I am a member of the Planning Applications Panel, we go out and we look at some of the applications once a month and it is like it is Jersey Disney, it is like: "My goodness me, look at this, who would have thought this was here, who would have thought they have done that?" Absolutely amazing. Some houses you go to, you cannot even see another house, absolutely remarkable, in Jersey you can look all around, see loads of trees and hills and not see another house because some of the beautiful places we go to see, and some of the people in this Island, in the middle of the Island, in the country Parishes, have life extremely nicely, and it is lovely. Jersey can be a beautiful, beautiful place; in those areas it certainly is. It is a beautiful place, I am not arguing that. Senator Le Main is repeating what I am saying and he is correcting me. I was saying it can be a beautiful place and Senator Le Main has corrected me by saying it is a beautiful place. All right, I will go with that. I will stand corrected. Jersey is a beautiful place; more beautiful for some than others. Affordable? Now that is another question altogether. The average house price in Jersey is £540,000; £300,000 more than the average house price in the U.K., and the U.K. is an expensive jurisdiction in relation to Europe. If you look at food and fuel, we are not talking about a commodity that comes from the U.K. or that has importation rights like migration rights; food and oil do not come to Jersey on the same basis as a Schengen agreement or on an immigration basis, because they have British nationality. They do not enter into our kitchens and into our dinners and into our petrol tanks because of the fact that they have qualifications. Food and oil are global commodities and we have seen most recently, in the last 100 years, a change in farming production that has meant that we can produce 3 times the amount of food than we could in the century before through modern farming methods. We made that leap and the population outcome from that was significant and we managed to do that, and we have even seen recently how food can be produced genetically modified or through hydroponics, *et cetera*. But, we also know that, through the devastating earthquakes, fires, floods and tsunamis, much of the food belts that produce rice and wheat and staples that make up a lot of the products that we all share on a global basis have been decimated. On a global perspective, the price of food, we must all notice surely, the increase in costs in our weekly shopping bill. It does not matter what we tend to purchase, whether it is good food or bad food, we tend to purchase generally the same things that we like on a weekly basis, or the family likes. So, setting aside whether it is caviar or ketchup, the reality is that we will notice, and we will have noticed in the last year or so, or in the last 2 years, a dramatic increase in the cost of food, not only because of the impacts upon the planet's ability to produce the food, but also because of the impacts upon the planet's ability to deliver the food in relation to the costs of transportation, oil and delivery. Now, all of this is a lecture to no one, everybody in this Assembly knows this, I am sure that Members know it more than I do. But it is important because what I am trying to bring into context here is that we have agreed as a States Assembly to levy a tax upon people on food and oil, essentials that are beyond our control - beyond our desire to control anyway - and out of our reach to correct. We have an Island that is swathed with beautiful countryside and potatoes, they all get picked by migrant labour forces, put into the back of a truck, and shipped off the Island, and we get £30 million for that. Not a lot of it comes into our supermarkets or into the poor people's pockets, other than by way perhaps of taxes. It makes the countryside look nice as we drive through it, if we can afford to drive

through it. But we take up a huge swathe of our land base to mine for gold in the form of a potato. Some of those companies are not even local companies. The take on that tax is down from £50 million to £30 million. That is not producing carrots, courgettes, potatoes, lettuces and celery specifically and particularly for the Jersey marketplace in order to keep the base cost of food down, which would have an effect on the people's ability to buy, it is being used as a cash cow. It is also being preserved for those very wealthy people and the very nice and happy people who love Jersey because it is such a lovely place, they live in these lovely places looking out across their lovely fields, or somebody else's lovely fields, because it is a nice view. While the rest of us, and more and more and more of us, are getting sick and tired of having to pay rents our entire life with no future prospect than an increase in that department, because of the inability of the States of Jersey to address the single most significant money-extraction method there is; the cost of housing. The more money that is pulled out of the ordinary people's pockets for housing and rents, the less they have to spend on food. The Treasury is standing up and telling us: "What a sop", along with the Council of Ministers: "Look, this makes sense, it is simple, let us not have a complicated system, and we will talk about rum babas and everything else." Please, it is making me want to throw up. **[Laughter]** I am more of the opinion that we should be making Treasury and the Council of Ministers come to us with a comprehensive document, which Senator Syvret said when he was in here: "Give us the examples of other taxes elsewhere that you could introduce, like a land development tax or a property gains tax, that could be introduced at a level perhaps that would not frighten off the finance industry." Because we are always being told the minute you start to tax them they will go somewhere else.

[12:00]

To a certain degree that is correct, but we spend as much money as we can running around the world lately, getting as much of it from new markets as we possibly can in any event. So as quick as we can scare it off, we are on the plane going to get some more: Russia, India, Israel, China. I was once told in a Jersey Finance lunch meeting - I only get invited when I am being told to shut up, but I was invited there that first time - that: "Paul, you really should stop making a fuss, it is all going well and the finance industry does very well surviving on crumbs in the global perspective of things. Stop rocking the boat about independence and this thing you have your mind set on, this E.U. Code of Conduct thing, nothing to worry about. There is a nice chap." Pat you on the head. Out you go. I am afraid to say, those people are dictating the policies and influencing the politicians that are leading this so-called democracy in the direction it is going. We jolly-well do need an Electoral Commission to give a better representation of the feelings among the public about where we are taxing and how we are taxing. I am going to be supporting Senator Breckon because I have always been against G.S.T., not because it is less complex or more complex or the U.K. has a different system or just because Deputy Le Fondré is good at pulling hats out of bags, or rabbits out of hats rather, or biscuits, cookies. So I think there is a whole global element about food that has not been taken into consideration. The food prices and the oil prices are going to go up, and while there is precious little land for us, and, it seems anyway, desire for us to feed our own marketplaces, I think it is going to continue. We also have on the horizon fair market rents being introduced for probably the marketplace, people in the markets, the stall holders in the markets, the people on States tenancies, fair market rent: "Pay fair market rent." That is the next thing we are going to hear. What is a fair market? This is not a fair market, so do not tell me about fair market rents. We have just spent £2.5 million on compost, minimum, this year; £2.5 million. Now, most people in my district do not have gardens, they do not have a field, let alone fields, and they do not have adequate housing and they have no money in their pockets and they have no opportunity to get a job that they can say they will be able to improve within, educate from, better themselves with, and provide for in the future in a better way for their families. They are in a job and they are thinking about 2 things: "Am I going to lose my job?" and then: "Am I going to lose my accommodation?" Most people in my district, some are wealthy yes, but most people in my district, like most people in town, are looking quite hard at the money they have in their pockets

and quite hard about what they can afford to put in their shopping trolleys. Last year there was a little old lady who was very old, doubled over, with a shopping basket, and she put something in it, went to the lady to go and buy it, and the lady argued with her and said: "No, you cannot afford that, put it back." She was shy about 20 pence or something: "Put it back, put it back." So the old lady put it back and she walked out, she went to walk out, and as she went to walk out I picked up a pound out of my pocket and I said: "Excuse me, you have dropped this" and gave the lady the money so she could get what she needed. Now, it may have been an isolated incident, but that is what is happening and that is what I am seeing. I am a very fortunate person in the eyes of many people that look at me these days in town when I go shopping and when I am walking around the Co-op. They are looking at me and they are saying: "There is one of those wealthy States Members on £45,000, all right for them." Deputy Martin made a speech yesterday, I think that was quite courageous of her to go through her personal finances like that, and it is not very nice to have to bring people into the realm of reality of the ordinary, but ordinary people are paying an enormous amount of money in respect of their income in rents, so much so that they have little left over. I would say this in finishing: this 5 per cent is going to 7 per cent, I will bet £100, and I am not a betting man, but on this occasion I will bet £100 that it goes to 7 per cent within 18 months, because it has always been going to 7 per cent, I have said this. Deputy Power says: "Read from my last manifesto." I could read from my last 5 manifestos, it is coming in, it is going on, and it is going up. It is going up and it is going up because the Council of Ministers, led by a group of people who have a neoliberal approach to life, want to privatise everything, cut services and free-up the marketplace. Free market ideologies. Bring it all in, forget about that, we will tax them and give it back to them. If they are in desperate need, as Members have said, let us just tax them now and give it back to them later. As Deputy Martin pointed out, the trouble is we do not give it back to them later. It is going up to 7 per cent. There is £100 of my money on the table, in 18 months this Council of Ministers will be looking at that, and if I am wrong the £100 can go to charity. But for certain, if we do not start putting pressure on this Council of Ministers and these businesspeople who are leading this neoliberal Government of ours in the direction we are going, we will get to 9 per cent. So what we need to do is we need to say to them: "Give us the information about capital gains tax" because one company I know last year made in excess of £40 million profit in the building industry and I certainly do agree, most certainly do agree with the Deputy of Grouville, if people were having their land rezoned for housing, they should be paying capital gains tax, or the States should be zoning it themselves and paying no more than 4 or 5 times agricultural land values. But we do not want to get in the way of the developers because politically they are too powerful. They are too powerful because we are not made up representatively of people in this Island; we are made up representatively of the wealthy.

#### **2.1.14 Senator P.F. Routier:**

This proposition is asking us to consider whether we should follow the U.K. V.A.T. line on food arrangements. I am not going to speak about all the amusing laughable examples, which are of what foods are in or out the system, because I think that has been ably done by other people. But, what I would like to just focus on is that the U.K. themselves are under pressure from the E.U. to tax foodstuffs and the E.U. directive currently is that there should be tax on food, so the UK at some stage may be pushed along that way to put a tax on food. The E.U. directive is that it should be no lower than 5 per cent. So, if we get to a stage whereby we were to approve this proposition, we could end up with tax on food at 5 per cent, because we would obviously have to follow that. So obviously I think that is something we have to be very aware of. One other point I would just like to pick up on is that the proposer has used the comparison of consumer prices for his report, it is dated June 2010, and if you look at his report it does show on page 10 the comparisons between Jersey and the U.K. Well I am not sure whether that is probably the appropriate ... in fact I do not think it is the appropriate comparison to be making. I think it would have been more useful, which could have been quite easily done, from the same report, the comparison of prices, which have been provided by the Statistics Unit, to have made a comparison with Guernsey, because Guernsey is a

similar jurisdiction to us; they do not have the benefit of the economies of scale, which the U.K. does. The economies of scale, which apply across the U.K., obviously affect the prices that are charged for food. What I think people are concerned about in this Chamber is the price people are paying for food, not necessarily the proportions of profit a retailer is making or the proportion of tax that is being paid, it is the amount that is being paid at the tills, which is the important bit. But if Members had an opportunity to look at that comparison of prices with Guernsey, who do not have G.S.T., we know that they do not have G.S.T., their prices, comparatively we are cheaper in Jersey than they are in Guernsey, even though we have G.S.T. here, because their economies of scale are different to ours, and you will find that the prices, if you look at them, are, for instance, going down the prices, which are quoted as U.K. comparisons, the potatoes, Jersey's prices are 16 per cent less than Guernsey, those are for the old whites. The new loose ones we are 13 per cent cheaper than Guernsey. The cauliflowers are 6 per cent cheaper than Guernsey, and it goes on, the list goes on. There are some which are the same, and there are a couple that are a little bit more, pears are a little bit more in Jersey. So it is a myth to think that, if we take the G.S.T. off food, that prices are going to reduce to the customer. So I think we really have to be aware of that. So I believe that the way we have our current system of supporting people on lower incomes with the benefit systems that we have... I mean there has been a comment made about there are some people who do not want to claim the G.S.T. bonus because it is too much of a faff to do it. Well perhaps they do not need the money then if they are not prepared to claim it. They are not that desperate for that bonus that they are prepared to claim it. If they really needed the money they would no doubt claim it, because it is a very simple application process for that and we obviously have been operating the income support mechanism to cover people for their costs of food and fuel. So I do suggest to Members that we do maintain our current position on G.S.T. on food, because it does work very, very well, and people who are on the lower incomes are supported to ensure that they are not out of pocket. In fact, there has been comments about we should have more heart. Well I do have more heart and my heart tells me that we are far better off supporting people with the bonus and the income support than if we were to take it off the G.S.T.; that is the heart ruling my head. **[Approbation]**

**Senator J.L. Perchard:**

Over half an hour ago, I indicated that I intended to propose a closure motion. I do so and I repeat that I believe all speakers are now regularly in breach of Standing Order 104(2)(a) and I also believe that Members in this Chamber all know which way they are going to vote on this subject, so this debate serves no purpose now and I propose the closure motion and I respectfully ask Members to recognise that the debate has been concluded. I would also like to point out and ask Members to consider, before they vote, that I noticed Deputy Duhamel flashing his light and indicating that he wishes to speak.

**The Bailiff:**

Very well, is the proposition seconded? **[Seconded]** Very well, an hour has elapsed, more than 20 Members have spoken, so I do not consider it to be an abuse of procedure or an infringement of the rights of minorities, but if I can say to Members I have at the moment 6 further Members who have indicated they wish to speak. So then the matter goes straight to the vote.

[12:15]

**Deputy S. Pitman of St. Helier:**

Just before the vote, may I say that I think there should be some kind of ruling on this because the Senator who proposed it has hardly been here this morning so he does not know what arguments. I have got something to say that has not been said. I do think it is unfair on Members.

**The Bailiff:**

Under Standing Orders it does say any Member who has not spoken is allowed to bring such a proposition, so I invite Members to return to their seats. Is the appel called for in relation to it? Yes, the appel is called for and the Greffier will now open the voting for or against the closure motion.

<b>POUR: 11</b>		<b>CONTRE: 41</b>		<b>ABSTAIN: 0</b>
Senator T.A. Le Sueur		Senator P.F. Routier		
Senator T.J. Le Main		Senator P.F.C. Ozouf		
Senator B.E. Shenton		Senator F.E. Cohen		
Senator J.L. Perchard		Senator A. Breckon		
Senator B.I. Le Marquand		Senator S.C. Ferguson		
Connétable of Trinity		Senator A.J.H. Maclean		
Connétable of Grouville		Senator F. du H. Le Gresley		
Connétable of St. Martin		Connétable of St. Ouen		
Connétable of St. John		Connétable of St. Helier		
Connétable of St. Saviour		Connétable of St. Brelade		
Connétable of St. Clement		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 J.A. Martin (H)		
		Deputy G.P. Southern (H)		
		Deputy of St. Ouen		
		Deputy of Grouville		
		Deputy of St. Peter		
		Deputy J.A. Hilton (H)		
		Deputy P.V.F. Le Claire (H)		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy S.S.P.A. Power (B)		
		Deputy S. Pitman (H)		
		Deputy K.C. Lewis (S)		

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

Is there a Standing Order that those people who voted for, and who have not spoken, are not allowed to speak now on the subject? If there is not then there should be.

### **The Bailiff:**

I am afraid that is not within the purview of the Chair. Then I see next, Deputy Shona Pitman.

### **2.1.15 Deputy S. Pitman:**

I just really wanted to put down some of the myths that are spreading or that seems to be now locked in the heads of so many Members on so many occasions that the income support system and the other sickness benefits cover all, when in fact they do not. I think I was quite surprised to hear Senator Routier saying: “Well those people who do not claim these benefits, well they obviously do not need them.” When in fact in the House several years ago I asked him where he publicised the information and he said: “Well all the Parishes have leaflets on income support.” A listener who was a constituent of mine at the time went around to every Parish Hall and could not find one leaflet on income support. So that is why the information is not getting out there. To start with really it is about some of the people I have dealt with in the past and currently who are on benefits

and income support and the second one Members will probably remember. The first one I want to talk about is a gentleman who is in his 60s and he had cancer and he is living on a long-term incapacity allowance and income support. Now he wants to, for 4 years living in his flat, paint it and put carpets down, but he cannot. He cannot because he has been disabled from his cancer and he cannot because he cannot afford to because of the money, he is living on income support and long-term incapacity, he cannot afford to do this, so he is living in somebody else's idea of nice decor. In addition to that, every year I am going to the same charity because he has difficulty in paying his rates bill, which is just over £100. Now, believe it or not, that is a heck of a lot of money to somebody living on benefits. The second one, this is the one I have spoken about before, a gentleman in his early 70s who has chronic emphysema to the point where he has often had to go to hospital and spend days in hospital. He has invalid's benefits and income support and, although he pays a below-fair rent for his house, because it is not sufficiently insulated, he lives upstairs because he cannot afford to heat his house. Now I have tried and tried to get money out of income support and all they could come back with was: "Well he is getting a fuel allowance." Last year he received a fuel allowance and you only get that below a certain temperature and for 3 months he received £17. One has to ask, the worst time of the year for him is winter and that is when he finds himself in hospital. If he could afford to pay his heating bill he probably would not be in there. The other point really about income support and the H.M.A. (Household Medical Account) accounts: now, income support are now significantly ... quite a number of recipients are now being told that they cannot have their H.M.A., and these H.M.A.s - the Household Medical Account - are being stopped, and what they were doing, they were allowing people to pay a certain amount of money from their income support each week to this account so that they could use it for their doctor's bills. But we all know that there are times when a sick person is good and a sick person has a bad time, and that is when they need the doctors. Where are these people going? Well they are going to doctors who are sympathetic and do not charge, or they are going to A. and E., which we now see there is going to be a big clampdown. Well I am afraid a big part of that is down to this policy of not helping with these bills. Or they just suffer, and I am afraid to say there is a lot of people in my constituency, especially pensioners, who have said to me that they have stopped going to doctors because they cannot afford to go now on income support and their pensions. More recently, I have a case where this lady, who has a child, and her husband was seriously injured in a car crash, and before the accident the couple were on income support but they were also both working. Now he is in Intensive Care in the U.K. and the lady is now on sick benefit because of the stress, but income support have reduced some of her claim and it is the adult component, which has been cut, because she has been told that, because her husband is being fed and looked after in the hospital, he does not need it. Well I am sorry, but her rent is still the same and she is still looking after her child. So when I hear Members speaking of the benefits covering everybody, well it makes me sick, especially when we have millionaires, 1(1)(k)s, who are paying below £5,000 a year in tax, we have companies who are not paying G.S.T., and these people should be contributing. I will probably hear from the Minister for Social Security: "Well, going back to the gentleman who cannot pay his rates, there are components for rates and medical bills, *et cetera*" but in reality, because their general income is so low, they cannot afford to save for their rates. So, I am sorry, but this proposition will affect people, not just middle-income earners, but people on the very bottom of the ladder. Thank you.

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

Like many Members, this proposition has caused me some discomfort, especially I might add when I was driving along Victoria Avenue the other day to hear the BBC introduce the exemptions to food and fuel proposed by Senator Alan Maclean. **[Laughter]** It was clearly an error, but nevertheless it did cause my car to veer somewhat. I do not believe that anyone in this Assembly is comfortable with the proposed increase in G.S.T., whichever way we intend to vote. The Council of Ministers and Members fully appreciate the difficulties, despite what some may say and some may think indeed, of the difficulties that many Islanders are experiencing, and I thought it was



particularly poignant earlier today when we listened to the Constable of St. Martin and his reflection on his own experiences of his increase in domestic fuel charges. The rising cost of living in Jersey is very real and I do believe that it is fully understood among the Council of Ministers and indeed all Members of this Assembly. The question to me is whether this proposition, if approved, would help very much, especially those on lower and middle incomes; those people of course who need the help the most. Indeed, evidence from elsewhere indicates that the cost of the change would mean many businesses would not be able to, or indeed would not choose to, pass on all or, indeed, part of any reduction to consumers, should prices be reduced from a reduction in G.S.T. But an important point is that we cannot force anybody, particularly retailers, to pass on part or any part of any reduction in G.S.T. Senator Breckon made a great play on the impact to business of raising G.S.T., as businesses, he said, would shut down as consumers reduced their spending. But I would say that a much bigger impact on business is the administrative cost of the increase in June this year from 3 to 5 per cent. This increase, as Members will know, is going to happen regardless of the outcome of the proposition today. If this proposition however is supported, a further 7 months after the increase from 3 to 5 per cent, businesses will again have to adjust as some food products, based on the list of the U.K. V.A.T. system, will have to be reduced to zero. The U.K. system, as many have pointed out already, is one of the most complicated in the world, it is a significant burden for businesses to have to undertake; businesses of course that employ large numbers of Islanders and will need to continue to look at reducing costs in the face of difficult trading conditions. Senator Breckon stated that some businesses have had to shut down due to G.S.T. I would say that is simply not the case. G.S.T. may well be a contributing factor in terms of increasing the cost of running a business, but there are many, many other reasons why, very sadly, some businesses have had to shut. I agree that there are many pressures on businesses. We have seen, after all, and been involved in the worst global economic crisis in more than a generation, so it is hardly surprising. The internet is having an impact on the High Street in Jersey, as indeed it is in virtually every other High Street in the U.K. But good businesses are adapting to the many challenges, including lower consumer spending, and they are doing that by reducing their cost base aggressively. I am pleased to see, and I think it is an encouraging sign, that commercial rents are beginning to fall in Jersey, and this is certainly of great assistance to business. But businesses need to be more competitive; they need to reduce profit margins and improve service to compete for a lower consumer spend and the current economic climate. I thought it was quite interesting that I have just received an email from a lady who expressed her experiences recently when she went into a particular retail outlet, which of course I will keep the name silent. She said she went to look for a handbag for her mother for a birthday present and she says that, while she was there, she was not satisfied by the colour available, so she considered looking on the internet and then come back, following our "Think Twice; Buy Local" campaign which Islanders are still keeping to mind, and she went on to the internet, she says: "And while looking on the internet I found at least 7 websites selling the same bag, none of which had different colours from the one I had seen. However, the most expensive I could find was £50 and not the £68 that I had seen locally. I did however, when I saw the £68 locally, think it was not an unreasonable price. I ended up ordering one for £41.75; it offered free delivery and a free tube of leather-care lotion. It was despatched on Tuesday and delivered first thing this morning, Wednesday. Had it been only £5 cheaper online or perhaps even £10 cheaper online, I probably would have bought locally, but the difference was just too great. It was a £30 difference in price."

[12:30]

She says, and she points this out: "And it included 20 per cent V.A.T." So margins, I would contend, are a key issue, when we are considering whether it is bags or food or fuel or whatever it happens to be, it is the margin that we need to keep very much in mind in terms of the differential in prices. Raising G.S.T. to 5 per cent in June will of course take money out of the economy; Senator Breckon is quite correct. It will also cause inflation to rise; he is correct again, I think he mentioned that particular point and I do not think anybody has been hiding from the fact that

inflation will rise. But I should emphasise “in the short-term”. Exempting food will be worse for business and it will not necessarily help Islanders, as I have already said. We have seen the same effect in the U.K. where V.A.T. was raised from 17.5 per cent to 20 per cent, but by June 2012 the full impact will fall away and inflation is predicted to fall. In fact, some economists and business leaders - and I think it was a point that Senator Ferguson made earlier on - are predicting that food and fuel prices will fall during 2012; part of the reason for that is there has been an excessive amount of speculation in the market, which has caused the dramatic rises that we have seen recently. There is uncertainty as to the direction in the future and I think at this stage it is another very poignant reason for not acting too quickly. The other points I would raise, I am not going to talk very much about the measures that have been put in place to support those most impacted by G.S.T., others have talked about that; measures, I will add, that total a total financial benefit package to the low and middle-income earners of around about £12 million. The only thing I will say is that is twice the estimated cost of exempting food and fuel as of 2008. But I do want to talk now just a little bit about what we are going to do to address high consumer prices for products and services that are impacting Islanders; and I think this is an important point. Senator Breckon was right when he said ordinary people are struggling, both young and old, and that is why we provide funding to the Consumer Council; the Consumer Council, which was so ably-led by Senator Breckon himself, an organisation that raises consumer awareness about the cost and the value of products and services in the Island. Now, the Consumer Council and the campaigns, the many campaigns that they run, do help to reduce consumer prices, but there is much more that needs to be done in this area. We published the retail strategy last year to make it easier for new supermarket operators to set up in the Island with competition being at the centre of this particular strategy, helping to drive down the prices and to increase choice for Islanders. It is another reason why we asked the J.C.R.A. to investigate the fuel market, including domestic fuel, where we think local prices could and should be lower. I await with great interest the results of that particular review, which will not be far away. Senator Breckon mentioned the difficulties faced by restaurants and pubs. I have some questions there that I think need raising. I would like to know, for example, why a pint of beer in Jersey is double what it is in some parts of the U.K., it seems to me an unreasonable differential and ordinary people in Jersey certainly like their pint of beer. We will continue to work with the J.C.R.A. and the Consumer Council and others to ensure that Islanders pay a fair price, especially for essentials. I do - to answer the Deputy of St. Mary’s question - intend to ask the J.C.R.A. to look at food prices and in particular the variation between Jersey and the United Kingdom; a variation that has been raised on many occasions before as a particular issue. Raising G.S.T. is uncomfortable; it is uncomfortable for everybody, especially the low and middle-earners, as I have already said. But I believe it is a necessary part of a package to balance our income and expenditure. It has been mentioned by many Members that other tax measures have not been considered. I would say that other tax measures have been considered and quite simply this increase, however uncomfortable it is - the proposed increase in G.S.T., the introduction of G.S.T. when it came in, - is an essential part of the package. It will have the least impact overall on the economy; it will have the least impact compared to some other measures that could be introduced on the Island’s competitiveness and our ability to attract business to the Island and of course to support jobs. But equally important is the absolute need to deliver the full C.S.R. savings over the 3-year period. This should be the start, not the end, of the process. Other countries after all, we should remind ourselves, have put in place much more severe austerity measures. Reducing the cost of Government will keep all taxes, including G.S.T., down as low as possible. That must remain our absolute priority; we must deliver a more-efficient and lower-cost Government. It can be done, it is being done, and it will be done. Finally, we need to return our economy to growth. We are working hard to deliver options in order to do that: more jobs; more tax receipts; and to help plug the budget deficit and keep taxes down. Even during the current economic climate, in 2010 we were able to assist 36 businesses to relocate to Jersey, businesses that included oil companies, mineral companies, H.R. (Human Resources) and payroll organisations; not just finance companies, a wide range of different businesses that find Jersey very attractive to relocate into, businesses that

employ local people and pay local tax and benefit all Islanders. We are helping local businesses to develop and grow, we are helping them to increase productivity, we are introducing new legislation, such as the intellectual property legislation, the eGaming legislation, and much more. A new economic growth strategy will be out in the middle of the year and that in itself will give clear directions to some of the other interesting areas to exploit. Jersey, I believe, is well placed to benefit as the world recovers. I believe that we can look forward to a successful economy, which will do its part to plug the necessary gap in our public finances. However difficult this particular proposition is for some Members, I believe there is no choice but to reject it, to keep the system simple, to allow businesses to keep their costs as low as possible, so that we can continue to have high levels of employment, to employ people and to generate the tax revenues that pay for our essential services. I would urge Members, those that are uncertain, and there will be one or 2, that this is not the time to consider this particular proposition, we must do all we can to help those that most need it, this is not the way to do it. Thank you.

**Deputy M.R. Higgins:**

Could I ask a point of clarification from the last speaker? He mentioned at the very end of his speech the economic growth strategy. Now he had given assurances to the States before it was going to be by the end of this month; he is now indicating it will be the middle of the year. Can he tell us exactly when he is going to publish his economic growth strategy?

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

No, in fact what I said previously was June and we are still on target for the end of June.

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

It saddens me time and time again, when we have policies that are brought to this House that, on the one hand propose to do one thing, and yet go and fly in the face of other policies that are competing to do something completely different. Around the world, and there are many millions of people who do not have enough food on their plates and go to sleep every night hungry. What does that have to do with our Island? I think our society generally is fairly bloated and profligate and in fact there was a research report that was done by Defra (Department for Environment, Food and Rural Affairs) a number of years ago when we were researching the Island's waste problem and it was locally referred to as the Soggy Lettuce Report. The findings are still current and particularly valid and in essence it suggested that U.K. households wasted on average £450 in wasted food that they did not eat; that they bought perhaps more expensively than they should have done in supermarkets or other shops and then just committed to the waste bin. It is particularly poignant to focus on that figure a little bit; that is £450 on a household average. We have a policy in this Island of refunding through G.S.T. receipts up to £150 for monies that have been spent by G.S.T. on food items, and yet, if the U.K. figures are anything to go by - and they are, and I will prove why in a minute, then the Jersey figures are pretty similar - we are wasting more money on throwing food away than we are on being able to purchase it in the first place. In fact, it is good that the environment team, through the Eco-Active group, are having a whole week to focus, with the support from T.T.S. (Transport and Technical Services), on this very problem. We are throwing more food away than we need to, and in any resource situation we have to try and economise and use the resources to their best effect, before we start taxing those at whatever end of the scale in order to encourage more wasteful procedures. A lot of Members may say: "Well the U.K. does one thing and Jersey does something different." As I said, I will prove it, and if we look at the component makeup of the materials that we are sending to the incinerator to be burned, between a fifth, that is 20 per cent, and a quarter, that is 25 per cent ...

**The Bailiff:**

Deputy, you may be capable of getting there, but it is not entirely clear whether you are speaking in relation to the ...

## **Deputy R.C. Duhamel:**

I am getting there. Between a fifth and a quarter of all the waste that we burn - and it is not an efficient process anyway to burn wet food waste - is being burned in our incinerator. So we have 2 policies really that are competing. We are spending silly monies to burn things that do not need to be burned; we are throwing food away that could easily be eaten, and in fact if we were all brought up I think in the past to approach mealtime with a viewpoint that was put forward, sometimes forcefully, by our parents not to ask for food on your plate if you were not going to clear your plate and eat it. But here we are, a number of years after that, suggesting that everything is fine, there is not enough food to go around, and we should be encouraging to put more money into the system to allow people, through exemptions, to purchase things that they do not use. I was one of those Members, along with Deputy Power, who have consistently voted against the introduction of G.S.T. on the basis that it was a blanket tax and I would prefer environmental taxes in the sense that they are more locally targeted in order to bring about changes in behaviour, and this, with the exception of one instance, I have resisted all attempts to bring forward any exemptions, which would raise the rate, and support this blanket taxation approach, with the exception of the one instance when, as referred to earlier by the Minister for Planning and Environment and Deputy Trevor Pitman, that Deputy Shona Pitman brought, in terms of healthy food exemptions. At the recent Council of Ministers meeting, I suggested to the Ministers whether or not, even at this late stage, there was an opportunity to try and join both sides of the House in coming forward with a rational approach, which would have other effects in encouraging both sides of the House to work together for once instead of being at each other's throats, and whether or not the reintroduction or the suggestion of the sensible policy, I think that I did vote for, that was brought forward by Deputy Shona Pitman to come forward with a list of healthy foods might not be the way forward. Now, it is absolutely interesting to note that the officers who have been drawing-up the reasons for one policy or another supported my request for further consideration of this alternative approach, to come forward with a list for healthy foods, and indicated that it did pose a completely viable alternative, which would have the secondary effect, and more important, of uniting both sides of the House. But this is not what we have at the moment. We have Senator Breckon's proposal, which does not seek to unify policies across the House and we all know that there is sterling work that has been done by the Health and Social Services Department to try and bring forward policies to reduce our obesity problems, to encourage healthy eating across the board, but, as I say, the Council of Ministers and this House really should get its act together and begin to work together to make sure that the one side is not working against the other.

[12:45]

I think in this proposition that Senator Breckon is bringing forward this morning, I do not think he has considered the opportunities that are still there to come forward with what we all like to support, which is a list of very, very basic foods, tied into a health programme, a preventative health programme, brought forward by the Minister for Health and Social Services to encourage different lifestyles through a non-taxation process. If we do have to bring in taxation, a taxation measure that would reinforce those sensible measures to encourage the behavioural changes that will bring about the change that is desired, if we continue down the route of just blanket taxes, all that is going to happen is that we are going to have argument about what we should exempt, what we should not exempt, we are not going to centre on or focus on the immediate problem, which is that all the monies that we raise will go back to the Treasury and it will be spent on whatever, and that is a ludicrous approach because it means that you cannot focus your targeting on the very things that matter. It is also interesting to note finally that this House has not really had a lot of success, I think, in bringing forward environmental taxes and that I feel is because the monies in the major part have always been suggested to go back into the central Treasury pot, and if they do that then the behavioural changes that could be brought about by these short-term taxation measures cannot find a way to deliver the things that we want to be delivered. So I think this particular proposition is not well founded, I think we should reject it, but at the same time I think it should be

down to Senator Breckon or indeed Deputy Pitman, or perhaps even the Minister for Planning and Environment - Senator Cohen - to come back, or any other Member, to come back in short order with the thing that we all really wanted to support, which is healthy food exemptions on a very, very limited list of foodstuffs, not to open the floodgates to say that we are going to encourage people to go out and eat food that we know is pretty bad for us, but to do the things that are going to bring about a joined-up thinking approach, which is what we really are in this Chamber to do. So, as I say, I cannot support this, as I have not supported it in the past, but if anybody would like to bring back a proposition along the lines of Deputy Shona Pitman's proposition a number of years ago then I think that would be the middle way and find a supportable alternative to bring this sorry set of affairs to a sensible end.

**Deputy R.G. Le Hérisier:**

I wonder, before I move the Adjournment, could I ask the speaker for a clarification of his statement, which I understood to be that if people are given more money they will waste it on food which they will not consume. I wonder if he could clarify that was indeed what he was saying.

**Deputy R.C. Duhamel:**

The interesting thing is that, when the survey was done... I mean £450 being wasted in terms of food items that are bought, that is not necessarily to say that those who are at the bottom end and who are starving will be throwing their food away, because when we deal with averages you have to realise that any larger figures tend to swamp the average, so there may well be people who can afford to purchase kind of the expensive pieces of meat or whatever, eat a small portion or whatever, and then consign the rest of it to the bin. But, on average, this society cannot escape the fact that we are sending at the moment between 20 per cent and 25 per cent of our rubbish as food waste to the incinerator to be burned, and in my mind that means that there is a whole load of food waste that could be eaten that is not.

**LUNCHEON ADJOURNMENT PROPOSED**

**The Bailiff:**

The Adjournment has been proposed. Just before we adjourn, Deputy Tadier has lodged a second amendment to his own proposition, Parish Assemblies: Information Pack. Deputy, as I understand it, that means obviously it cannot be debated at this sitting; is that right?

**Deputy M. Tadier:**

Could I just say 2 words? It is a euphemism; it is slightly more than 2 words. But simply to say that I have been consulting with the Comité des Connétables and the reason for the amendment is a fairly superficial one, it is simply to give the Committee more time to implement the changes that hopefully the Assembly will agree to, so it is just a pragmatic arrangement, it does not change the substantive proposition, but obviously because of the lodging period I would hope it would be taken first thing on the agenda at the next meeting, if that is possible. But I would like to ask the Chairman of P.P.C. if that would be all right, and hopefully it is something that should not take too long to debate.

**The Bailiff:**

We cannot decide the order at the moment, but you will be deferring it from today. Very well, the Adjournment has been proposed; the Assembly will reconvene at 2.15 p.m.

[12:51]

**LUNCHEON ADJOURNMENT**

[14:15]

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

I wonder, before we begin, if I might just say unfortunately I have a long-standing medical appointment at 4.00 p.m., I know there is no provision under Standing Orders to note that, but I would like to make that known, if I may, before we begin.

**The Deputy Bailiff:**

Well you have just done that, Deputy. We resume the debate on P.36/2011, the proposition of Senator Breckon, and, if I can follow the Bailiff's handwriting, Senator Le Gresley, you wish to speak.

**The Deputy of St. Mary:**

May I raise a point of order before we begin the debate, it is about the debate; it is about this proposition. We are debating paragraph (a), which says that the exemptions would have to be in line with the U.K. Value Added Tax arrangements. Is it in order, will it be in order, for someone to bring a proposition, if paragraph (a) goes through today, to add to that option other options of exemptions for food, i.e. all food or food grown in Jersey, or healthy food, and so on. Is it possible to add that with a subsequent proposition?

**The Deputy Bailiff:**

This is not going to make any changes directly to the legislation, so legislative amendment will have to be brought in due course if this is adopted and no doubt that will be the time for amendments to be put to the legislation if need be. Senator Le Gresley.

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

This is the first time I have spoken in a debate on G.S.T. exemptions, unlike many Members in this Assembly. The voting record is there to be seen and I voted against exemptions at the last time this was debated, I think, in October. For me, this is a dilemma because my heart is very much with the people who have spoken about the fact that our Council of Ministers seem to ignore other sources of possible revenue. My voting record on some other issues will, I am sure, show to Members that I support a more progressive tax system and also placing a greater onus of taxes on the finance industry. However, this morning and yesterday afternoon has been a rollercoaster of emotions for me and, like Senator Shenton, I have a problem within the household where my beloved wife believes that G.S.T. should never have been invented and that anybody who votes for G.S.T. is a fool. So when I go home tonight I probably will not have any tea on the table and will be in serious trouble. **[Laughter]** There is a famous quote by Albert Camus, the French novelist and philosopher: "It is no more immoral to directly rob citizens than to slip indirect taxes into the price of goods that they cannot do without." Now I hope we will all agree that there is no question here of the States of Jersey robbing citizens or slipping indirect taxes into the price of goods that people cannot do without. After all, we have had G.S.T. charged on food and domestic energy from the outset, and the arguments for retaining a low flat rate on all goods and services are well rehearsed and understood by many. So, looked at rationally, and ignoring the morality argument, there is no doubt in my mind that compensating low-income households through increased income tax thresholds, the G.S.T. food bonus, and increasing household components for those in receipt of income support benefit is the right way to go. So, as a number of other Members have said, why do we keep having this debate? I think it boils down to a fundamental dislike of indirect taxation by a large proportion of the electorate. Yesterday the proposer said in his speech: "I have had an issue with G.S.T. for a long time", and similarly Deputy De Sousa said: "I have always been against G.S.T.", and today Deputy Le Claire said: "Because I have always been against G.S.T." Such views are shared by many people, and particularly the 19,000 people who signed the original petition against the introduction of G.S.T. Responsible citizens understand that their wages have to be taxed to provide services and benefits that they enjoy, but some find it much harder to accept paying a tax every time they purchase goods or services, even though they have been doing this for years if they drink alcohol or smoke. We could all leave here today with a feel-good factor if we

vote in favour of Senator Breckon's proposition. I would like to have some of that feel-good factor, but deep down I know I would be asking myself later: "Have I really done the right thing?" Let us look at the morality argument in connection with taxing life's essentials, as mentioned by Deputy Green and a number of others. Let us look at that in more depth and take the example of water. If this proposition is approved, bottled water would be exempt from G.S.T., but the water we drink out of the tap would be subject to 5 per cent G.S.T. The G.S.T. Director has told me that, to exempt domestic water rates or charges from G.S.T. would result in an estimated annual revenue loss of £850,000 at 5 per cent G.S.T. in 2012; £850,000. Surely, those who object to Government charging G.S.T. on food on moral grounds, should be calling for the most essential basic need of man to be exempt from tax. After all, most supplies of water in the U.K. are eligible for zero-rating for V.A.T. unless the water is supplied for industrial use. However, if we think about water consumption, it is obvious that those households with numerous bathrooms and perhaps a swimming pool will benefit the most from the removal of G.S.T. from domestic water, and the same principle applies to food and domestic energy, and are the reasons why the Minister for Treasury and Resources does not want to exempt them from G.S.T. At the next sitting we will be debating the proposition of the Minister for Social Security, P.65, which will set the amount of the G.S.T. food bonus for 2011 at £193.36. The report of the proposition explains that this amount has been calculated by the Statistics Unit from recent evidence that the average cost of G.S.T. on food for a household in the second income quintile is approximately £90 per annum at the current 3 per cent G.S.T. rate. At a rate of 5 per cent, the average cost of G.S.T. on food for this group, the second income quintile, will be £150 per annum, which means that a household in the second income quintile on average spends £3,000 per annum on food; this equates to an average spend of £58 per week. To me that figure seems a little on the low side, but even if the household spent £70 per week on food - and bear in mind this is an average household - the G.S.T. they would pay would be £11 less than this year's G.S.T. food bonus. The Social Security Department is aware that there could be in excess of 2,000 pensioner households who are entitled but do not currently claim this bonus, and clearly there is a need to encourage these people to make a claim if we do not approve exemptions for food today. I would remind Members that earlier this year we approved my proposition that pensioner households who qualify for the G.S.T. food bonus would also be eligible for cold weather payments to help them with their domestic energy bills. In my opinion, this type of targeted financial assistance to help with domestic fuel bills is the best way to help households in the lowest income quintiles and could be expanded to help all types of households who are not in receipt of income support benefits and whose income is below the tax thresholds. I have an immense amount of respect for the proposer who sits on my right and we share many of his political beliefs, but on this one I am afraid I have to differ. My voting record, since I joined the States, shows that I support fairness, and on this one I am afraid my vote will be contre. Thank you.

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

Following on from last December's debate, I am learning to live with this particular recurring nightmare. There are 2 main reasons that have been put forward to bringing in exemptions on food and domestic fuel. The first is the moral issues that we should not tax life's staples and the second is an attempt to reduce the cost of these basic essentials in our expenditure. If I may address the moral issue first, and I have just this to add to the wise words said by Senator Le Gresley: Jersey is not alone in taxing food and domestic fuel directly under our current G.S.T. system, most of you have, via V.A.T. or T.V.A. (Tax Value Added), taxed food at a minimum of 5 per cent. I believe it is only the U.K., Ireland and Malta that have a zero rate and in these, as Deputy Power mentioned, they are under significant pressure from Brussels to comply with the rest of the E.U. So how can our European neighbours be so wrong, along with many other places in the world? If we look back at history, food has been taxed for centuries, firstly in the form of taxes on salt, and even today, if G.S.T. did not exist, food is already being taxed via income tax and corporation tax. Those supplying our food do so, in the vast majority, for profit, and businesses, when setting their prices,

base their desired returns on post-tax margins. Where G.S.T. is different is that it is more obvious and transparent, and where we differ, along with places such as Singapore, we use part of the sums raised from G.S.T. and other taxes and give it back in targeted relief to those most in need. For those Members who are tempted by the exemptions and would have exemptions on life essentials, I would suggest that this proposition is not the right road to take. The U.K. tax system is arguably the worst model in the world. I have more sympathy for Senator Cohen's suggestion, but that is not what we are being asked to vote on today. But the real thrust of Senator Breckon's proposition is to reduce the cost to the consumer of food and domestic fuel. Those supplying these items are not very likely to pass on the reduction in G.S.T. in its entirety, indeed if at all. They will at very least pass on to the consumer the cost of administering a more complex G.S.T. system, and therefore those on low incomes will have in one hand the benefit taken away and on the other hand potentially lower prices, but it will not be a like-for-like option, and it has been pointed out already, at the best they will be slightly worse off; at the worst they will be significantly worse off. Some maybe less scrupulous retailers may manipulate their prices before any reduction in G.S.T., it will be quite simple for them to gradually increase their prices before the date of exemption is coming in, in order that they can show after G.S.T. has been lifted-off food that they have taken it off, when in reality all they have done is just increased their margins.

[14:30]

If we were in an environment where worldwide prices for food and fuel were going down, then to take G.S.T. off at this moment in time may - and it will be only a "may" - result in lower prices. However, in the current environment, where we have food inflation and domestic fuel inflation, then I am sorry, if Members are honest with themselves, they will plainly see that it will be near impossible to verify if suppliers have reduced their prices as a result of G.S.T. exemptions. In reality, we would simply not be able to establish what movements were attributable to changes in our G.S.T. system and what would relate to changes in global prices. So removing G.S.T. off such items as food and domestic fuel carries a very significant risk of not lowering the cost to consumers and, even if it did, we would never know. What will put downward pressure on prices of food and fuel is competition and, just as importantly, making the public aware via the Consumer Council, among others, they have the power, the buying power, to keep costs down. When my mother was more mobile - she is going to be 92 next week - she did not just shop at one shop such as the Co-op or, in those days Le Riches and the others, she shopped around, she purchased at all of them, she exercised her buying power, and that is what we should be encouraging Islanders to do. Government cannot dictate food and fuel prices with tax changes. What we can do, and indeed must do, is to enable competition and to increase consumer awareness. Good government facilitates, it does not dictate. We have protected those on income support, not once, but twice, and those households who fall between not receiving income support and not paying tax, we have supported them as well. If we exempt food and fuel today, those individuals and their families will be worse off because this Assembly has already committed to wind-back the protection given when adopting Deputy Le Fondré's proposals in 2008. In terms of a query by the Deputy of St. Martin, yes, in this coming budget in September there will have to be proposals to remove the protective measures that we have done. If you want one good reason to reject this proposition then this is it: without G.S.T. on food and domestic fuel, it will be far too easy in the future for this Assembly to increase G.S.T. on other items. With food and domestic fuel exemptions, in my own opinion, I believe that within 5 years we would have double-digit G.S.T. That is something I do not want and it is something that I think the vast majority of Islanders do not want. So, humbly, I suggest to Members they should vote with their heads and not with their hearts.

**Deputy G.P. Southern:**

Could I ask for point of clarification from the speaker, he seems to suggest that, in the coming budget, protection, he said, will be removed, shortly after he talked about protection for those least well off from the cost of G.S.T. Is that what he intended to say? Is that what he has said?



### **Deputy E.J. Noel:**

What I believe I said is that if we adopt Senator Breckon's proposal today then corresponding measures will have to be brought into the budget this year to remove the measures we have put in place previously to protect those on income support, which we have done twice, and we would have to remove the bonus, the £150-a-year G.S.T. bonus.

#### **2.1.20 Connétable M.K. Jackson of St. Brelade:**

I speak with a little background on this matter, having in a former life been a member of the Corporate Services Scrutiny Panel with the Connétables of Trinity and Grouville and the former Deputy Ryan, where we looked at the issue very closely at the outset of G.S.T. debate. I would like to think that States Members are not naïve, but having listened to some speak this morning I have my doubts. I say this because I am hearing that there is a clear lack of understanding of the retail sector, business costs and margins. That is the element between the purchase price and the selling price, it might seem a little bit simple, but that is just the case. This is the bit out of which rent, wages, transport and of course profit comes. The other element, which makes a business work, and this stimulates the profit element, is of course turnover and numbers of customers; this is encouraged by marketing, offers such as "buy one, get one free"; "3 for 2", and all that sort of thing, and these are areas we all look for, it is human nature. I would contend that Senator Breckon has tended to use base retail starting prices in his assertions and has failed to take into account the harsh competitive environment of the food retailing sector, which leads the public to choose with their feet, and if they do not like a price to choose an alternative shop. There is choice; supermarkets have the ability to be competitive, despite protestations. Believe you me, if they were not really making substantial profits, they would not be here, and I suggest that we would not be seeing large U.K. supermarket chains wanting a piece of the action over here. I was asked only yesterday by a member of the public: "How can you protest against blatant overcharging in some shops?" and I suggested it is for Senator Breckon's Consumer Council to pick this element up and focus on areas in the retail market that need addressing. This is the only way it could be sensibly done. With all due respect to Senator Breckon, I think Members must not be influenced by what some would consider is just a difficult proposition, and look at the wider picture and vote against this proposition. Thank you.

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

Some years ago there was, before the proper Scrutiny got underway, there was a Scrutiny Panel that did look at it, and I think Deputy Le Hérisier used to describe the panel as the blockheads. Among those members were Deputy Duhamel, the Deputy of St. John, the former Senator Ted Vibert and Deputy Gerard Baudains. Obviously the word "blockhead" in that group had some connotations. But we looked at the whole system before it came to the House and the obvious thing was to keep it as simple as we could. If one looks at the history of the way in which G.S.T. has come to the House, it was the Constable of St. Clement, in his guise as a Senator, who brought a proposition to the House, as Senator Norman - and I support it - and what he was after then was that we would have no G.S.T. whatsoever on all food, and I thought it was a very simple thing, it was none of the business about jaffa cakes and all that. Unfortunately, that was defeated. I think in many ways, had we accepted that from the word go, it would have made it easier, we would have known where we stood for the start, but it was not. We introduced the 3 per cent and again I was rather loathe to support the issue of having tax on food, however we have then learned that we were going to give income support to help those at the bottom end, so in other words we were going to help them. Then we had the debate, and I will call it the Deputy of Grouville's debate, about what we are really debating again now, which is Senator Breckon's that we have had the sort of English version, and again I was almost beguiled into supporting that. However, again, my concern was the complexity, and then Deputy Le Fondré came forward with his, and to me that seemed a better option again. So I voted against what was called the Deputy of Grouville's proposition, which is now coming forward to the House with Senator Breckon. However, when we had the debate in

November, or whenever it was, I was very disappointed, when we had the option of going up to 5 per cent, the 4 per cent amendment by Senator Le Gresley was withdrawn, and I think that was unfortunate, because a lot of Members I think would have supported that, and I have spoken to P.P.C. about the way in which in future, if someone brings an amendment, that it cannot be withdrawn unless with the leave of the House, because I think a number of us would have brought forward a proposition for a 4 per cent rather than a 5 per cent increase. However, that has been lost, but almost in a protest, I suppose, I did support the proposition to make it what we have now, so I was one of those who changed horses. But now we come back again today and which way am I going to vote? I did mention earlier on to Senator Ozouf that there are some of us who have not made up our minds, and honestly I am this way and that, it is very difficult. But the one question I did ask Senator Ozouf, and Deputy Noel has just alluded to it now, and that is the situation is that those people already have it in their hand already, they know they are getting from what we call the Le Fondré system, and we also have the income support. Deputy Noel has just alluded to it now, is the fact, if these people are already getting it and we are going to take it off food, are we then going to tell these people: "Sorry, but this money that you were receiving now has come off food, you are not going to get it." I think we should have had that up front right from the word go, and I would ask Senator Breckon that when he sums up, did he put that question to all those people who came to his meetings and said: "Look, if indeed the system changes, you know that you are going to have this money withdrawn", because that has to be a fact. If that question was asked and everybody put their hands up and said: "Well we do not mind, we are quite happy if you take this money out of our pockets because it is not going to go on food." But we know that this particular system that Senator Breckon is going to bring forward is not going to take tax or G.S.T. off all food, so even though those people are going to have their money taken away, they are still going to be paying G.S.T. on some food. So in a way we have found ourselves in a bit of a mess; I suppose we are in a hole again. As much as we are trying to help those people, and I would love again to go right back to the word go, I would love to support it, if we had no tax at all on food, it would have made it a lot easier. So I am a bit like Senator Le Gresley, and I can understand where he is coming from, because we cannot win on this, because if we vote with Senator Breckon there is a possibility, and no doubt I am hoping that Deputy Gorst will speak about it to make the situation clear, but I am really worried that if we support Senator Breckon today that those people who already have ... I cannot remember how much exactly everyone is getting, but we had different figures, but it is in the region of £150 will be taken away from those families. Will they be thanking us today for the decision we have made today? So I am still waiting to be convinced, maybe Senator Breckon can convince me that really what he is proposing is the fairest way and it will be fair to all those people who are getting this money on income support now, and it will be removed. Very important, so maybe we will get some clarification maybe from the Minister for Social Security, and also the clarification from Senator Breckon.

**Deputy M. Tadier:**

Could I ask for a point of order following that? It seems to me that the Deputy is suggesting that it is an inevitability that this would happen, is it correct from the Chair that any decision to withdraw the G.S.T. bonus, or part thereof, would have to come to the Assembly first for approval?

**Deputy I.J. Gorst:**

Perhaps, I am not sure if this is a direction required from the Chair or if it is more a political direction, because it falls into 2 different areas I was going to speak about it in my speech, so I am not sure if the Deputy would prefer to wait for then or not.

**The Deputy Bailiff:**

I am grateful, Minister. I will defer making a ruling on the point of order until I have heard the Minister for Social Security in due course. I call on the Connétable of St. Helier.

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

If I could just start by addressing what seems to be a lamentable drift in English as I speak as a former English Teacher. Three members have used the word “poignant” when they meant “pertinent” today. The only poignant speech I have heard was from the Deputy of St. John last night when he talked about an example of a constituent whose dismay and keen distress at the prospect of G.S.T. on food was communicated to him in extremely poignant terms. I know that we do not all care about the slippage of the English language, but I would like to try and keep my speech pertinent, even if it has its poignant moments.

[14:45]

We certainly had an interesting speech from the Minister for Economic Development who seemed to me to be giving a lecture to businesses that are failing, particularly perhaps small businesses, and he said that good businesses are adapting. The implication seemed to be, I am sure he did not mean to imply this, but the implication seemed to be that businesses that do not like the idea of G.S.T. being on food are in some way failing, and that this economic climate we are in, in some way will almost benefit from G.S.T. going up to 5 per cent. Let us not forget that there was a nearly successful attempt to delay the increase of G.S.T. to 5 per cent until the new Government, because, and I will probably be accused of being barking, I have already been told that today, in respect of my speech on the Esplanade Quarter site, by a Minister. There are some of us who believe that a new Government of Jersey would fundamentally approach G.S.T. and the way we tax the public in a different way. There are those of us who have always opposed G.S.T. and who see this inexorable rise in G.S.T. as something that really a newly-elected House really is the only way to address it. So I am not sure that the decision we made today will make that much difference, because of course the legislation has to come back to the House anyway. But, as I say, the Ministers are clearly determined to defend their positions, and indeed anyone who votes with Senator Breckon will be accused of being populist; maybe that will reverse and by the end of the debate it will be populist to support the Council of Ministers, who knows. But here we are, we have the Deputy Minister for Treasury and Resources telling us that, if we support this proposition, we will inexorably have double-digit G.S.T., and I am a bit cross about that because he has stolen one of my lines. When I argued against increasing G.S.T. to 5 per cent I said that, once you go there, you will have to have the debate about food exemptions and inexorably G.S.T. will rise. They cannot have all the good music, the Council of Ministers, they brought in G.S.T., they put it up to 5 per cent, and now they should have expected people to complain: people who are in touch with constituents on fixed incomes, pensioners, people who are already finding it very difficult to cope in Jersey, and, like the Deputy of St. John, I was with constituents last night who said they were looking forward to retirement so they could leave the Island, and that really is - and I speak as someone who has adopted Jersey as my home - that is extremely poignant to hear that story, and whatever fine arguments are brought forward to say we must not complicate the matter. The fact of the matter remains is that the cost of living in Jersey is extremely high and the perception is, out there, that the States are going to make it worse by taxing food and domestic energy. Now I want to move on to a subject, which I do not think has been mentioned yet, and I know that is what we are supposed to do as we speak in a long debate, and not to repeat other Members. I expected to hear it from the Minister for Economic Development - he is after all responsible for tourism - but I did not hear the word, I did not hear the T-word, and I have not seen it in the reports. One of the things that strikes me, living and working in town, is how many times I hear comments from tourists - and we still have a lot of them in St. Helier - complaining about the fact that they have to pay G.S.T. on their newspaper. Now newspapers are not even here at the moment, we have not come around to newspapers and books, but let me assure the House that will come, because the system we have adopted has to meet that challenge. What about the tourist who comes to Jersey, not Guernsey it has to be said, who comes to Jersey and just notices the fact that their newspaper costs that extra thruppence, it is not a huge amount of money, it is a matter of what Jersey stands for, and Jersey stands for an expensive holiday for many of our U.K. visitors, and I find that people from the U.K. do not pay V.A.T. on food, and that is something that strikes them when they come

here. We are not just talking about newspapers, we are talking about a cost of living on food in the U.K., which is of course much cheaper, and the Council of Ministers will say: "Oh, that is because of competition, it has nothing to do with tax, it is because of competition", but certainly I believe that what we have lost as an Island, among other things, is the concept of Jersey as a low-tax tourist destination. I want to do everything I can to get back to that, call that nostalgia, but I still believe Jersey has a tourist industry and it does seem to me that this is another blow against that. So I think the perception of Jersey from the tourist point of view needs to be considered. Interestingly, one of the arguments of the pro-G.S.T. lobby is that it is good, G.S.T., because tourists have to pay it, which I find again a bit extraordinary. I do not have so much moral principles involved here, for me it is a matter of ideology; I do not believe that we should be taxing basic foodstuffs, I do not believe we should be taxing domestic energy, I do not believe we should be taxing books and newspapers, but we have not come to those yet because we have to fight this battle first, and I am quite happy to be part of that group that is fighting this battle and I am afraid, if it is lost today, it will come back and it will keep coming back because I know that the people out there, as I say, particularly those on fixed incomes, those who are already struggling, will not thank the States for rejecting this proposition today.

### **2.1.23 Deputy I.J. Gorst:**

A number of comments have been made by other speakers, which relate directly to my department, and I wish just very briefly to touch upon those. It has been suggested that an individual received only £17 in winter fuel payment for a quarter. Winter fuel payments have been paid now for at least 2 years; the amount for 2009/2010 was in fact £225. It is paid monthly and not quarterly and at no point has it been, if you added up those 3 monthly payments, £17 for a quarter. In 2010/2011 it was £219, so I just must put that record straight. In fact, at the coldest stretch in December 2010 it was £73 for that month's worth of winter fuel payment. As Senator Le Gresley pointed out, that is to be extended next year and I have a bid in for my departmental budget to enable that to be extended next year, but I will come on to that later. There was also an intimation that an individual that had a long stay in hospital had some element of their income support removed, so that would indeed be correct, because, if that adult is no longer in that family and in that home then that element of their benefit would be removed; that is how income support works. There was also a comment with regard to an individual struggling to pay their rates; that one is a particular issue that I am about to restart negotiations with the Connétables about; I thought we had a solution to it but it transpires that what we thought might be a solution is not working, so I am meeting with them again to see if we can perhaps address that issue. But that, needless to say, will not be an easy one to address. Other points made - this was last night - an individual or a Member suggested that, on the one hand we should stop paying contributory benefits to those who are no longer resident on our shores, but on the other hand we should stop paying benefits to those who are resident on our shores but come from another jurisdiction. I am not sure how one could double-count that saving, we either want to move in one direction or the other. It was said that it resulted in many millions of pounds being wasted. Well I can confirm to that speaker that in fact there are about 108 people on invalidity benefit overseas who have contributed to the Jersey social security system, and therefore are entitled to that benefit when they are resident overseas and it costs us around - and this is just a rough estimate - £1 million a year; that is 10 per cent of invalidity claims and the other 90 per cent are for people who are resident in Jersey. We have a contributory scheme, people therefore are entitled to take money out of it, and it is not fair for a Member to stand up and suggest otherwise. That Member also seemed to suggest that we should have a reciprocal agreement when it comes to the cost of residential care. When that Member was speaking, I was not aware of any other jurisdiction that has a reciprocal agreement for the cost of residential care, I have asked my departmental officers if they are aware and they are not aware of it either, so it is nice to pluck rabbits out of a hat, but in fact sometimes one has to do a little bit of homework and see whether it would be practical. We would then be in a position where we were starting to negotiate with other jurisdictions on perhaps an agreement, which they would have no interest in providing anyway. So

I do not think it particularly helps the debate. How much money has been provided to income support and into the G.S.T. bonus to date? Well in 2008, when G.S.T. was first introduced, there was just short of £2 million that were put into the income support budget, and that was used to up-rate the component levels, which suffered the effects of G.S.T., of course we have to remember that medical items do not, nor rent, therefore those were not up-rated, but that was £2 million, and that would include all G.S.T., so that includes an element also of food and an element of fuel as well. There was another small increase around cold weather payments; that was just £150,000. Then in 2009 the Assembly approved what has become known as the Le Fondré proposition, and that was £3 million, at that point £3 million was put again into income support to offset the costs of G.S.T. for those on low incomes. Some of that money was put to up-rating components, but a large amount of it was used to up-rate the disregards. I think and I hope that Members support the targeting of money, which is put into income support, and certainly I am sure they support the improvement in the work incentives and the disregards within income support, which were and always have been a fundamental second stage of making sure that income support is fit for purpose and making sure that we as a Government, and our community that is both receiving it, and those that are helping to provide for it, have confidence in that system. So that is an extra £3 million. Then of course, for the up-rating of G.S.T. to 5 per cent, another £1.4 million will be put in. That of course, a small element was used to up-rate, a very small element, the majority of it was used to help with pensioners, so we increased the pension disregard, but by far the largest proportion was put into again work disregards to make sure that work pays if you are in receipt of benefit. We must remember after all that income support is an in-work benefit. That makes the total amount of money put into income support to help offset the costs of G.S.T. at £6.5 million. Alongside that of course we have the around £700,000, which has been put into the G.S.T. bonus; that started at £50, then increased to £150, and if the States approve the proposition, which is down for debate at the next sitting, that will become £193. Deputy Tadier asked me whether that would have to come back to the States for approval if it were to be withdrawn. With regard to the bonus that would not have to come back to the States because it was a 3-year Regulation, which has fallen away, this is a new Regulation to put the benefit in place again for another 3 years. Where he is right to raise the point of what would happen with regard to the money that was put into income support; that would of course have to come back to the Assembly for a decision by this Assembly, but I want to go on to that and explain to Members why today I find myself in an extremely difficult situation.

**The Deputy Bailiff:**

Deputy, I am sorry, if I may interrupt you a moment. I must rule on this as a point of order: the G.S.T. bonus is currently found in triennial regulations, is it?

**Deputy I.J. Gorst:**

That is correct, and the previous set has expired.

**The Deputy Bailiff:**

So there will need to be some form of legislation to bring the provision for the bonus back into force?

**Deputy I.J. Gorst:**

That is correct, and I have it tabled for debate on 7th June.

**The Deputy Bailiff:**

Thank you. Please carry on.

**Deputy I.J. Gorst:**

I have briefly explained the amount of money, which has been put into income support. The difficulty I find myself having is that, while the initial £2 million and the £1.4 million that I have just talked about covered the whole increase in G.S.T. and only an element covered food and fuel,

the £3 million that the Le Fondré proposition put in, what in effect the States did was say that G.S.T. element on everybody's food bill would come to £3 million; if we decided at that point to accept exemptions, it would cost the revenue £3 million; well it was £3.5 million because the other £500,000 went on the G.S.T. bonus.

[15:00]

The States decided that, rather than spending that money on giving back the exemptions to G.S.T., it would take that money and target it for those on income support and those just above but did not pay tax. So what we have done is taken the full range, those who are wealthier in our community who would have paid or would have a benefit from exempting food, along with those who are not so wealthy. We have taken all that money and we have targeted it at the lower income families in our community. I am going to, as Minister for Social Security, find it extremely difficult if this Assembly asks me to remove that money from the income support budget, because what, in effect, I believe that the Assembly will be asking me to do if they did that was to take a very targeted £3 million - it would, of course, then become £8 million because of the increase in the rate of G.S.T. and other work the Statistics Unit has done - to take that targeted and then spread that out across every member of our community, giving benefit right across. That is a decision for this Assembly to make. I find that a very difficult decision to make, and in actual fact, as I have explained to Members, the allocation of that particular £3 million did not just go on at rating components, it went on fundamental improvement to the income support system. I am not prepared and would find it very difficult to come forward and take away those fundamental improvements to making work pay within our benefit system, within our community. Therefore, in effect, the Assembly, if it asks me to do this, would be asking me to look at putting component levels at the very time that it was asking me also to make savings for the comprehensive saving review and it is a very ... we at the department work with very vulnerable members of our community and we have to tread very carefully in understanding their needs and trying to target our resources in an appropriate way to help them meet their needs. To answer the Deputy of St. Martin, it is my understanding - and I was reminded of it yesterday, that when the States approved Deputy Le Fondré's proposition of £3.5 million - there were 2 parts to that proposition, perhaps even more. But the second part was that the States agreed in principle to take that money away should food ever be exempted from G.S.T., and I have got to say that when I last voted in favour of exempting food I had forgotten that or perhaps I thought it was going to be impossible. I find myself in a very strange position today because I think for the last 2 of these debates, if not 3, I have in fact voted in favour of food exemptions, and I still fundamentally believe that that is the way that we need to, or the position that we ultimately need to arrive at. Perhaps for once I find myself sitting in a very similar position to the Deputy of St. Mary. Other Members have suggested today that perhaps there is another route, and that is along the exemption of either healthy foodstuffs or fresh and raw foodstuffs. The Minister for Treasury and Resources said that everybody had made their minds up, well I am afraid, rather like the Deputy of St. Martin, I find myself in a great quandary this afternoon because I do not want to be in a position where I am making the vulnerable members of our community, which my department strives hard to help, worse off. If that is what the Assembly were to ask me to do, I suspect Senator Breckon will say that we should find the money in another way, but that would be another States debate, and if we do agree this today I really do hope that is what Members would ask and not for me to remove it from those vulnerable members who are receiving it. As Senator Le Gresley pointed out, if you take the Statistics Unit's information, the bonus benefit that those who are above income support but do not pay tax receive is greater than the cost of G.S.T. on their food, and we know that because we were in an unusual situation when we were allocating the Le Fondré money, if we call it that, to say: "Yes, we know that that is what the Statistics Unit has said on G.S.T. on food costs, but we have got all this money and we are trying to help those who are just above the threshold for income support so we will give them a bit more anyway" and it did not automatically relate to what the G.S.T. on food costs were that they were encountering. Members will see that I am starting to flounder in my speech. I am hoping

perhaps for some inspiration but I must say, having supported exemptions on food, and I still want to see those, but I really, hand on heart, cannot today support either this proposition to go down the U.K. route, and what it might mean for the vulnerable members of our community, nor say that I do not want it, because I do. Therefore, I am left in that extremely difficult position for States Members of perhaps having to abstain. Thank you.

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

I very much sympathise with the Minister for Social Security and thank him for his clarity and understand the difficulties that he finds himself. Like with many other Members, I have been part of the debates regarding the reduction of G.S.T. on food. What has been alluded to, and I need to point out, I do care, as does the Council of Ministers, to protect those on low incomes and those who do not pay tax. We need to ensure that support is given to those targeted areas that really do need it. Food exemptions are simple, easy to administer and easy to manage. We have heard many speeches on how the V.A.T. system in the U.K. works, and some of those exemptions that have been alluded to today and yesterday are simply daft. Like most Members, we have letters from Islanders supporting the exemptions and those asking for us to keep it simple. I have talked to many parishioners and all of them have said: "Keep it simple but on one proviso, that you protect those who are vulnerable." As regarding heating bills, a little bit has been said about that, but I am a definite convert of insulation and Senator Cohen as Minister for Planning and Environment, has in fact alluded to the importance of the home insulation scheme. I have had my house insulated and that is why I am a convert. It has saved me, and no exaggeration here, many hundreds of pounds. Not only for one year but for over many, many years, and many years to come. That is where we should be putting that extra support and, in fact, extra funds put into the home insulation scheme to urge that low income families, and perhaps those families who do not pay tax can access that scheme. I urge Members please to keep the G.S.T. simple and vote against Senator Breckon's proposition.

#### **2.1.25 Deputy M.R. Higgins:**

It will not come as a surprise to Members that I will be supporting this proposition, as I have consistently voted against G.S.T. rises and for G.S.T. off food and energy. Why? Well, because of equity and fairness. I believe in an equitable, fair and progressive tax system, something we do not have at the present time. We have learnt through questions to Ministers that there are still 1(1)(k)s who are paying less than £5,000 per annum on their income. Why? Because it said we cannot go back on the agreements we made with them when they originally came to the Island. Yet everybody else has their tax changed every year following the budget, so why should they be different? Other 1(1)(k)s pay a small fraction of their income derived in the Island and most structure their investments to achieve capital growth, which is not taxed anyway. We have also learned through questions, through Zero/Ten that foreign firms pay no tax in Jersey even though they may charge prices that include inflated transport costs and the 20 per cent that they would pay on V.A.T. had the goods been sold in the U.K., but instead of it going to the U.K. Government it is going for their own profits. This is something which even David Warr of the Jersey Chamber of Commerce has stated local firms do as well because of the high cost of living in the Island or the high cost of operation. They need the extra margin. We have also seen, largely through questions that have been asked by Deputy Southern, that there has been a shift in the balance of taxation since the introduction of G.S.T. and some of the other changes, from corporates to the personal sector, so that individuals are now paying more than companies, and something that I believe will not only continue but will get much worse. We also know that finance firms, both large, medium and small, have negotiated I.S.E. (International Securities Exchange) rates, which is their equivalent of G.S.T., they pay through I.S.E. charges, rates that amount to hundreds of pounds rather than thousands of pounds, instead of paying the 3 or 5 per cent on the cost of their services, even though many of them are charging their clients the 3 and 5 per cent for their services. Also, for as long as I have been in the States, and in fact even hearing it before, we have been promised openness and

transparency by the Council of Ministers with regard to taxation. Yet, where is the business tax report? Where are the solutions to the foreign-owned corporations trading in the Island who do not pay tax? And where are the detailed reports on the 1(1)(k)s or all the other taxes? Now if this information was forthcoming from independent, unbiased sources, I might agree with the Council of Ministers' arguments. Why? Because I have an open mind and will make a decision based on the facts, but when they do not do the research or provide the data, why should I believe any assurance they give, or for that matter, anything they say? I also cannot support the Council of Ministers, and why I am supporting the proposition, is because I am against the regressive nature of G.S.T. Although the Minister for Treasury and Resources and his supporters quote the Mirrlees Report, commissioned by the Institute of Fiscal Studies, which stated that G.S.T. was not regressive according to the Ministers, what they do not state is it has to be looked at in the context of taxes in the U.K., which are progressive overall. Which is not the case in Jersey where we have a tax system, which is proportionate by nature, 20 Means 20; G.S.T. is proportionate, what else have we got? There are no progressive taxes. With G.S.T. being heavily regressive to me it is unacceptable. I also cannot follow the Council of Ministers because I believe that an awful lot of ordinary people in this Island are suffering, and in my view are likely to suffer for a number of years to come, and we need to do something now to alleviate their suffering, not later. Let us not forget that the recession was not their fault, although they are paying the price of the errors of others. The recession was caused through the excesses on the part of the global financial services industry by inadequate financial regulation and by governments who allowed such things as housing bubbles to develop but who thought they had eradicated the busts that normally follow the booms. While economic forecasting is fraught with danger and, as I have said before, economic forecasting makes astrology look respectable, I think it is safe to say, mainly because the evidence is already available, that the recovery is likely to be slow and not very pronounced. Why? Well, first of all the recession we are experiencing was a financially-induced recession, which experience has shown - I can produce papers from the I.M.F. (International Monetary Fund), O.E.C.D. and others - the experience shows that these tend to be deeper and longer than other types of recession, and to date I have seen no evidence to suggest that this one is any different, and I have certainly not seen any of the green shoots of recovery that one or 2 Members have talked about. I also think that the recovery will be slower, and people will be worse off, because of the States policies that we pursued in the past. The dependence on the finance industry. While I do not have a particular problem with the finance industry *per se* I do have a problem with putting all our eggs in any one basket. I could not care a less if it was the car industry or any other industry we had here, you do not just rely on any one industry. The experience has shown, especially with financially-induced recessions that it is the finance industry that is one of the last to recover from this type of recession.

[15:15]

Also we could also say if we look back, as Senator Le Marquand demonstrated at one of the briefings we had, that the finance industry has not led to any new growth over the last 10 years, in fact. It has been flat economic growth in this Island. What hope have we got that it is going to bring us out of the doldrums? I might also say that the banks are not particularly helping our economy get out of the recession. They are still lending too little. Most of their profit recovery is coming from bank charges rather than from interest on loans. If we look at the U.K., they are just coming out of recession, but their economy could quite easily go back into recession. They have less than 1 per cent growth. What recovery they have seen has not come from the finance industry, it has come from a resurgence in manufacturing, even though albeit that the manufacturing industry is quite small. Jersey's economy is reliant on international finance business and, as such, it is an open economy and to recover from the recession we must get more business from outside the Island. But what is the state of our traditional markets? The U.K., the U.S. and Europe, well, the answer is not very good. They are not doing particularly well; the United States is not; some of the European countries, we know, are in major problems - there is only Germany that is really racing ahead - and the United States is not performing particularly well. Our Ministers are placing great



reliance on new business from the Middle East, India and China. But this business will not be generated overnight. It will take years to grow and it will not help us in the short term. Domestic demand, i.e. within the Island here, is not likely to grow rapidly as well. Why? Because we are seeing depressed incomes. Through wage freezes and wage restraint people have less money in which to spend, together with worries about job losses and actual job losses, whether those jobs be in the public or private sector, people are not spending. We know the retailers are seeing this, and the only area that appears to be increased spending is on food. Even that is possibly because we have inflated food prices. The prices have been going up, the people are paying out more for it. Our retail sector is not doing particularly well. At the same time, Islanders and, indeed, people around the world, are experiencing the higher commodity prices. We have already heard others say that this has been due to speculation. Yes, we know there are hedge funds and there are other bodies who are going out there and driving-up the price of these things beyond what the true economic cost is. No matter what, though, our people are paying higher prices for fuel and wheat and also higher utility bills on electricity and gas. All these factors mean that people's incomes in this Island are being squeezed with the effect that living standards are likely to fall. In fact my biggest fear is that the policies being pursued by the Council of Ministers and their neoliberal supporters will be that we will replicate what has happened in the United States where real incomes have not risen since the 1970s and where for the first time the current generation are not better off than their previous generations in real terms. In my view it is high time this House did something for the ordinary man and woman of this Island and not the vested interest that normally dominate the proceedings of this House. I urge you all to support this proposition today.

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

I think it may be a mark of the frequency with which this debate is being held that we are starting to ramble over all sorts of areas, which are not particularly relevant. I think I would like to start just by reminding Members what this debate is not about. It is not about whether G.S.T. is a good thing or not. We have had that debate years ago. It is not about whether an increase from 3 per cent to 5 per cent is a good thing. We had that debate last year. It is not the debate about healthy foods or local foods, which perhaps might have been a more fruitful debate, but it is not the debate we are having today. It is not a debate about the fiscal strategy or economic policy, as the last speaker seemed to be majoring on. It is a debate about whether our G.S.T. system, our simple G.S.T. system, should be changed to mirror the U.K. V.A.T. system in respect of food. That is its primary objective. As a proposition focusing on that, I see little to recommend it. The objectives, which we spoke about at the start of this debate, and the objectives set out in the fiscal strategy, which this House approved some years ago, included those of simplicity and fairness. Several Members today and yesterday have already spoken about the principle of keeping it simple and I do not need to reiterate that, except to say that keeping it simple, not only reduces the administration costs, but it reduces the tax leakage. That is something which perhaps we forget about, we say glibly: "Jersey has over 90 per cent compliance, the U.K. has less than 70 per cent compliance." If we have more tax leakage then, by extension, we lose revenue. If the £49 million a year we collect at the moment represents a 92 per cent success rate, if that success rate drops to 70 per cent, we could expect our yield to drop to something like £40 million. That is something which perhaps we overlook, but we overlook at our peril, because one of the reasons which I proposed G.S.T. in the first place, in the way it was, was in order to keep it simple and in order to maximise the efficiency of the revenue yield. In terms of fairness, the great thing about consumption tax is, as is frequently being pointed out, is that everyone pays. There is no getting out of it. It is a very difficult tax to avoid. We all pay G.S.T. but certainly the rich pay more. I spoke about the fiscal strategy, which the States agreed some years ago. I point out it was the States that agreed the fiscal strategy. It may have been me and the Council of Ministers that proposed it, but it was the States that agreed it. One of the things that we agreed in that strategy was that although we needed different tax measures we also needed to protect those on lower incomes, and that was a fundamental point and always has been a fundamental point of the fiscal strategy, and it is a point which has been hammered time and

time again to the extent that we spend something like £12 million a year now protecting those on lower incomes from the effects of G.S.T. That has been dealt with. Some of the other principles we have adopted in that fiscal strategy was one of consistency and certainty. I recently looked at the V.A.T. rates or G.S.T. rates around the world, and there are now over 100 countries with some sort of consumption tax, and the vast majority of them tax food at the rate of 5 per cent or more. In terms of morality some people have questioned today is it moral to tax food? Well I accept that maybe the majority of the world is wrong as well, and we are all out of step, but I would say that it is not wrong to tax food if the well-off consumers for food contribute more tax and that money then gets distributed in other ways. Because, whether we like it or not, we, as a Government, need to raise a certain amount of money to spend on the expenditure we approve. To the extent that we raise it from the well-off we do not raise it from the less well-off. To the extent that we do not raise it from the well-off we have to put more of a burden on the less well-off. Some people have said that G.S.T. is not progressive enough or our tax system is not progressive enough. This amendment really does nothing to address the progressivity issue because having removed G.S.T. from food we then say: "And bring forward other tax measures to replace it." Those other tax measures have been debated in the States on previous occasions, and we have ruled out some of the bright ideas that Members have spoken about today, and in reality the way in which we are going to substitute any G.S.T. on foodstuffs would be to raise some other level of taxation, which will also hit the less well-off as well as middle-Jersey and the better off. But even if we were going to do that, would we choose to do it by bringing in a U.K. V.A.T. system. I think that no one in their right mind would do it that way. You can look at other G.S.T. systems around the world and I think the one thing which most people would agree, is that whichever model you choose you certainly do not choose the U.K. one. Even the U.K. do not like it. Here we are; we hear indeed from the Mirrlees Report that the U.K. system itself is likely to change. Just as they begin to change and maybe scrap their exemption for food on V.A.T. we are going to go fully in favour of the system which is the most complicated, the most condemned, the most criticised in the world. If that is progress, then I shudder to think which way we are going. There have been various comments over the past few days and I do not want to go through all of them. But I do want to pick up when the Deputy of St. Mary and others suggested that I did not care but did not listen to 19,000 petitioners. What I believe that that petition was implying was that those petitioners did not want to pay more tax. I can understand and I did understand that situation. But we were facing a situation where that was not an option, so to have an option of not paying more tax was unrealistic and therefore I rejected it. It is not because I was uncaring, it was because I wanted to make sure we had the best tax system for the Island, a most appropriate tax system for the Island, the simplest tax system for the Island and the fairest tax system for the Island, and those principles of those days hold just as firmly today, and so any suggestion that this is ignoring the will of the public is, in fact, doing what I believe, but more importantly, what States Members believed was the right thing for the Island. As other speakers have said, people have generally made up their mind, but for those who are in any doubt I would suggest to them that following the U.K. system is not the way to go if they cannot bear to side with the Minister for Treasury and Resources or the views of people, such as myself, I suggest to them that they should think carefully about whether they can vote in favour of the proposition or rather whether they should abstain. Because I think to send a message that we wanted to follow a very poor U.K. system is something we should not be doing and I urge Members to reject the proposition.

**The Deputy of St. Mary:**

May I ask a point of clarification of the previous speaker? He mentioned that 100 countries had a consumption tax of some form of another. Could he tell us if he knows how many have a reduced or zero rate on food?

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

Many of them have a reduced rate of G.S.T. or V.A.T. on food, but very, very few have zero-rate, apart from places like U.K., Ireland and Malta.

[15:30]

**The Deputy Bailiff:**

Deputy Tadier asked me to rule as a point of order whether any reduction of the G.S.T. bonus needs to come back before the Assembly. It seems to me to be a mixed political question and a question of law rather than a point of order. Members have heard from the Minister but perhaps I can say that I have asked to see P.65, which is the Draft Food Costs Bonus (Jersey) Regulations, which are to be debated on 7th June. These make it plain that the existing regulations expire on 23rd July and therefore, unless new regulations are brought forward there will not be a legislative basis for the food costs bonus. The regulations, which are down for debate on 7th June, are expressed to come into force straightaway and to last for a period of 3 years. It appears to me that any change to those regulations would therefore need to come back before the Assembly if there were to be a change proposed from any part of this Assembly.

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

Could I beg your assistance on a point of clarification as well? I have passed a note to the Greffier, but earlier this year we approved a proposition I brought, which was to extend cold weather payments to pensioner households in receipt of the G.S.T. food cost bonus. If we no longer have a food cost bonus does that mean my approved proposition falls away?

**The Deputy Bailiff:**

The triennial regulations, which are currently in force, expire on 23rd July and the new regulations come into force on 24th July, that is the following day, if adopted by the Assembly. I have not looked at them to see whether or not they include provision for the proposition, which you put before the Assembly. Perhaps, Minister, you can help?

**Senator I.J. Gorst:**

No, the proposition was to include a budget in this year's Business Plan and the department will work on amendment to the regulation, if that is approved, which I suspect it will be. Could I ask for further clarification on your ruling please? I think you indicated that it would require States approval. If I am the Minister who has lodged the proposition, it is my understanding that those who have got a lodged proposition prior to a debate are able to withdraw it, and therefore it would not be debated should the Council of Ministers ask me to do such a thing. Depending on the result of this debate of course I would have to decide whether I was going to accede to the wishes of the Council of Ministers.

**The Deputy Bailiff:**

Of course you can withdraw it prior to the date listed for its debate. The result of doing so would be to leave no provision in law for the payment of a food cost bonus for the balance of 2011 and that would be a matter for political judgment as to whether you wish to do that or not. The alternative would be to continue with the regulations and bring a proposition to rescind them for 2012.

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

Just a further point of clarification on your ruling, only because on P.138/2008, which is going back a bit, part 2 of that proposition was if food became exempted or fuel became exempted all the relevant measures introduced by P.138 were agreed in principle to be reversed. So obviously the increase in the G.S.T. bonus from about £50 or £75, way back then, as a result of P.138, would surely automatically be reversed? So from the perspective of we would not necessarily ... the Minister would effectively have to withdraw the proposition, surely.

## **The Deputy Bailiff:**

The statement “for the approval in principle” of a proposition of that kind does not overtake subsequent legislation which is adopted by the Assembly, so it would be struck out. I saw Deputy Le Hérissier.

### **2.1.27 Deputy R.G. Le Hérissier:**

Just a few comments, given the chastisements that have been made as to repetition. I thought one of the most impressive speeches, but one of the most misleading probably, was Constable Norman's. He spoke with a very tight logic and within the speech it all made incredibly good sense, but it did remind me of that saying: “It may be logical but is it reasonable?” I felt it was unreasonable in the sense it did not refer to the bigger picture. It did not refer to the balance that exists or should exist within the tax system and the perverse ways in which the tax system operates and the areas which it does not draw attention to, and we had a slight allusion to that from the Chief Minister about all the brilliant ideas. But, as I was reminded, of course, a lot of these ideas have never been subject to the debate of this Assembly, of course. They have all been dismissed in various reports. They were put forward often as proper contributions to a coherent approach to tax and, of course, one of the disappointments of the process we are engaged in, which is the bane of this Assembly, is that we are not doing it coherently. Of course when we have private Member's propositions unless there is a process of give and take before the proposition comes to this Assembly, and often sadly because of the divisions, which currently affect this Assembly, such a process does not occur, we are left with a proposition - as the Deputy of St. Mary, for example, adumbrated in some detail this morning - which is full of good intentions, which in detail raises some serious issues. He is wondering if he agrees with me, but I am sure he does after due reflection. That is what I feel has happened because, like other people, I feel we have got locked into the U.K. system and I was hoping that the Attorney General might have been present, but he might be able to help us later because, as a result of adopting the U.K. list, that we automatically adopt U.K. judgments, such as in what position can you eat a sandwich without incurring G.S.T.? Horizontally, vertically or whatever, in what position can you eat a sandwich so that it does not attract G.S.T.? Are we to understand that the Royal Court is going to have to make its own pronouncements on the great sandwich issue, for example? If it is, that does worry me, and I would be obliged if the proposer could refer to that and perhaps, as said, the Attorney General joins us later he may wish to comment on that. The other issue that Constable Norman did not mention, while he has said he had this wonderful logic about the way he put his case forward, he did not mention, of course, one of the reasons why there is so much resistance is a major overall reason, which is contaminating so much of how we are seeing: the fact that the public do not believe we need these taxes, because they do not believe we are responsible in the way we spend their current taxes. That is a major, major issue. I am afraid, much as it may be denied, much as it may be rationalised on the basis of: “You must invest to save”, which I know in very different ways the Minister for Treasury and Resources and the Deputy of St. Mary propound, much as it may be, the fact is there is a feeling for a community of 90,000, we have gone bananas. We have ended up with a staff infrastructure that would be more suitable to a medium-sized nation. We have ended up with management structures in States departments that despite the fact we are told people are there to bring about fundamental reforms, often it moves at a very glacial level rate of knots, or it is often a reform on top of an unreformed organisation. That is what makes people highly resistant - highly, highly resistant - to further taxation. It is interesting, so many people have said it is across a lot of the social spectrum. It is not just a question of people who feel very put upon because they are genuinely struggling. As people have said, it also applies, for want of a better term, that very elastic term, “Middle-Jersey”. Those are the broader reasons why I find this very difficult to accept, but I am very worried because we do end up with these propositions, and I know the immense work that Senator Breckon has done, but it would have been so much nicer if we could have seen, even though I think at the end of this, we know that no nation - although I am told New Zealand is pretty near there - has got the perfect system, which would be to impose no taxation.

We know it would have been so much better in the proposition if we could have had a look at some of the technical issues, because there is no doubt the devil is, in part, in the detail. I, like ... I think again it was the Deputy of St. Mary, I would want to know how wed Senator Breckon is to a wholesale and uncritical adoption of the U.K. system. And I want to know, either from the Senator if he has managed to research this point or the Attorney General, are we going to have our own jaffa cake hearings and our own sandwich hearings in the Royal Court of Jersey, because that really does worry me. I speak now, and I wonder if the Attorney General ... now he has had his G.S.T. sandwich whether he can answer the question of whether the Jersey Royal Court will, itself, have to pronounce upon these G.S.T. type cases?

**The Deputy Bailiff:**

Mr. Attorney, do you have the question?

**Mr. T.J. Le Cocq Q.C., H.M. Attorney General:**

I think I do, Sir, if the question has not changed much since when I was listening from over the road.

**The Deputy Bailiff:**

I understood it to be whether if the Assembly adopts the U.K. V.A.T. arrangement in relation to foodstuffs that involves accepting automatically the decisions on that regime taken in the U.K. or whether the Royal Court would be asked to adjudicate on such issues.

**The Attorney General:**

I think the Royal Court would be asked to adjudicate on these matters afresh. If this proposition were to be accepted, effectively one will be saying that the particular regime was adopted as a matter of Jersey taxation law. There are rights of appeal within the G.S.T. legislation to the Commissioners of Income Tax and rights from the Commissioners to the Royal Court. Whereas the court may well have a raft of English authorities cited to it, I do not think the Royal Court could escape from having to make its own determinations about any matters referred to it in that way.

**Senator J.L. Perchard:**

May I ask a supplementary of the Attorney General? Does that then mean the inevitable consequence of the Royal Court sitting in judgment, that there would eventually be a parallel similar list held by Jersey to that of the United Kingdom?

**The Attorney General:**

I think it would be difficult, as a matter of principle, to tie Jersey taxation legislation to an evolving situation in a foreign jurisdiction because effectively you would then have foreign courts making determinations about how Jersey tax should apply. So there must be some possibility that there will be different determinations by the court. It is only however that if the Royal Court deals with the matter on taxation it is matters of law only that can be appealed beyond the Royal Court to the higher courts, and ultimately, I would assume, to the Judicial Committee of the Privy Council.

**Senator J.L. Perchard:**

For clarification, if I may; so the Attorney General has just informed us that we would not have an identical list to that of the U.K. after judgments have been made - presumably the determinations are not always going to be same - does that then mean that we would have a list of our own completely independent of that of the U.K., which is then subject to challenge at any time.

**The Attorney General:**

I think that must depend upon whether or not it is proposed that one is adopting a fluid system, which is the system as it changes from time to time in a foreign jurisdiction, which I would suggest might be somewhat difficult, given foreign courts and foreign political governments will be making

decisions, which we will be then applying directly, or whether we were establishing a system fixed in time at a particular date. If we were incorporating the U.K. system as fixed in time it seems to me that there is the possibility of the evolution over period of different judgments in different cases. I should add, for a more complete answer, that of course decisions of the superior courts in the United Kingdom or indeed of higher courts may be of persuasive influence to the Royal Court and the Jersey courts, but they certainly do not necessarily have to be so. It is for the Jersey courts to determine how Jersey taxation works.

**The Deputy Bailiff:**

Deputy Le Hérissier, you were still speaking, I think.

**Deputy R.G. Le Hérissier:**

I just wanted to ask one final question to the Attorney General. Could the Attorney General say whether rulings of the European Court would automatically apply to the Jersey court, and if they come, so to speak ... I know it does not work this way, but presumably the U.K. courts ultimately have to accept those rulings. Would Jersey be in a similar position?

**The Attorney General:**

No.

[15:45]

**Deputy J.A.N. Le Fondré:**

Sorry, can I ask a question now? I think one of the concerns is that, just by context, there are obviously some cases coming out of particularly Germany in the moment, for example in catering and things, and the inferences are that that will lead to a precedent, which will then be argued in front of the U.K. courts. On that basis, is it reasonable to assume that if we adopt, depending on the nature of the cases one adopts, that there will be influences in a wider context from countries other than the U.K.?

**The Attorney General:**

If the Royal Court is called upon to make any kind of decision on a taxation matter it will look to the appropriate sources of law to identify what the answer to that question might be. Among the sources of law, sometimes judgments of the English courts are of persuasive authority and sometimes the judgments of those English courts are influenced directly or tangentially by judgments of the European court. So it is possible that some of the cases in the European courts might ultimately filter their way down and be argued before the Royal Court, but they will not have directly applicable effect, and the extent to which a European judgment has determined how an English court has decided matters, will only be of relevance, I think, to the Royal Court persuasively if the same principles are thought to apply in Jersey. I am conscious by the silence that might not have assisted as much as I hoped it would.

**Deputy J.A.N. Le Fondré:**

I will have another go, Sir, if that is okay? Therefore, if a Jersey seller of sausages, for the sake of argument, from a kiosk locally, has seen that in Germany there has been a case determined with the status of how the V.A.T. is handled for that supply or that service, I cannot remember which one it is, and indeed that that is then influenced, for example, I think it is Subway or whoever are bringing cases or potentially bringing cases in the U.K. If the Jersey person felt they had a case and brought it to the Royal Court on that basis, the Royal Court would potentially look to the U.K. as a source?

**The Attorney General:**

The Royal Court will potentially look to the U.K. as a source if it felt on the case in question it was relevant to do so. I could well anticipate that if there had been a major and well-publicised decision

relating to sausages, for example, out of the European Court, someone might think it to their advantage to make the same points in the Jersey court. That would not make the European judgment of direct applicability to Jersey.

**Deputy M. Tadier:**

Can I have 2 penn'orth? Maybe 5 penn'orth on the pound, Sir. The question is just to ask if we are being asked to adopt the U.K. model here, would that not extend to judgments that have been made in the U.K., which then perhaps we could adopt into law rather than leave it to discretion of the court. For example, if there have already been judgments in the U.K. to say that a jaffa cake is not a cake and may not attract V.A.T. and G.S.T. in Jersey we could have a list of products in law, in the articles, and say based on the judgments that have been made the States of Jersey is willing to note that all these articles will be included either for G.S.T. or not?

**The Attorney General:**

It will be entirely open to the Island to frame whatever tax regime it wanted, and if it wanted to make precise specifications relating to certain kind of foodstuff, I do not think there is anything in principle that would make that impossible.

**The Deputy Bailiff:**

I thank the Attorney for his advice, increasingly less breathless as he continued. Deputy Le Hérissier have you concluded your speech?

**Deputy R.G. Le Hérissier:**

All I wanted to say is, and I am sure the issue is being addressed, I am very sympathetic to the position adopted by Senator Breckon, but I would like to hear more on this particular issue because quite frankly it frightens me if we go in on this basis.

**2.1.28 Deputy G.P. Southern:**

Again, what an interesting day we have had on this particular subject, and unlike Senator Le Gresley, this is my ... several times I have been here and I enjoy it every time. I particularly enjoyed Senator Le Gresley's reference to Camus, and the existential nature of what we are doing here. I think he referred to slipping-in indirect taxation of the public. Whereas no one could claim that we have slipped-in G.S.T., we have announced it with a great fanfare and debated it several times now in its form. It cannot be said it was slipped-in. I want to refer back later on in my speech to things which get slipped-in because I think it is relevant. He also referred to some inherent dislike among this Chamber and among people out there to indirect taxes in general. I think I have a very simple explanation of that, it is that Members out there - Members in this House - are aware that G.S.T. consumption taxes are intrinsically regressive and have the potential for harming the least well-off more than the better off. That is a fact, despite the Minister for Treasury and Resources insisting on shaking his head. There are 2 words that have gone through this particular debate. One is fairness, and indeed we have just heard the Chief Minister calling G.S.T. fair because everybody has got to pay it. I will examine that statement in a minute. The other word that has gone through this debate is efficiency. Let us start with fairness and look at what is happening in our society. We are, and I hesitate to say it, because the phrase that comes to mind is "in the middle of a recession". Members of the public are feeling the pinch severely out there. I hesitate to say "in the middle of" because I think we have had about 3 years and the thought that it might be 3 further years on is a frightening one. Members will know that the Jersey Annual Social Survey revealed results about how people feel about the situation and that, in fact, I reported some of those findings in my last review of benefit levels, and the fact is that 40 per cent, 2 in 5 households say that they are finding it very difficult or difficult to cope financially in today's society. Worse than that, if you look at those who say that it is more difficult to cope financially compared to a year ago, and this was a 2010 survey, what one finds surprisingly is that not only the bottom quintile, the lowest earners in our society, report 48 per cent saying it is more difficult now

than it was a year ago, but going up the quintiles that figure stays remarkably consistent around 40 percent. So throughout society, with the exception of the highest quintile, the highest 20 per cent, the highest earners who are not complaining, everyone else in our society from the first to the fourth quintile, 80 per cent of our households are saying: "It is harder now to survive financially than it was a year ago." That is the reality we are dealing with. I just want to bring this back to what that means for some people. In our review of benefit levels we use some quotes from a variety of people and I would just like to take Members through some of those quotes just to focus Members' minds on what we are dealing with. The first quote: "At the moment we are living as a family in constant debt but if it were not for buying most of our food from the out of date section at all of the supermarkets I really do not know if we could afford to or would want to live in Jersey where it costs so much to live here. If it were not for the safety and beauty of the Island for our children I think we would be off at the drop of a hat." Now that is a really serious statement. For pensioners a statement, very brief: "If it is very difficult to manage on State pension, always having to dip into savings each year." That is the reality for pensioners often in Jersey today. Of direct relevance to today's debate: "I only receive income support and find it very difficult to manage with what I get, especially when it has been cold trying to heat my house. Most people I know find it very difficult to manage with the little money they get." Returning to the old age pensioners, and this points out the wider aspects, not just of what we are debating today, but in the context of our overall tax system, which is relevant: "As an O.A.P. (old age pensioner) who has worked all my life I have a pension, which I contributed to from my work place. Unfortunately it is not index-linked, therefore does not keep up with the rising cost of living. I also have a Jersey O.A.P. pension. This is my entire income and I do get some help through income support with my rent but because my 2 pensions just take me into the income tax bracket I have no other help and have to find approximately £600 per annum in income tax. I feel there must be some way for those who fall into this trap receiving income support and yet eligible for tax." That is the reality for some O.A.P.s in our society. So when we look at what we are doing and the prospect of keeping G.S.T. on food and essentials and on heating, we have to place it in that context. But that finding that 40 per cent of our population are finding it more difficult to live today, why could that be? Senator Breckon has talked about the rising cost of living, the rises in food, the rises in fuel, in particular, which is why he has his proposition today. But he has also referred to the change in the way we raise our funding over the past decade. On page 4 of his proposition he has pointed out to the table that I produced about 2 months ago, which examined what is happening with the tax over the past decade. The reality is, of the general revenue income, which has gone up from nearly £400 million in the year 2000 to £521 million for this year, company tax has gone down from £208 million back then, 10 years ago, to £65 million, estimated, for 2011. Or in other terms, from 52 per cent of the total revenue we need to 12 per cent of the revenue we need: company tax. Personal tax, by which I mean income tax, impôt and G.S.T., because remember we cannot escape impôt and we cannot escape G.S.T., that is what makes it fair according to our Chief Minister, personal tax has gone up from £166 million in the year 2000 to £436 million in 2011, and that is an estimate. Or, in other words, from 42 per cent of the total that we need to an eye-watering 84 per cent of the revenue that we need. 84 per cent versus 12 per cent of the revenue we need to run this Island is being generated, is being paid by individuals in their tax bills. No wonder they are, by in large, all finding it more difficult to survive than it has been because we have deliberately targeted them. What we are proposing today is to maintain that targeting. If we do not accept Senator Breckon's amendment, which says let us just put a modicum of relief in there. Let us take off this, I would say, damnable tax from food and the essentials, heating and lighting. Of course, the argument is, and it is the argument given by the I.O.D., which says: "We pay more of this tax so carry on taxing us please. Do not change it because if you changed it we would benefit most." That is a rare argument to hear from the I.O.D.

[16:00]



I do not think I have ever heard the I.O.D. say: "Tax us more please or do not give us a benefit please because it is against our interest." The reality is... and here many people have talked about the balance between does it affect the poorest, does it affect the richest. If you want to look at that you need to look at percentage terms. Just briefly, and it is a very simple thing to do, just look in the household expenditure survey from 2004/2005 and the figures may have changed now. The figures, I believe, will have got worse now in the light of rises in food prices and rises in fuel prices; figures will have got worse. These are minima, I think. If you look at the lowest 20 per cent, the lowest quintile, in society their average income in 2004/2005 was £223 a week. Of that, and the breakdown is there, £48 a week went on food and heating and lighting. In other words, 21 per cent of their average income went out on these 2 essentials; 21 per cent. If one looks as single pensioners that figure rises to 25 per cent of their income; £1 in £4 is spent on these essentials. What happens if you look at the top quintile, the wealthiest in our society, where some of the I.O.D. live, the top 20 per cent? Their average income is £1,634 a week. Of which they spend £130, yes much more than the lowest quintile, the lowest 20 per cent, £130 on heating, lighting and food. What does that represent of their income? 8 per cent. So, let us not argue any further about how the impact of G.S.T. works. It is regressive, because it is taxed on 21 per cent of the lowest quintile's expenditure versus 8 per cent of the highest quintile's expenditure in terms of these 2 factors, which we want today, I hope, to make an exemption of. The other argument we have heard today is that, of course, we could not possibly go for the U.K. system, because it is the worse system in the world. Yet we heard the Chief Minister saying that many of the hundred or so countries around the world who impose the equivalent of G.S.T. (V.A.T.) have a lower rate or a zero rate for food. So it is not the fact that the U.K. has a zero rate which makes it more complex than a flat rate, because lots of people ... France has a lower rate on food than it does on other things; significantly lower. So those arguments made there and the difficulty is not about, necessarily, a lower rate for food, because many people have accepted that if you tax the essentials it should be and - the E.U. says it should be - can be at a lower rate. The problem with G.S.T. is its regressive nature, which leads people to say: "We must have a lower rate, surely, on essentials, because it is morally bankrupt not to." The other argument is that it is so complicated of course we could not possibly adopt the U.K. system. Yet the Co-op, no less, says that is not a problem; we could adapt to it tomorrow. There are computer programmes, tills, *et cetera*, which can be programmed to do that relatively straightforwardly and relatively cheaply. Build this into your barcode or build it into your computer; taxed 5 per cent, not taxed, not taxed, taxed, taxed, not taxed. Easy; just swipe it. You can build that system in. It is not that complex. Why not? Because the U.K. have adopted it and have made it work. The Co-op say there is no problem for doing that. There are relatively straightforward, cheap programmes that will do that for even small businesses. I know this because when we examined it, about putting it on the till, putting it on the receipt or putting it on the shelf, we went into those arguments with Senator Breckon at the time. It was clearly a straightforward process. We have heard very little today about the overall economic problem. I just mention that we are in the middle of a recession. The reality is that putting up G.S.T. to 5 per cent, with or without those exemptions, will be a break on the recovery. There is no doubt that increasing taxation, taking money out of the economy, is harmful for the economy and the potential recovery. Anyone who doubts it just has to look at the U.K. and the recent changes in the U.K., where in January this year they put up the rate of V.A.T. by 2.5 per cent from 17.5 per cent to 20 per cent: as we are about to at the end of May, very shortly, put up our rate. What happened in the U.K.? The inklings of recovery that were taking place in a number of places, but particularly in retail, were stopped dead; set back. We have yet to see what the combination of that increase in taxation, along with a reduction in spending and an increase in redundancies means for the U.K. economy overall. It put the fear of God into me, what they are going to do to the U.K. economy, but exactly the same argument applies to Jersey. We are yet to see the impact of £65 million worth of cuts in 2012 and 2013 and what they in combination with a tax rise will do to our economy. I will get round to that shortly. It is not good. I waited to hear the Minister for Economic Development say what he was going to do about economic recovery and unsurprisingly

he reverted to his usual mantra: "We are going to introduce more competition." He focused on: "We have made it easier for a new supermarket to come here." All I could think of is that neither he nor his wife have gone to Waitrose to examine the complete tumbling of prices that the extra competition has brought about, because it has not. As I and many others have said to him before, the introduction of extra competition just means, particularly among supermarkets, that they look around and price to the market. That is the reality. Anyone who has been into Waitrose and examined the prices and thought: "Oh, is this lower even than Marks and Spencers?" In many cases, no, no. The fact is competition is no magic solution to anything, especially in a small economy. Competition does not have the effect that the Minister for Economic Development and his predecessor keeps promising. So in terms of the prices and in terms, particularly ... and I will refer to the Deputy of St. Mary, because I was quite surprised when he said that he was thinking about abstaining on this particular and vital issue, but I did hear him say that if some solutions could be found, alternatives to what we are talking about, one of which was: "Can you keep prices down? Can you do anything about prices? Can you do anything more about heating costs for the poor? If I can get those assurances" he said "then I will not have to vote for this proposition and I may abstain from it." I have not heard a single assurance from either the Minister for Treasury and Resources, his Assistant Minister, the Minister for Economic Development or indeed the Minister for Planning and Environment to give him those assurances. I hope that means that he is not going to abstain from this particular absolutely vital vote. There, I said I would target that Member and I did. I would like briefly to talk about the contribution from the Minister for Social Security, and this is where I might start talking about slippage and how things get slipped past. Because the reality is he said that if we pass this proposition today then he will be placed in the horrible position of having to cut the level of benefits that have previously been increased to compensate the lowest paid. That is indeed a horrible place to be if that is what has happened. Because the reality is - and again I refer to our report, S.R.3, into benefit levels - that even on these currently enhanced rates in income support many recipients are currently below the relative low income threshold. A cut now, for any reason, would be a mistake and sink people into poverty. He talks about putting this extra money in, particularly targeting it to work incentives. The reality is well done for doing so. It is a good way of putting extra money into work incentives. But the reality is, as anybody knows, is that you are better off in work than you are not in work. You are better off to the tune of £1 an hour. A return to work or increase in hours means that what you are working for is an extra £1 an hour. So a cut in that sort of incentive is to be regretted. Let us look at the comments of the Minister for Treasury and Resources ... ah, right I was going to talk about slippage. What is going to happen to our benefit system as we come into 2012 and 2013? Well, we have seen one issue that just almost had slipped past us. I refer to the food cost bonus which targets that tranche of people between income support and income tax. To the comment made before we changed anything, the food cost bonus is paid to households where income is too high to receive income support, but they do not pay income tax. This scheme was set up on a 3-year regulation, which we have heard of again, which will expire in July 2011. Now, this is a previous statement: "The department identified C.S.R. savings on the basis of protecting those most in need of support." Members may remember that what was intended was ... on the grounds that those people who are just above income support are not the worst off, the Minister for Social Security was going to only target the worst off and he was going to let the triennial regulation slip until Deputy Le Fondré, who invented the food cost bonus, and can I remind Members why it was invented in the first place ...

[16:15]

**Deputy J.A.N. Le Fondré:**

The Chief Minister invented it, not myself.

**Deputy G.P. Southern:**

Oh, the Chief Minister alerted us. I will not give you credit and not to the Chief Minister. Well, done Chief Minister, you spotted something anyway. He was going to let them slip on the grounds

that he should target those least well off. He says: "This was amended during the Annual Business Plan debate to maintain a total budget of £300,000 sufficient to allow the scheme to continue at existing take up." Now, we have heard today - and I have learned something today - that "at existing take up" means, for example, that there might be, and the estimate is - and thank you for this Senator Le Gresley - that there are some 2,000 pensioners who have not claimed. The end result is we have not investigated whether they are there. We have not tried to get them, if they are there. We are happy to continue with the level of funding we have got, even though it may not be getting to everybody that it should be getting to. That is how we are continuing. So that is all right then. We have already been warned again by the Minister for Social Security that he will in 2012 and 2013 in all probability be targeting benefit cuts. My estimates are that maybe the thinking is around £4 million worth of cuts. Where are those cuts going to come? Which groups will be targeted? He has promised us that when he has finished his own review of income support he may well be targeting cuts to some groups. I do not know where they are going to come, but what a dangerous thing to do. So, nearly we got something slipped through: "Do not renew the triennial regulations and just let it go." One technique; the other technique which is slipping things through is the old target of physical grab. Until recently we froze exemptions and allowances on income tax every year. Finally the previous Minister for Treasury and Resources, Senator Le Sueur, was persuaded that we had got the income tax threshold bang on the poverty threshold and he was in danger of taxing the poor. Finally we got index linking for the thresholds. Now, this Minister for Treasury and Resources intends to freeze exemptions and allowances again and start that process. What does that mean? That means that these extra payments, the extra allowances that have been built-in to cater for the poorest, will slowly but surely without people noticing be clawed back. It is an easy matter to do this, make everybody pay tax then give the poorest some of it back. While we are on the word "efficiency", how inefficient is that? Here we are, a group of civil servants to make sure that everybody pays tax on everything, G.S.T., so we are getting the maximum and then for some people we have another set of civil servants, again, looking at their means, examining complicated forms, exactly what we can give them back. In terms of efficiency, you say that the U.K. system is not efficient, but they do that. They do not employ 2 sets of civil servants to take money from everybody and give some of it back. To adopt any system that says there are exemptions, then that intrinsically, once you have got it set up, is going to be more efficient. So the efficiency argument, which we have heard a lot of today, does not hold water either. I will use those words again: how this debate today has been largely morally bankrupt. I would just take Members through some of that. For example, we had a supposed consultation on tax alternatives earlier in the year and the options that were put up was raise G.S.T., have a higher rate of income tax, increase social security payments over a certain level and bang-up the rates. Now, 2 of those are intrinsically regressive, one of which we went for. The income tax raised the rates. It turns out the income tax proposals of having a higher rate were unworkable anyway and halfway through the consultation period that was effectively dismissed. Social security was partially gone through, although it could have gone much further. But the point is, we never saw the out and out results of that consultation. We saw a summary. He pointed out halfway through that summary that the most intense argument was around G.S.T., good for business, bad for people and higher rate of income tax, bad for business good for people. Yet, what do we go for? G.S.T. Yes, a higher rate of income tax of those who could most afford it, the broadest shoulders, is the fairest way to tax. But the Assistant Minister for Treasury and Resources did not understand that. So we have seen corporation tax going down, personal tax going up. A decision on no evidence whatsoever, apart from there was a big argument about it, to go for G.S.T. as an increase and no exemptions. We were told earlier today by Senator Ferguson, companies do not pay tax again. They certainly do not in this Island with zero-rate tax and 10 per cent rate tax; sham consultation. We have had the statement that G.S.T. is the fairest of all taxes because we all pay. We have seen what happens to your tourism industry when that happens. Plus we have had, as Senator Breckon has pointed out, assurances throughout the introduction of G.S.T. that it will stay at 5 per cent. The Minister for Treasury and Resources, who said that he opposed any rise when he was on the hustings 3 years

ago, has now accepted a rise. We are told that if we pass this proposition today, the Assistant Minister can see higher rates of G.S.T. in the pipeline. Are we talking 7 per cent? Are we talking 10 per cent? The reality is, and we all know it, we will see 10 per cent in our lifetimes. Probably within the lifetime of us in the next session of this House; we will see 10 per cent, because that is the chosen route. When we get to 10 per cent or 12.5 per cent or 7.5 per cent, what are we going to do? We are going to say: "Now that starts to look really mean when we put it on life's essentials." We will end up debating, as Senator Breckon has pointed out, exemptions for food, fuel and, I hope, for the written word. Senator Breckon has said: "Make that decision now rather than later." We will sooner or later have to make it. It is simply not fair and people out there know it is not fair. Let us have a look at the back up, the arguments given by the Minister for Treasury and Resources, and I will finish on this, I think, about why we are doing what we are doing. He has 2 quotes here from the Mirrlees Review and 2 quotes from I.M.F. I just want to take a look at them and see what they mean. These are very straightforward, but not self-evident: "Even if the better off spend a smaller proportion of their current income on such items as food than do the less well-off, they are unlikely to spend a smaller absolute amount of them." We have seen that: "If there were no other way of transferring resources to the poorest, setting a low tax rate on these items might be a sensible policy, but is unlikely to be so when, as in the U.K. there is a wide range of other instruments, not only income tax, but tax credits and benefits that could be targeted more directly upon them." So what we have got from the opponents of this particular proposition is an emphasis on the statement a low rate on these items would be a sensible policy. They ignore the surrounding that says income tax. What have we done with our income tax rates? Have we got a higher rate to better target? No, we have not. We have turned that down. Have we got tax credits to target? No, we have not; not even being discussed. What about benefits? Well, we see benefits are not exempt from the C.S.R. process and we are going to be cutting benefits sooner or later in 2012 and 2013, so do not look there for them. It then goes on to say the I.M.F. agrees most G20 countries apply zero and/or reduced rates of V.A.T. to essential goods and services that are consumed disproportionately by the less well-off, such as fuel, housing and basic foodstuffs. However, the degree of income redistribution that can be achieved is limited - it is true - by the fact that rich individuals spend large amounts on these essentials in absolute terms. Progressive income tax and expenditure policies are better suited. Well, of course they are. But we have turned down progressive tax, so we cannot redistribute properly using those mechanisms; we have turned them down. Or at least this Minister for Treasury and Resources has persuaded us that that is the Devil's work and we should turn it down. Absolutely incorrectly. G.S.T. only works properly within the overall shell of total tax policies. To ignore those tax policies and to say: "Well, it is all right," is absolutely wrong, not just technically, but morally. Finally, the I.M.F. agrees with Mirrlees: "Pure V.A.T. with a single rate and minimal exemptions is an efficient way to raise revenues." Yes, perhaps it is. Is it a fair way? Taxing consumption is equivalent to taxing accumulated assets. Labour income: income tax taxes labour income, with exemptions built-in and is fair. It is the fairest way of taxing income. G.S.T. also taxes labour income and also taxes accumulated assets, i.e. let us listen to what that means and partly on a base less international ... hang on, thus it falls partly on a completely inelastic base, previously existing assets. You have a certain amount of money. You cannot get any more money, it is inelastic, we will tax it. Why we tax it and who will that hit and partly on a base less internationally mobile than capital income. Whoa, here is the beauty. G.S.T. is great and efficient, because it taxes the poor and they cannot get away from it, they cannot move, whereas those who are relatively wealthy - as we often hear in this Chamber - can go at the drop of a hat. Tax these people and they will leave. Broad-based consumption taxes are therefore considered less harmful to growth than income taxes.

[16:30]

Here we are back to the overall economic argument that we have not heard much from; less harmful to growth. Not, not harmful to growth, but less harmful. Are we out of recession, as I keep asking the Minister for Treasury and Resources? Where is the recovery? "Harmful to

growth.” We have not even got yet an economic growth plan. If we do or when we see it, I do not believe it will show any hard black and white formula for growth, but just a series of best wishes. So will this measure damage growth? Yes. Is it possible that we can alleviate some of that damage by exempting food, heat and light? Yes. I believe this House should do so. Thank you.

**2.1.29 Deputy A.E. Jeune:**

I will speak quite briefly. I do get a bit concerned when people are saying: “The next thing we know it is going to be 10 per cent.” Why do we have to be so negative? Why can we not be positive? It is the Assembly, whether it is this one or the next one, who will decide whether it goes up or not. I have not changed my stance on this. The important thing is to make sure that the Assembly holds the Council of Ministers to account and to work in a manner which means we somehow find savings and we stop spending. As Deputy Le Hérissier made reference to, stop these grandiose management structures. We are a small jurisdiction and it is time we realised we do not have the income coming in, we do not have the wonderful days and we do not have the money to pay out wonderful grandiose salaries. Deputy Lewis made reference to: “Do you notice now people here in the Island are all going to Pound shops or £1 and threepence shops?” Well, in England they have the same shops. They have no V.A.T. on food, but those shops are still full of people, because people if they can get what they want at a reasonable price they will go there. I would also like to make reference to the speech of Deputy Martin, the Deputy for St. Helier, yesterday when she spoke about: “We are squeezing middle-Jersey. It is the middle-Jersey who are having to pay the taxes.” Well, yes and they would like to know how their taxes are being spent. So when we ask how taxes are being spent in the hospital, when she is answering us as the Assistant Minister for Health and Social Security, she may consider that too. I also think it is terribly sad that we are always harping on about 1(1)(k)s and Members are often suggesting that they do not really contribute very much. Well, a 1(1)(k) recently shared with me what they had paid last year and I nearly died. So, I personally would go along with Deputy Noel, in I would like to see more of these people coming into the Island who can help keep our taxes at a healthy level. I would also remind Members that when we keep having a go at particular elements of society, is that not discriminatory? Yet, sometimes the same people are calling for a discriminatory law. But most importantly is the speech of the Minister for Social Security. He is absolutely right when he says the vulnerable, the needy, in the current situation that we have in this Island, they are protected. The next level up, those who do not earn enough to pay income tax, the Assemblies have ensured that they are to date looked after.

**The Deputy of St. Mary:**

I would just like to ask a point of clarification of the previous speaker. She suggested there were pyramids of management of the hospital and Health Department. I would just like to ask her if she holds to that view in spite of the fact that the C.A.G.’s (Comptroller and Auditor General) report showed that the management structures at the hospital were not inordinate and were parallel to similar structures in the U.K.?

**Deputy A.E. Jeune:**

I am happy to answer that. My understanding is, is that while an answer from the Chief Minister yesterday suggested that those who are paid, I think, expenses or not resident in the Island was 2, that maybe those who they considered to be senior officers. I do not know what qualifies as a senior officer, but certainly there are more than those 2. If we look at the number of heads of nursing in the hospital here, I am given to understand that there are 10 heads of nursing. We are a very small hospital with 10 heads of nursing. But on top of that we have a Director of Nursing, a Director of Workforce Planning, all under civil servants ...

**The Deputy Bailiff:**

Deputy, you have done very well in answering the question. It just is not relevant to this debate.

**Deputy A.E. Jeune:**

Thank you, Sir.

**Deputy M. Tadier:**

Sir, may I seek 2 questions of clarification related to what was said? The Deputy said that when she spoke to a 1(1)(k) and almost died when she found out how much that person spent in tax, was that because the sum was so low or was it because the sum was so high? **[Approbation]**

**Deputy A.E. Jeune:**

Oh, I can assure you, it was because the sum was so high.

**Deputy M. Tadier:**

The second question, did the individual tell you what he or she contributed in percentage terms of his or her overall income?

**Deputy A.E. Jeune:**

I think I was in a state of shock. I did not ask any further questions. Thank you, Sir.

**The Deputy Bailiff:**

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

**2.1.30 Senator A. Breckon:**

I thank all Members for their contributions. I am not intending to go through everyone's speech. Just for a point of clarification to Members, I did say at the start of the debate that I would seek separate votes on (a)(i) and (a)(ii) and that will still be the position. I understand that paragraph (ii) would fall if none of those were to be successful. I did have some disappointment with the contribution of the Minister for Treasury and Resources, because he missed many of the points that I made when I was proposing this and did not answer. I asked about the Fiscal Policy and the Corporate Service Scrutiny Report and he got into some detail about that. I will touch on that in a minute. We still do not know what the Fiscal Policy is or what the Business Policy is. We are told it is being looked at. We might get some more hints in the budget at the end of the year. I also asked about when the tax leakage to the U.K. companies would be stopped. Again, this was only hinted at, because the thing is: "Well you are going to take this money away then what suggestions do you have for replacing it?" There are suggestions which other people have mentioned as well. He did say he was looking at it, but my reaction to that really is, there are lots of words there, but where are the actions? He did also mention how many words we have got. He must have done some sort of word count there. But people do not necessarily want the words, what they want is some action. What they do not want is charity. I will touch on that in a moment or 2. He also said: "We will target the money to those who need it." The question is who draws the line there? People can very soon fall over the line or go over the line. If somebody has to get a doctor to get 4 times at home then obviously there is a cost to that and they can seem relatively well-off, but they are not if that happens, because there is a cost to that. Also during this debate, Sir - and you did miss this - in the same speech ferrets and rabbits, how hot German sausage is, and lawyers were all combined within the Minister for Treasury and Resources's speech. We did go into some detail about that. Apparently ferrets are pets and we went into all things. The thing is, keep it simple. That is what I tried to do in proposing this and that is why I have used the system that I think is do-able within our system. Just another thing, on the food bonus; a number of Members have mentioned it, so I would just like to do that and I think that will accomplish the comments that various Members made. Because yesterday during oral questions I did ask the Minister for Treasury and Resources, and it was supplementary to a question from Deputy Le Fondré about the cost of administration, I think, of exemptions on G.S.T. I asked the Minister for Treasury and Resources something along the lines of: "Are there any savings of administration?" He did not understand that. He just did not

pick it up at all. We do have regulations, the Draft Food Cost Bonus Regulations and there are 17 of them. It must have taken considerable time to get this stuff together. If we do not have the tax then we do not need to have these regulations, because you do not need a bonus for something that does not exist. It says this: "The Food Cost Bonus Regulations 2008 have now replaced the original G.S.T. Bonus Regulations. 50 per cent of the value of the bonus relates to the original compensation of the cost of G.S.T. on food and the remaining 50 per cent relates to additional funding provided in 2009 in respect of food costs directly. The value of the bonus in 2010 was £153.60. The regulations were set up in 2008 and will expire on 23rd July 2011." Now, Senator Ferguson mentioned that and others have said: "Contact the department." Well, I know that you cannot contact the department, because they do not know yet what they are going to be: "The renewal of the regulations" he said "is proposed to create a further set of triennial regulations incorporating the existing compensation of food costs and the cost of G.S.T. in respect of food. Then it goes on to mention the 3 per cent, the 5 per cent and it will be set at £189.15 per annum in 2011. It allows the Minister to increase the bonus in 2012 and 2013 by a Ministerial Order." The other thing that a number of Members have touched on in there are some things that come from the department. The financial and manpower implications: "Based on current uptake of approximately 2,000 claims per annum, the departmental cash limit includes an allocation of £386 for the Food Cost Bonus in 2011. Analysis of a recent Income Distribution Survey suggests that there may be a considerable number of households who are eligible to claim this benefit, but are not currently doing so. For example, analysis of pensioner households indicates that there may be up to an additional 2,200 pensioner households who could be eligible for this bonus but do not currently claim it." Now, that coincides with what many people have told me: "I am not going down the street begging; whatever it is I am not going to go there." However many forms there are, whether there is one, whether there are 3 questions or 33 questions they are not going to go.

[16:45]

The value of the benefit has increased substantially since its introduction in 2008. It is likely that take-up will further increase the rate of benefit. Each additional 1,000 households claiming in 2011 would create an extra cost pressure of £190,000, which is not currently allowed for in the Department Cash Limit. A substantial increase in the number of claims would also have a significant impact on the volume of administration for the department creating pressures on existing manpower resources. That was the supplementary question I asked of the Minister for Treasury and Resources yesterday and he was not able to answer it, but that is the answer. So there is probably £700,000 or £800,000 here and we are talking about: "Where are the savings?" If there is some cost of administration, that is indeed where the savings come from. In fact, it is probably 3 times what the cost may be of implementing a G.S.T. exemption system. The other thing which Deputy Martin mentioned was people's actual costs, including rents and child care and somebody else mentioned to have a pre-schooler child looked after, £15,000. So somebody can look relatively wealthy and they do not qualify for anything, but when they have these costs it is a significant necessary cost if they are going back to work, which we have encouraged. We have done that. The other thing that I come across is that the pension increases as well are tied to annual earnings. Nobody has mentioned much about that, which was 1.1 per cent last year. So many pensioners received under £2 increase last year. Now, if you look at the cost ... Senator Ferguson was there and Deputy Le Fondré and Deputy Tadier, on Friday night, and there was a pensioner who stood up and said that she was not extravagant, lived alone and she had a £700 gas bill. That was a significant increase and the Constable of St. Martin mentioned that. Now, what good even with scrapping the 5 per cent ... I mean, there are things we need to look at, but the J.C.R.A. are not going to solve all these problems, so let us not kid ourselves about that either. The other thing as well, the Deputy of St. John made some interesting points about prescription charges, for example. Everybody got that. We did not have a debate at all. The cost of that was about £3.5 million. He also mentioned foreign companies not paying tax and some other issues of social security and the underspend. He also mentioned that middle-Jersey is suffering. That, I believe, is true. That is

really where some of the problems, I think, are. The other thing the Minister for Treasury and Resources sent out ... Senator Ferguson mentioned a number of things and again she was talking about wanting a fiscal strategy and work was in progress. We have been told certain elements of this work in progress have been in progress for quite a long time. I think some of it must have disappeared. An email that was sent round by the Minister for Treasury and Resources on 4th March in response to the Corporate Services Scrutiny Panel Report that was lodged a couple of days before that, he said this: "Members might have been concerned to read the headlines in the *J.E.P.* on the Fiscal Strategy Review following a report from the Corporate Services Scrutiny Panel." It is quite a long email so I will just read a couple of bits: "The panel has, however, highlighted the need for a long term fiscal strategy. I agree we need one. That is why I have set up the Tax Policy Unit. One of its tasks will be to work on improving data sharing between Social Security, Customs and the Taxes Office, with the aim of enhancing efficiency and reducing any loss of tax revenue." I would suggest we also need some policy about taking these non-resident companies, we do not just need a Tax Policy Unit, we need to be discussing matters in this House. He also went on to say: "The focus of last year's fiscal strategy review was not on developing a long term policy." My response to that would be, well we are being punished in the interim with a 2 per cent increase in G.S.T. while something else that might not be quite as palatable for some is thought about. For me that is not the right way we should have been doing it. It goes on to say, I will end on this comment: "The review was for a specific purpose, with a deadline of 2013 to bring the budget back into balance. The newly formed Tax Policy Unit is now working on a long-term strategy, which will take into account the changes introduced in the 2011 budget and proposes a sustainable approach to tax and spending for the future." Well, to my mind, some of that should have been in place before we done the low hanging fruit, which was increasing G.S.T. The other thing again a number of mentioned is J.C.R.A. Senator Ferguson mentioned it and also the Constable of St. Peter. Perhaps I can summarise that. Senator Ferguson asked had I spoken to him, what had I done as Chairman of the Consumer Council? Well, I met with the Executive Director. I made 2 submissions. I have given them 5 years data on a number of prices and I have given them access to everything that I have got. I would ask of those same Members if they have made a contribution and the answer to that is probably no. They may correct me if I am wrong. Silence is golden, but I have made a number of submissions. I am not just harping on about this for the sake of it. Virtually on a daily basis people are coming at me saying: "What is happening about this? What is happening about that?" As I say, the J.C.R.A. are not going to cure all these problems. The other thing the Constable of St. Peter made reference to was the statistics. The ones I have used are from our own Statistics Unit. They are produced on an annual basis. They go to June in the year. They come out about the end of August, beginning of September and they use about 60 items. The other thing that would pick up any price movements is the Retail Price Index. They go out on a quarter day, which is about the 15th of the March, June, September and December. That is the target day for collecting information. They are in shops and premises collecting prices. They will see what happens, because they have a sizable sample size that will pick it up. So, if Members have any concerns about what happens... of course, you will not see it in a flash. It will take some time before you see the trend that will happen. The other thing some Members have said: "Well, how much is this going to cost business to do?" Well, I might ask a question of Members then: "How much does it cost them to collect I.T.I.S.? How much does it cost them to collect social security? How much does it cost them to comply with data protection, health and safety?" There are all sorts of issues and I know it is an issue for small business and this, I would contend, will be no greater than that. The other thing of course is - I now Senator Ferguson touched on this and the Constable of St. Peter - if you take a small sample size of comparing products, it is not the best way to do it and you can be criticised for that, because you can skew it in a way which can give you the information you want. If you look at a large Jersey supermarket, there are not that many, but there are a few, they will stock around 18,000 lines. So you cannot necessarily take 10 or 20 and say this is what has happened. You need to be more robust with that. It is a difficult exercise, I can tell Members, to monitor that, because if you do not have things in or you exclude things or say it is not



representative. So, it is not quite as simple as it may seem. I was interested in what the Constable of St. Martin said about his oil tank and how much it is going to cost or his standing order. He, I would say, is of an age where, if I said it was 2 shillings or half a crown he will know exactly what I am speaking about. Having said that ... the reason I say that - and I mentioned this yesterday - is how much petrol will be going up a gallon in early June. For the 2 per cent increase in petrol, because it is about ... the most expensive garage now, it varies from about £4.85 to about £5.75. So that is 2 shillings to half a crown in old money - for the benefit of the Connétable of St. Martin, with respect - it equates to an extra 2p a litre, which will go straight through, there will be no carrying this. That is really where we are. That is fact; that is going to happen. I appreciate the contribution of the Deputy of Grouville. Again, she mentioned middle-earners. Senator Shenton, I think, may have a bit of a family rift there going on, so might have to bring Mr. Shenton Senior in to arbitrate.

**Senator B.E. Shenton:**

He supports me.

**Senator A. Breckon:**

Does he? He cannot arbitrate then. Again, you see, I was ... the Constable of St. Clement also mentioned about how the reduction would be picked up. I would say again that is in the Retail Price Index. The other thing, as well, and I think Deputy Southern touched on this of course, it is a fact that people on lower incomes spend a greater percentage on essentials, on food, light and heat. That is a fact. The other interesting thing as well ... he is not here, but when I was looking for something else the other day, I found a press cutting from the *Evening Post* from 28th September and there was something in there for a Senatorial candidate and it was: "Please vote Freddie Cohen for Senator." It said this: "Vegetables cost 19 per cent more than in the U.K., fruit costs 25 per cent more, a white sliced loaf costs 58 per cent more, if elected I will promote measures to encourage local businesses to lower consumer prices." **[Approbation]** It was from the then Mr. Cohen, now Senator Cohen, on 28th September 2005. So, I trust you will be supporting me. Again, I have touched on ... and it was something that Senator Routier mentioned as well about the G.S.T. bonus. Again, I think the Social Security's own statistics demonstrate that people are not applying for it. Senator Maclean, Minister for Economic Development, made a very valuable contribution and he did indeed respond to some of the things I said. The other thing he did say is he gets mistaken for me. He did say that. I can say that has happened to me on a number of occasions. So, when he gets the bills, they have said to me: "Are you not Maclean?" I have said: "That is right. Okay. Send the bill." **[Laughter]** So, you know the restaurants and the taxis; there is a benefit. But he did say about the administration costs to business, but I think I have already identified business do have some issues with some of the things they collect tax for is with I.T.I.S., they collect social security and some are paying G.S.T. So I think this would fit in. Senator Maclean also did recognise that it was not a good idea for Government to be taking money out of the economy at a difficult time and he recognised, which is what I said about the increase in the Retail Price Index and he predicted that food and fuel will fall in 2012. I do really hope that is true, because that is the way it should be going. The other thing as well he did recognise, quite rightly, that ordinary people are struggling and with another hat on, certainly the Consumer Council does try and raise awareness and indeed more can be done. So I will talk to him later about the enhanced budget to do that. Again, with the retail strategy and the J.C.R.A. we must not have too much on the J.C.R.A. and think they can cure everything, because that is not necessarily the case. Deputy Duhamel touched on unifying, but I am not sure that is the case. Because I do not think we have a conflict here. I mean, we are fairly close in what we are doing.

[17:00]

It is just an interpretation of how that must be done. It is true what he said about some of the offers in the U.K. and the figures are higher. He suggested £450 per household. I think it works out at

£510 per household. It is a terrific amount of stuff that is thrown away. There is some discussion going on in the U.K. about that. I thank Senator Le Gresley for his contribution and in case his good lady is listening, his tea certainly will not be ready tonight, because that was his prediction there. There might be a bit of strife there. Deputy Noel mentioned that there were 2 issues, the moral and reduced costs, but I think there is more to it than that because what we have out there, we have a strength of public feeling that perhaps some Members have not picked up. The Constable of St. Brelade again mentioned consumers have some choice, but again, you see, we cannot drive 30 miles down the road. We can go either way and do that, but not necessarily for household and grocery shopping and domestic fuel, light and heat. The Deputy of St. Martin also mentioned the bonus. I hope I have answered that in what I have said because again ... and I think the other thing that could happen, some of the allowances that have been put into income support for an element of G.S.T. could be left and phased-out over a number of years. We are, as they say, where we are. That could possibly be a way forward because people are having difficult times and we certainly do not want to punish anybody who is struggling a little bit. I understand the dilemma of the Minister for Social Security and he is sincere in what he is trying to do and there are definitely some tensions there. There are allocations of budgets and it is a difficult area. The other thing I will share with Members, in one of the meetings I held there was a couple from St. Saviour that said that their yearly G.S.T. cost was £330, so although there are some numbers in there ... and I did not get the detailed breakdown of it, but obviously quite a bit of that would be for food, light and heat. The other contributions are all welcome. Senator Le Sueur also mentioned about the tax leakage and he related some of this perhaps with G.S.T. and maybe that we should not be doing it the way that I am proposing. But we have some tax leakage that we have not quite plugged yet, so perhaps we need to get that in order. The other thing, just from Members' comments, Deputy Jeune mentioned about it will never go to 10 per cent. But in the report I will just remind her of something, and this is in my report on page 5. It said: "The aim of the States should be to keep the rate of G.S.T. fixed at 3 per cent indefinitely and avoid either increasing it or decreasing the rate in response to short-term fluctuations in the economy." I would suggest that if she thinks that 5 per cent is going to stay, I think that is fairly naïve because at some time somebody is going to come forward and say: "We have looked at everything else, we are going to have to do that." Now, that might well be the case. That might well be the case, but we cannot rule it out. The other thing some Members have mentioned and they have linked to about: "Well, we can give people benefits. They are at an income level where it is the best thing to do", perhaps I have been around too long; I remember this discussion on rent rebates. When we said: "We do not need to build a lot of houses. We will give money to people to stay where they are", that has become an industry now. It is a revolving door. I do not know what it is now, £24 million, £25 million. What we do is we say: "You cannot afford where you are living, have some money." That is what we are doing. Are we going ahead the same way with G.S.T.? Maybe we are, I am not sure. There are a number of things I will just say in conclusion. I appreciate the contributions, as I said, of the Minister for Economic Development because I think he touched some of the bigger picture issues, which was helpful for me. But I think there are some issues. The cost of the exemptions, I think we can phase that out if this is approved. It could be done over a number of years. There are still some issues, but if Social Security are reviewing things, that could be done. The other thing is the state of the economy. The comment in 2007 - this was of the then Minister for Treasury and Resources on 17th October 2007 - we had a different economy and we were talking about we had 7 per cent economic growth I think it was in 2006, and the comments in there at the time, this was the comments in response to the petition of the Constable of St. Helier with over 19,000 signatures: "We need to bring in G.S.T. now while the economy is doing well in order to maintain the confidence in the Island. It will be difficult, if not impossible, to implement G.S.T. if that confidence was to ebb and the Island entered recession and there was unemployment and falling incomes." Well, that I would say to Members is where we are now, unfortunately. If you look at falling incomes, the increase - fact - to June last year was 1.1 per cent rise in average earnings. That also reflected into benefits. We have record numbers of people unemployed, many of them young people. Now, the question for Members is: is this the right time

for us to take extra tax from those very people? Or is it the time, perhaps, to give them a break? Prices are still rising against that background and so will inflation. Inflation will be heading towards 5 per cent because it includes an element of the next G.S.T. price rise. I quoted when I proposed this yesterday the surveys done in the U.K. - and I have no doubt that the same applies here and many people have picked this up - that people are indeed worse off. A lot of middle-Jersey people are feeling the pinch. They are not in receipt of income support and that is really where some of their problems are. The other thing I would just say in conclusion, I think it is the wrong time for us to take more money out of the economy. We should be giving the people some hope. We should be showing a measure that gives them some indication of our appreciation of where they are. There have been some significant increases in prices; petrol is an example, which is not a part of this discussion or debate. What people are saying is: "Enough is enough. We need some respite from this. We need some comfort." As a result of that, what I have been told in significant numbers is that people do not want G.S.T. on foodstuffs and they do not want it on domestic energy and fuel. With that, I will close. I maintain the proposition and I ask for the appel. I will separate it as I suggested.

**The Deputy of St. Martin:**

During my speech, I did ask if the Senator could inform Members whether at his meetings with the public he mentioned to them that there was a possibility of the allowance being removed if his proposition was successful and, if so, what was the reaction of those people at that meeting?

**Senator A. Breckon:**

Indeed, there were some people there from all income groups and people obviously are struggling as it is. Many people, despite that, will not claim allowances. But having said that, if some of the allowances were phased-out then that would be the practical thing to do, but it would not be a knee-jerk reaction. It would be done through consultation, through the Social Security as part of their review. So that is people's understanding. If it is not a tax, then you do not get a rebate for it. It is as simple as that.

**The Deputy Bailiff:**

Very well, the appel is called for. I see that all Members are present. The first vote is on paragraph (a)(i) of the proposition and I ask the Greffier to open the voting.

<b>POUR: 22</b>		<b>CONTRE: 29</b>		<b>ABSTAIN: 2</b>
Senator B.E. Shenton		Senator T.A. Le Sueur		Connétable of St. Lawrence
Senator A. Breckon		Senator P.F. Routier		Deputy I.J. Gorst (C)
Senator B.I. Le Marquand		Senator P.F.C. Ozouf		
Connétable of St. Helier		Senator T.J. Le Main		
Deputy R.G. Le Hérisier (S)		Senator F.E. Cohen		
Deputy J.A. Martin (H)		Senator J.L. Perchard		
Deputy G.P. Southern (H)		Senator S.C. Ferguson		
Deputy of Grouville		Senator A.J.H. Maclean		
Deputy of St. Peter		Senator F. du H. Le Gresley		
Deputy J.A. Hilton (H)		Connétable of St. Ouen		
Deputy P.V.F. Le Claire (H)		Connétable of Trinity		
Deputy S. Pitman (H)		Connétable of Grouville		
Deputy K.C. Lewis (S)		Connétable of St. Brelade		
Deputy of St. John		Connétable of St. Martin		
Deputy M. Tadier (B)		Connétable of St. John		
Deputy of St. Mary		Connétable of St. Saviour		
Deputy T.M. Pitman (H)		Connétable of St. Clement		
Deputy T.A. Vallois (S)		Connétable of St. Peter		
Deputy M.R. Higgins (H)		Connétable of St. Mary		
Deputy A.K.F. Green (H)		Deputy R.C. Duhamel (S)		

Deputy D.J. De Sousa (H)		Deputy of St. Martin		
Deputy J.M. Maçon (S)		Deputy J.B. Fox (H)		
		Deputy of St. Ouen		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy S.S.P.A. Power (B)		
		Deputy A.E. Jeune (B)		
		Deputy A.T. Dupré (C)		
		Deputy E.J. Noel (L)		

### The Deputy Bailiff:

Very well, I will now ask the Greffier to reset the system and reopen the voting on paragraph (a)(ii), domestic energy and fuel.

<b>POUR: 22</b>		<b>CONTRE: 29</b>		<b>ABSTAIN: 2</b>
Senator B.E. Shenton		Senator T.A. Le Sueur		Deputy I.J. Gorst (C)
Senator A. Breckon		Senator P.F. Routier		Deputy of St. Mary
Senator B.I. Le Marquand		Senator P.F.C. Ozouf		
Connétable of St. Helier		Senator T.J. Le Main		
Connétable of St. Lawrence		Senator F.E. Cohen		
Deputy R.G. Le Hérisssier (S)		Senator J.L. Perchard		
Deputy J.A. Martin (H)		Senator S.C. Ferguson		
Deputy G.P. Southern (H)		Senator A.J.H. Maclean		
Deputy of Grouville		Senator F. du H. Le Gresley		
Deputy of St. Peter		Connétable of St. Ouen		
Deputy J.A. Hilton (H)		Connétable of Trinity		
Deputy P.V.F. Le Claire (H)		Connétable of Grouville		
Deputy S. Pitman (H)		Connétable of St. Brelade		
Deputy K.C. Lewis (S)		Connétable of St. Martin		
Deputy of St. John		Connétable of St. John		
Deputy M. Tadier (B)		Connétable of St. Saviour		
Deputy T.M. Pitman (H)		Connétable of St. Clement		
Deputy T.A. Vallois (S)		Connétable of St. Peter		
Deputy M.R. Higgins (H)		Connétable of St. Mary		
Deputy A.K.F. Green (H)		Deputy R.C. Duhamel (S)		
Deputy D.J. De Sousa (H)		Deputy of St. Martin		
Deputy J.M. Maçon (S)		Deputy J.B. Fox (H)		
		Deputy of St. Ouen		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy S.S.P.A. Power (B)		
		Deputy A.E. Jeune (B)		
		Deputy A.T. Dupré (C)		
		Deputy E.J. Noel (L)		

### The Deputy Bailiff:

Very well, paragraph (b), therefore, falls. I give notice to Members that there has been lodged the Valerie Band House: therapeutic workshop, P.80/2011, by Deputy Southern.

### STATEMENTS ON A MATTER OF OFFICIAL RESPONSIBILITY

### **3. The Chairman of the Education and Home Affairs Scrutiny Panel - statement regarding its report with respect to succession planning in the States of Jersey Police.**

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

Deputy Le Hérissier, I understand you wish to make a statement as Chairman of the Education and Home Affairs Scrutiny Panel. Now might be a convenient time to do it.

#### **3.1 Deputy R.G. Le Hérissier (Chairman, Education and Home Affairs Scrutiny Panel):**

If I can crave Members' indulgence, I think we can get this over with, with the relevant question time, by end of session. The Education and Home Affairs Panel is publishing today its report on succession planning in the States of Jersey Police. The purpose of our review was to examine the criteria for the selection and appointment of the Chief Officer and other senior managers in the Island's police force. Its underlying theme was the question why is it so difficult for locally trained candidates to be successful in applying for top executive posts? Our review revealed that there had been a serious absence of succession planning in the force over the last few years with the result that there has developed a serious deficit in leadership and command experience skills within the senior management team of the force. No local officers possessed the required qualifications for appointment to the post of Chief Officer, nor were there any working towards it. Equally, no local officers were seeking to broaden their experience through secondment with other forces. We received evidence that there had been numerous initiatives over the past decade to support local officers with high potential seeking to advance their careers through recognised national talent management processes. However, none had progressed beyond the initial stages of application. It seemed to us that early momentum in succession planning had drifted. Following the change from the committee system we found no records of political oversight to ensure that succession planning policy was effectively pursued.

[17:15]

It also seems to us that there are a number of structural factors related to a small Island force which cause particular obstacles for succession planning. The current Minister for Home Affairs has expressed his intention to address the current situation and to work towards achieving a strategic balance of U.K. expertise and local experience. He has stated that the recently appointed experienced specialist officers from the U.K. will be used to assist with the training in Jersey of future senior officers. The current senior management in the force has already initiated a programme of training of potential senior officers. We support the Minister's intentions but warn that historically previous good intentions have failed. We believe that the new Police Authority established by the States earlier this year will provide an important mechanism for monitoring the implementation of his policy and holding the Chief Officer to account for the progress of local officers. Significant investment will be required over a number of years to redress the skills, leadership and command shortages identified in the senior management team and to offer local officers with secondment opportunities to broaden their experience in other forces. In a period of spending restraint, training budgets are often hard pressed. Again, we look to the new Police Authority to ensure that the training budget is focused and used effectively. In conclusion, we hope that the result of this scrutiny will be a succession planning policy which is committed to full development of local staff backed up by the right resources and monitored rigorously.

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

It is now open to questions. Senator Ferguson.

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

Did the panel take into account the fact that the usual practice, as I understand it, in the U.K. is to appoint a chief officer from another district and not from within the particular police district where there was a vacancy?

**Deputy R.G. Le Hérissier:**

Yes, that was considered and, in fact, we had thought that there had been a statement by the last Home Affairs Committee to that effect, that there would never be ... well, certainly for the period of their control of the situation there would not be a local person appointed because it was felt in terms of connections and so forth they could not bring the required objectivity to bear upon the position. But our feeling was that while we could not find evidence that that had been stated as a policy position, there is no doubt the result of the stand taken by that Home Affairs Committee, because it called for 5 years' experience in a U.K. force, was essentially to lead to the same result. Our view was that because it is important to have a local person that probably the right approach is to have a mix of local and U.K. officers at the top and that they should not necessarily be strictly allocated one to the chief's position and another one, for example. So much will depend upon the mix of talent you have at that particular moment in time.

**3.1.2 The Deputy of St. Martin:**

In the second paragraph, the panel has mentioned the fact that there was a serious absence of succession planning in the force in the last few years, but then in the last sentence it says: "Equally, no local officer was seeking to broaden their experience through secondment." Therefore, it is a bit of a contradiction, would the Chairman not agree, that if indeed members of the States Police are not willing to go out and broaden their experience so, therefore, no one can be blamed if there is no succession planning?

**Deputy R.G. Le Hérissier:**

I do not think it is a contradiction because a lot of succession planning depends on the organisation laying the foundations, laying out the approach. There is one of these contained in the appendix where former Chief Officer Power lays out in some detail what his approach is. We also have the approach of the current administration laid out in the appendix as well. What the questioner will see is it is really a co-operative effort between willing officers who feel that they want to seek promotion or seek higher office within the force, and an organisation who will provide them with the mentoring and training at certain pivotal points in their career. It is a question of bringing both those factors together, and certainly our finding was... and remember the documentation dried up in a sense. Our finding was that while excellent programmes had been announced and set up, yes, sometimes local candidates had not pushed themselves, the questioner is quite right. But other times it was very unclear to us whether the kind of push was coming from the top of the force to ensure that the enthusiasm and the drive and the application of these officers was nurtured as it should be.

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

The statement says that significant investment is required over a number of years to address the skills and it goes on to state that they hope the new police authority will ensure that the training budget is focused and used effectively. What amount are we talking about here in terms of significant investment? In terms of ensuring the training budget is focused, has the money for training been set aside for succession training and spent in other areas or has it been set aside and it is still available?

**Deputy R.G. Le Hérissier:**

As we understand it, we do on page 32 of the report put out the training budget for 2010 and the anticipated training budget for 2011. Our feeling is that, to use the jargon phrase, they will have to be reprioritised because a large part of that training budget is obviously to deal with new officers. But our feeling is that it is not a massive sum of money. Some of it will, for example, support officers who want to do part-time degree study. Some will support officers on short-term secondments to the United Kingdom where they will be expanding their experience. It should be possible because when you are looking at officers for the most senior levels of the force, you are

not looking at vast numbers. You are not looking at creating a pool of 20 to 30 people. You are creating a pool of a few people and it should in our view be possible, with a bit of balancing, to ensure that if these people have the right motivation and the right willingness they can be provided with the right experiences to advance.

#### **3.1.4 Deputy J.B. Fox of St. Helier:**

On page 10 of your document, the Jersey Appointments Commission refers to that unless candidates feel they have a real opportunity they will become demotivated. As the way the rules currently stand, that you are not allowed or you were not able to talk to individual officers unless certain other rules applied, do you think that this might have hindered your inquiries to find out exactly where or what the real situation among officers is in relation to how they feel about future promotion?

#### **Deputy R.G. Le Hérissier:**

Yes, the Deputy is spot on. It did hinder our inquiry. We made a request and the Minister felt in terms of the code and in terms of the disciplined nature of the force all views had to be channelled through the Chief Officer. As another Minister knows, we have a similar policy applied in another Ministry. Our view was this is something that affects junior officers. The way the policy is formulated obviously impacts on them greatly and we really need to find out what they think. Now, it obviously is a case and it goes against our better judgment ...

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

Chairman, if I may say so, you have answered the question, and answers even by Scrutiny Panel Chairmen must be crisp, as they must be for Ministers. The Connétable of St. Brelade.

#### **3.1.5 The Connétable of St. Brelade:**

Would the Chairman agree that enthusiasm of local officers for bettering themselves and moving to senior management posts may have been stifled by continued political interference over the last 2 years?

#### **Deputy R.G. Le Hérissier:**

Obviously, we did not look at that. We looked at that in the sense it was quite clear that, for example, under one administration - I think that of Chief Officer Power - a very elaborate programme had started and there is no doubt because of the turbulence that affected the force that the priorities were put elsewhere and it was very difficult to keep these programmes going. But there is also no doubt that there is a feeling, insofar as we could gather a feeling, among the officers, the very few we could identify, that if you bring in a management which is totally U.K.-based it is going to be very difficult for local officers to move up within that kind of structure and to be seen as making a vital contribution.

#### **3.1.6 Deputy J.A. Martin:**

While I do agree that it is always good to employ a local and already on-Island, is it not the case in the U.K. that once a policeman reaches a certain level and is applying for promotion they have to go across to another police force, i.e. Metropolitan to Hampshire or anything? They cannot be promoted right to the top in the same police force because of all the things the Deputy mentioned earlier of who you meet on the way up and all those sort of things. It is a question here that the encouragement will be if we want to carry on that they will have to go to the U.K. more and maybe come back. That is where we do not seem to be encouraging people to do it.

#### **Deputy R.G. Le Hérissier:**

Yes, the Deputy is right but we felt ... certainly the last policy statement of the last Home Affairs Committee I think was 5 years and that was clearly intolerable for people who have families. So there have to be shorter secondments. Yes, it would be nice to have long ones, but I think we are

going to look at a combination of short secondments, formal education, rather than long periods away, and we are going to have to work out a system based around that.

**3.1.7 Deputy A.E. Jeune:**

I welcome this statement and report from the Education and Home Affairs Scrutiny Panel because I was extremely disappointed when we appointed quite recently 3 officers from the U.K. Not that I had anything against that, but why was there nobody locally?

**The Deputy Bailiff:**

Time for questions, Deputy, not statements. It is not a speech.

**Deputy A.E. Jeune:**

Yes. Within the plan that the current administration has shown the Scrutiny Panel, is there any reference to possible exchange programmes rather than just secondments?

**Deputy R.G. Le Hérissier:**

I do not know the details because it is not a plan we saw, it was the Minister's announced intention to make it almost ... not a contractual arrangement with his new Chief but to make it a firmer arrangement that the development of succession planning would be a high priority within the police. I would imagine, yes, exchanges will be part of that. But, of course, ultimately you depend on volunteers, and because the conditions of service in Jersey are very good a lot of officers are in a very comfortable position.

**The Deputy Bailiff:**

Very well, the 10 minutes allowed for questions to the Chairman of the panel have now expired. The adjournment is proposed.

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

Just before we adjourn, I just wondered if I might share with Members a little problem that I have [Laughter] and seek their understanding and support, hopefully.

**The Deputy Bailiff:**

You are sharing it with the public as well.

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

Yes. It has been partly driven by Deputy Le Hérissier jumping the queue a moment ago with his statement. Members will be aware that next on the Order Paper is the Jersey Harbours and Airport Shadow Board: Terms of Reference, which is P.47/2011. Unfortunately, I have to go to London tomorrow on States business and I was wondering if Members would be happy for me to defer until the end of the Order Paper on 7th June, the next sitting.

**The Deputy Bailiff:**

Do Members agree that that matter be deferred? It seems to have agreement from Members. Very well, the States now stand adjourned until 9.30 a.m. tomorrow morning.

**ADJOURNMENT**

[17:28]