

STATES OF JERSEY

OFFICIAL REPORT

TUESDAY, 5th DECEMBER 2006

QUESTIONS.....	7
1. Written Questions	7
1.1 DEPUTY G.C.L. BAUDAINS OF ST. CLEMENT OF THE MINISTER FORTRANSPORT AND TECHNICAL SERVICES REGARDING THE CLOSURE OF THE ROAD AT HAVRE DES PAS DURING THE SUMMER MONTHS:.....	7
1.2 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR SOCIAL SECURITY REGARDING THE COST OF SUPPLEMENTATION OF SOCIAL SECURITY CONTRIBUTIONS:	7
1.3 DEPUTY G.P. SOUTHERN OF ST. SAVIOUR OF THE MINISTER FOR ECONOMIC DEVELOPMENT REGARDING POSTAL PRICES:.....	10
1.4 DEPUTY G.P. SOUTHERN OF ST. SAVIOUR OF THE CHIEF MINISTER REGARDING THE RENEGOTIATION OF PROTCOL 3:	10
1.5 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR HOUSING REGARDING THE NUMBER AND IMPACT OF ‘j’ CATEGORY HOUSING CONSENTS:.....	11
1.6 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE CHIEF MINISTER REGARDING THE NEED FOR A PENSIONS REGULATOR:.....	12
1.7 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE CHIEF MINISTER REGARDING A POSSIBLE PUBLIC DEBATE WITH A REPRESENTATIVE OF THE TAX JUSTICE NETWORK:	12
1.8 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE CHIEF MINISTER REGARDING THE USE OF A ‘UNIQUE IDENTIFIER’ IN THE POPULATION REGISTER.....	13
1.9 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE CHIEF MINISTER REGARDING THE INTRODUCTION OF A SHARED EQUITY SCHEME	14
1.10 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR PLANNING AND ENVIRONMENT REGARDING THE REDUCTION IN CO ₂ EMISSIONS:	14
1.11 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR ECONOMIC DEVELOPMENT REGARDING THE RECENT STRIKE BY SECURITY STAFF AT JERSEY AIRPORT:.....	17
1.12 DEPUTY G.C.L. BAUDAINS OF ST. CLEMENT OF THE MINISTER FOR TRANSPORT AND TECHNICAL SERVICES REGARDING THE COST OF OPERATING THE INCINERATOR AT BELLOZANNE:	18
1.13 SENATOR B.E. SHENTON OF THE PRESIDENT OF THE CHAIRMEN’S COMMITTEE REGARDING MEASURES TO ASSESS THE PERFORMANCE OF THE SCRUTINY PANELS:.....	19
1.14 DEPUTY D.W. MEZBOURIAN OF ST. LAWRENCE OF THE MINISTER FOR PLANNING AND ENVIRONMENT REGARDING THE LOCATION OF TELECOMMUNICATIONS MASTS NEAR ST. LAWRENCE PRIMARY SCHOOL:	

1.15	DEPUTY J.A.N. LE FONDRÉ OF ST. LAWRENCE OF THE MINISTER FOR TRANSPORT AND TECHNICAL SERVICES REGARDING TRAFFIC VOLUMES AND THE IMPACT OF NEW DEVELOPMENTS ON TRAFFIC FLOW:	21
1.16.	DEPUTY J.A.N. LE FONDRÉ OF ST. LAWRENCE OF THE MINISTER FOR TRANSPORT AND TECHNICAL SERVICES REGARDING THE NUMBER OF ROAD ACCIDENTS SINCE 2000:.....	23
1.17.	DEPUTY J.A.N. LE FONDRÉ OF ST. LAWRENCE OF THE MINISTER FOR HEALTH AND SOCIAL SERVICES REGARDING THE NUMBER OF ADMISSIONS TO ACCIDENT AND EMERGENCY AND THE REASONS FOR ADMISSION:	31
1.18	DEPUTY R.G. LE HÉRISSEIER OF ST. SAVIOUR OF THE MINISTER FOR PLANNING AND ENVIRONMENT REGARDING THE IDENTIFICATION OF SITES FOR SHELTERED HOUSING:.....	32
1.19	SENATOR B.E. SHENTON OF THE CHIEF MINISTER REGARDING PROGRESS ON THE IMPLEMENTATION OF THE STRATEGIC PLAN:.....	33
2.	Oral Questions.....	34
2.1	Senator B.E. Shenton of the Minister for Economic Development regarding compulsory redundancies at Jersey Airport:.....	34
	Deputy A.J.H. Maclean of St. Helier (Assistant Minister for Economic Development):	34
2.1.1	Deputy G.P. Southern:.....	34
2.2	Senator B.E. Shenton of the Chairman of the Privileges and Procedures Committee regarding an examination of the circumstances of the debate on P.144/2006 - “Committee of Inquiry: mobile telecommunications”:	34
	Connétable D.F. Gray of St. Clement (Chairman of the Privileges and Procedures Committee):	35
2.2.1	Senator B.E. Shenton:.....	35
2.3	Deputy R.G. Le Hérissier of St. Saviour of the Minister for Social Security regarding the recovery of residential or nursing care costs from the sale of a resident’s home or estate:	35
	Senator P.F. Routier (The Minister for Social Security):	35
2.3.1	Deputy R.G. Le Hérissier:	36
2.3.2	Deputy J.A. Martin:.....	36
2.3.3	Deputy S. Pitman of St. Helier:.....	37
2.3.4	Deputy J.B. Fox of St. Helier:.....	37
2.3.5	Deputy G.P. Southern:.....	37
2.3.6	Deputy R.G. Le Hérissier:	37
2.3.7	Connétable M.K. Jackson of St. Brelade:	38
2.3.8	Deputy P.V.F. Le Claire of St. Helier:	38
2.3.9	Deputy P.V.F. Le Claire:	38
2.3.10	Deputy G.P. Southern:	38
2.3.11	Deputy J.A. Martin:	39
2.4	Deputy A. Breckon of St. Saviour of the Minister for Planning and Environment regarding compensation paid in 2006 in respect of rescindments of planning permits: ..	39
	Senator F.E. Cohen (The Minister for Planning and Environment):.....	39
2.4.1	Deputy P.V.F. Le Claire:	39
2.4.2	Deputy A. Breckon:.....	40
2.5	Deputy G.P. Southern of the Minister for Social Security regarding indexing of Family Allowance benefit:.....	40
	Senator P.F. Routier (The Minister for Social Security):	40
2.5.1	Deputy G.P. Southern:.....	40
2.5.2	Deputy G.P. Southern:.....	41

2.5.3 Deputy J.A. Martin:	41
2.5.4 Deputy G.P. Southern:	41
2.6 Deputy R.G. Le Hérisier of the Minister for Health and Social Services regarding insurance to cover the costs of residential and nursing care:	42
Senator S. Syvret (The Minister for Health and Social Services):	42
2.6.1 Deputy R.G. Le Hérisier:	42
2.6.2 Deputy J.A. Martin:	43
2.6.3 Deputy R.G. Le Hérisier:	43
2.7 Deputy G.P. Southern of the Chief Minister regarding preparations for possible industrial action:	43
Senator F.H. Walker (The Chief Minister):	43
2.7.1 Deputy G.P. Southern:	43
2.7.2 Deputy G.P. Southern:	44
2.7.3 Deputy S. Pitman:	44
2.7.4 Deputy G.P. Southern:	45
2.7.5 Deputy J.A. Martin:	45
3. Questions to Ministers without notice - Minister for Education Sport and Culture...45	
3.1 Deputy S. Pitman:	46
Senator M.E. Vibert (The Minister for Education Sport and Culture):	46
3.2 Deputy S. Power of St. Brelade:	46
3.3 Deputy A.D. Lewis of St. John:	46
3.4 Deputy J.A. Martin:	47
3.5 Deputy P.V.F. Le Claire:	47
3.6 Deputy G.P. Southern:	47
3.7 Deputy S. Power:	47
3.8 Deputy A. Breckon:	48
3.9 The Deputy of St. John:	48
3.10 Deputy S. Pitman:	48
3.11 Deputy S. Pitman:	48
3.12 Deputy D.W. Mezbourian of St. Lawrence:	49
3.13 Deputy J.A. Martin:	49
3.14 The Deputy of St. Martin:	49
4. Questions to Ministers without notice - The Chief Minister.....50	
4.1 Deputy C.H Egré of St. Peter:	50
4.2 Deputy S. Pitman:	50
4.3 Deputy S. Pitman:	50
4.4 Deputy S. Pitman:	50
4.5 Deputy D.W. Mezbourian:	51
4.6 Deputy D.W. Mezbourian:	51
4.7 The Deputy of St. John:	51
4.8 Deputy G.P. Southern:	51
4.9 Deputy J.A. Martin:	52
4.10 Deputy R.G. Le Hérisier:	52
4.11 Deputy R.G. Le Hérisier:	52
4.12 Deputy S.C. Ferguson of St. Brelade:	53
4.13 Deputy G.P. Southern:	53
4.14 Deputy P.V.F. Le Claire:	53
STATEMENTS ON A MATTER OF OFFICIAL RESPONSIBILITY.....54	

5.1 Deputy C.F. Labey of Grouville (Assistant Minister for Education Sport and Culture) regarding the formation of the Jersey Council for Culture:	54
5.1.1 Deputy P.V.F. Le Claire:	55
5.1.2 Deputy P.V.F. Le Claire:	55
The Deputy of Grouville:.....	55
5.1.3 Deputy R.G. Le Hérisier:	55
5.1.4 Deputy R.G. Le Hérisier:	55
5.1.5 Deputy P.V.F. Le Claire:	56
5.2 Senator T.A. Le Sueur (The Minister for Treasury and Resources) regarding the move of the dairy to Howard Davis Farm:.....	56
5.2.1 Deputy G.P. Southern:	57
5.2.2 Deputy R.G. Le Hérisier:	57
5.2.3 Deputy J.A. Hilton of St. Helier:.....	57
5.2.4 Deputy R.G. Le Hérisier:	57
5.2.5 Deputy G.P. Southern:.....	57
5.2.6 Deputy J.A. Hilton:.....	58
5.2.7 Senator F.H. Walker:	58
5.2.9 Connétable D.J. Murphy of Grouville:.....	58
PUBLIC BUSINESS	58
6. Budget 2007 (P.130/2006).....	58
The Bailiff:.....	59
Senator T.A. Le Sueur (The Minister for Treasury and Resources):	59
The Bailiff:	70
6.1 Budget 2007 (P.130/2006): Amendment	70
6.1.1 Deputy G.P. Southern:.....	70
LUNCHEON ADJOURNMENT PROPOSED.....	72
The Bailiff:.....	72
LUNCHEON ADJOURNMENT.....	72
PUBLIC BUSINESS (continued...)	72
7. Budget 2007 (P.130/2006): Amendment (continued...).....	72
The Bailiff:.....	73
6.1.2 Senator T.A. Le Sueur:.....	73
6.1.3 Deputy J.A. Martin:	74
6.1.4 Deputy C.J. Scott Warren of St. Saviour:.....	75
6.1.5 Deputy J.A.N. Le Fondré of St. Lawrence:	76
6.1.6 Deputy G.P. Southern:	76
6.2 Budget 2007 (P.130/2006): Amendment 2	79
The Bailiff:.....	79
6.2.1 Deputy G.P. Southern:.....	79
6.2.2 Senator T.A. Le Sueur:	79
6.2.3 Deputy G.P. Southern:.....	80
6.3 Budget 2007 (P.130/2006): second amendment (P.130/2006 Amd.(2)).....	82
The Bailiff:.....	82

6.3.1 Deputy P.J.D. Ryan of St. Helier:	82
6.3.2 Senator F.H. Walker:	83
6.3.4 Deputy J.A. Martin:	84
6.3.5 The Deputy of St. John:	84
6.3.6 Deputy P.N. Troy of St. Brelade:	85
6.3.7 Deputy C.J. Scott Warren:	85
6.3.8 Senator P.F.C. Ozouf:	85
6.3.9 Deputy G.P. Southern:	87
6.3.10 Senator J.L. Perchard:	87
6.3.11 Deputy S.C. Ferguson:	88
6.3.12 Senator T.A. Le Sueur:	88
The Bailiff:	90
7. Draft Finance (Jersey) Law (P.131/2006).....	92
The Bailiff:	92
7.1 Senator T.A. Le Sueur:	93
The Bailiff:	93
7.2 Connétable D.F. Gray of St. Clement:.....	93
7.3 Senator T.A. Le Sueur:	93
The Bailiff:	93
7.4.1 Deputy G.W.J. de Faye of St. Helier:.....	93
7.4.2 Deputy C.J. Scott Warren:	94
7.4.3 Senator T.A. Le Sueur:	94
The Bailiff:	94
7.5 Senator T.A. Le Sueur:	94
The Bailiff:	94
8. Acte Operatoire.....	95
The Bailiff:	95
8.1 Senator T.A. Le Sueur:	95
9 Draft Income Tax (Amendment No. 26) (Jersey) Law 200- (P.132/2006)	95
The Bailiff:	95
9.1 Senator T.A. Le Sueur:	96
Deputy R.C. Duhamel of St. Saviour:	96
W.J. Bailhache Q.C., H.M. Attorney General:.....	96
The Bailiff:	96
Deputy R.C. Duhamel:.....	96
9.1.2 Senator T.A. Le Sueur:	96
The Bailiff:	97
9.2 Senator T.A. Le Sueur:	98
The Bailiff:	98
9.3 Senator P.F.C. Ozouf (The Minister for Economic Development):.....	98
The Bailiff:	99
9.4 Senator T.A. Le Sueur:	99
The Bailiff:	99
9.4.1 Deputy R.C. Duhamel:	99
The Bailiff:	99
9.4.2 Senator T.A. Le Sueur:	99
The Bailiff:	100
Senator T.A. Le Sueur:	101
The Bailiff:	102

10. Income Tax (Amendment No. 27) (Jersey) Law 200- (P. /2006)	102
Senator T.A. Le Sueur:	102
The Bailiff:	102
11. Public Elections: reduction in voting age to 16 (P.166/2006)	102
The Bailiff:	102
12. Stabilisation Fund: rescindment (P.154/2006)	102
The Bailiff:	102
12.1 Deputy G.P. Southern:	103
12.2 Senator T.A. Le Sueur:	104
12.3 Senator P.F.C. Ozouf:	105
12.4 Deputy G.W.J. de Faye:	107
12.5 Deputy J.A.N. Le Fondre:	107
12.6 Deputy P.J.D. Ryan:	109
12.7 Deputy J.G. Reed of St. Ouen:	109
12.8 Deputy J.B. Fox:	110
12.9 Deputy P.V.F. Le Claire:	110
12.10 Deputy J.A. Martin:	111
12.11 Deputy G.P. Southern	111
The Bailiff:	113
13. Establishment of a Stabilisation Fund and Policy for Strategic Reserve (P.133/2006)	114
Senator T.A. Le Sueur:	114
The Bailiff:	114
13.1 Senator T.A. Le Sueur:	115
13.2 Deputy P.J.D. Ryan:	115
13.3 Senator P.F.C. Ozouf:	116
13.4 Deputy A. Breckon:	116
13.5 Deputy G.P. Southern:	116
13.6 Deputy C.J. Scott Warren:	117
13.7 Deputy P.N. Troy:	117
13.8 Deputy G.W.J. de Faye:	117
13.9 Senator J.L. Perchard:	117
Senator P.F.C. Ozouf:	118
13.10 Deputy J.B. Fox:	118
13.11 Deputy S.C. Ferguson:	118
13.12 Senator T.A. Le Sueur:	118
The Bailiff:	119
Senator T.A. Le Sueur:	121
Senator F.H. Walker:	121
The Bailiff:	121
ADJOURNMENT	121

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

QUESTIONS

1. Written Questions

1.1 DEPUTY G.C.L. BAUDAINS OF ST. CLEMENT OF THE MINISTER FOR TRANSPORT AND TECHNICAL SERVICES REGARDING THE CLOSURE OF THE ROAD AT HAVRE DES PAS DURING THE SUMMER MONTHS:

Question

Would the Minister –

- (a) advise members what consultation, if any, has taken place with the Parish of St. Helier regarding the latter's plans to close the road opposite the Havre des Pas Bathing Pool once a week throughout next summer?
- (b) inform members of the average traffic volume on that road during Sundays and the degree of delay or other traffic consequence that is likely to occur during periods of its closure?

Answer

- (a) I can advise members that no consultation has taken place with the Parish of St Helier regarding plans to close Havre des Pas on a weekly basis next summer as recently announced by the Connétable of St. Helier .
- (b) Traffic counts carried out this summer show that approximately 750 vehicles per hour use Havre des Pas during the middle of the day. If that road was closed, this traffic would be diverted onto La Route du Fort which carries approximately 1,300 vehicles per hour on a typical summer Sunday mid day period. As the combined total would therefore be over 2,000 vehicles, and by comparison the weekday morning 8 a.m. to 9 a.m. flow on La Route du Fort is about 1,500 vehicles, significant congestion can be expected. Furthermore, this does not take into account any scheduled or emergency road works which may affect that area diverting additional traffic onto an already congested carriageway.

The scheduled bus service (route 1b) will also need to be diverted. This is a popular service for tourists staying at hotels and guest houses at Havre des Pas and runs 6 outbound and 6 inbound services on Sundays in the summer.

1.2 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR SOCIAL SECURITY REGARDING THE COST OF SUPPLEMENTATION OF SOCIAL SECURITY CONTRIBUTIONS:

Question

Figures taken from Social Security accounts and from 'Jersey in Figures' reveal that the contribution from taxation to social security funds (supplementation) has risen over the period 2000

to 2005 by 40 per cent from £36.2 million to £50.7 million, at a time when cumulative inflation was only 20 per cent and numbers in employment remained more or less stable.

Would the Minister –

- (a) set out the reasons for this significant rise, and inform members what actions, if any, he intends to take to reduce this sum?
- (b) inform members what estimate he currently has for the 2006 actual supplementation figure, and account for any variation from the estimate given in the 2006 Budget of £53.2 million?
- (c) state whether the sum of £54,657,800 allocated to supplementation in 2007 (Annual Business Plan Annex) will be adequate for 2007 according to current estimates and state what sums have been allocated for supplementation within the net expenditures figures for 2008– 2009 for Social Security contained in Summary Table B of the Budget 2007?

Answer

Before answering the specific questions asked, I take this opportunity to remind States Members that supplementation is the contribution from general taxation to the Social Security records of low to middle wage earners to protect their entitlement to pensions and to ensure that they remain fully insured if unable to work. It is thereby a significant tool for alleviating poverty.

Each month an individual's earnings up to an earnings ceiling is declared and 10.5 per cent of those earnings is the contribution collected and attributed to that person. Individuals with earnings below the earnings ceiling have their contributions “supplemented” to the level of contributions paid at the earnings ceiling. Those people with earnings at or above the earnings ceiling do not attract supplementation. High earners do not receive supplementation.

The parameters that drive the global sum for supplementation are the numbers of people earning below the earnings level and the earnings of these individuals. Increasing economic activity which might increase the number of workers, and salary levels particularly annual increases below the published earnings index would both have a major impact on supplementation. The effect of inflation on supplementation is at most indirect in that it can affect pay claims and thereby average earnings.

- (a) I remind Deputy Southern that contribution rates for supplementation were increased by $\frac{1}{2}$ per cent a year for each of the years 1998-2002. These increases, which received widespread support, were to maintain the Social Security Pension by building up reserves in the fund to help counter the effects of an ageing population.

This forward planning has resulted in a financially robust Social Security Fund that is the envy of many other jurisdictions.

These rate increases were reflected in the significant growth in contributions and supplementation over those years. As shown in the table below, over the 2 year period 2000 to 2002, Social Security contributions rose by 28 per cent and supplementation by 33 per cent, whilst Health Insurance Scheme contributions, the rate for which did not rise similarly and which do not attract supplementation, rose by 16 per cent.

By contrast over the longer period of 3 years, 2002 to 2005, when contribution rates did not increase, Social Security Contributions rose by 11 per cent and supplementation by 6 per cent.

Year	Supplementation	Social Security Contributions	Health Insurance Contributions
2000	£36.2 m	£81.1 m	£17.1 m
2001	£41.2 m	£92.8m	£18.6 m
2002	£48.1 m	£104.0 m	£19.9 m
2003	£49.9 m	£108.4 m	£20.7 m
2004	£50.8 m	£110.3 m	£21.0 m
2005	£50.8 m	£115.5 m	£22.0 m

The rise of supplementation over the period 2000 to 2005 is principally a direct result of a decision of the States, made after extensive consultation and so I am somewhat taken aback by Deputy Southern asking what I intend to do about it.

- (b) Based on the evidence of contributions collected in the A and B quarters between January and June 2006, and the most up to date figures for the C quarter (July, August, and September 2007) the most recent estimate of supplementation is £55.8 million. As usual the budget estimate was made based on contributions received in the first quarter of the previous year, and the variation is due to a combination of factors; an increase in the number of contributors particularly those earning below the earnings ceiling; and an increase in the average amount of supplementation per individual earning below the contribution ceiling.

This increase in supplementation in 2006 is unexpected and appears to be as a result of growth and change in employment rates at the lower to middle-income earning levels.

The Council of Ministers has agreed that the Social Security, Economic Development and Treasury and Resources Departments, working with the Economic Adviser, assess the situation relating to supplementation, identify possible options and report back to the Council by mid 2007. That work will be led by the Social Security Department.

In addition to this significant review, officers of my Department are investigating further and are concentrating upon the declaration of earnings by some employers and employees to ensure as far as possible that when supplementation is claimed, it is based upon an accurate declaration of earnings.

- (c) The current budget for supplementation, agreed by the States for 2007 is £54.7 million. Latest forecasts for 2007 are between £3-£5 million in excess of this amount, hence the need for the urgent review agreed by the Council of Ministers.

The 2008 cash limit for the Social Security Department includes a provisional estimate for supplementation of £56.3 million and for 2009, £58.0 million.

These provisional estimates which were set in the first quarter of 2006, will be revised as a result of recent experience and the review announced above.

As Minister for Social Security and as the former President and before that, a member of the Employment and Social Security Committee, I am very proud of the wise and prudent decision taken by the States in having the foresight to build up a fund to contribute towards protecting the pensions of the future.

1.3 DEPUTY G.P. SOUTHERN OF ST. SAVIOUR OF THE MINISTER FOR ECONOMIC DEVELOPMENT REGARDING POSTAL PRICES:

Question

- (a) Would the Minister inform members whether he has been notified by the Jersey Competition Regulatory Authority (J.C.R.A.) when the Authority will act over the postal price rises recently announced by Jersey Post?
- (b) Would the Minister inform members if he has been notified whether, in addition to rises in local letter and U.K. letter rates, rises for fulfilment packages are, or have been, under consideration by Jersey Post and, if so, by what percentage?

Answer

- (a) The J.C.R.A. issued its "Aims and Objectives January to December 2007" on 13th November for public consultation. This document includes the following objective, action and target date in respect to proposed price changes.

Objective: Protect postal users from potentially excessive postal charges.

Action: Decide whether to impose a cap on Jersey Post's postal charges, and if so what services should be included and how the cap should be calculated.

Target Date: March.

- (b) The responsibility for reviewing Jersey Post prices rests with the Board of Jersey Post and the J.C.R.A. I have been advised that Jersey Post have notified J.C.R.A. and their fulfilment customers of their new bulk products and price and that these are available from Jersey Post web site.

1.4 DEPUTY G.P. SOUTHERN OF ST. SAVIOUR OF THE CHIEF MINISTER REGARDING THE RENEGOTIATION OF PROTOCOL 3:

Question

In response to a question from Deputy K.C. Lewis of St. Saviour on 21st November 2006 the Chief Minister stated that there were "other issues" that made him loathe to engage in negotiations with the European Union over the issue of Protocol 3. Would the Chief Minister state what these "other issues" are?

Answer

The option of re-negotiating of Protocol 3 is not one that Jersey could enter into alone, or should do lightly, for many reasons.

First, Jersey is not itself a State party to the U.K. Treaty of Accession to the European Union, of which Protocol 3 is a part. It would therefore be impossible to begin any effective negotiation without the full concurrence of the United Kingdom Government, who would represent Jersey's position in negotiations. Any substantive amendment to the Treaties of Accession also normally requires the agreement of every Member State of the European Union – in other words all 25 (soon to become 27) States would have to be involved.

If we were to seek to re-negotiate Protocol 3, we should consider what would be put in its place – and what the E.U. might seek in exchange. In the light of recent experience, in my view, we would be extremely ill-advised to re-open discussion on Protocol 3.

1.5 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR HOUSING REGARDING THE NUMBER AND IMPACT OF 'j' CATEGORY HOUSING CONSENTS:

Question

- (a) Further to the answers given by the Chief Minister on 21st November 2006 concerning the impact of 'j' category persons on the housing market, and in light of the growth in private sector 'j' categories in the last 3 years, would the Minister inform members what estimates, if any, have been made for growth in the number of 'j' categories in next 3 years, particularly if the 2 per cent economic growth target is met or exceeded? If no estimates currently exist, will he undertake to make them and, if not, why not?
- (b) What pressure, if any, is expected on the local housing market, and especially family homes, as a consequence of economic growth and, in particular, new 'j' category persons to meet the skills shortage in the finance sector?

Answer

- (a) 'j' consents are very strictly controlled by the Minister for Housing in the best interests of the community. To this end, 'j' category essential employees make up just 3 per cent of the total workforce, and statistically therefore have minimal overall impact on demand for housing.

'j' consents are issued within the overall context of ensuring a balance between economic growth and demand on the resources of the Island, including the housing stock. In achieving this balance, statistical data is monitored on an ongoing basis, in conjunction with the Migration Advisory Group, and reference is made to the 2 per cent economic growth target *and* 1 per cent working population growth target, as set out in the Economic Growth Plan approved by the States.

A work programme is taking place at this time, involving officers from a range of departments, on the population and migration implications of achieving 2 per cent economic growth. This piece of work, due to be presented to the Council of Ministers early in the New Year, should provide more information on the parameters involved.

- (b) It is vital in a climate of economic growth that policy should develop to meet the challenges presented. Policy developments such as are ongoing now around shared equity and first time buyer schemes are important in maintaining, indeed improving, house price affordability, and ensuring a balance between economic growth and demand on resources, including the

housing stock. It is important, however, to place this issue in the perspective of average house price growth over the last four years of 3% per annum.

The issuing of 'j' consents will continue to be strictly controlled, so as to continue to minimise any impact on the housing market. As noted by the Chief Minister on 21st November 2006, in relation to the Quarter 3 2006 House Price Index and 'j' category essential employee purchases –

“There has been some increase in the number of 1(1)(j) category house purchases but it should also be emphasised that the great majority of purchases - 92 per cent - have been made by locally qualified people with at least 10 years' residence in the Island.

The impact of 1(1)(j) Category purchases is considered minimal. It is simply not plausible, in the context of large increases in local employment and real economic growth for the first time in 5 years, to ascribe the increase in house prices to a small number of essential employees purchasing 8 per cent or 30 out of 400 properties.

It is important to add, however, that house prices are a supply and demand equation and that positive initiatives are being developed around shared equity and first-time buyer schemes to seek to address issues of affordability for local people as a matter of priority.”

1.6 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE CHIEF MINISTER REGARDING THE NEED FOR A PENSIONS REGULATOR:

Question

Following his public statement on 26th November 2006 that he believed that Jersey needed a pensions regulator would the Chief Minister state why he believes this to be so, and explain why greater priority has not been given to this issue in the Strategic Plan or the Annual Business Plan? What action, if any, will the Chief Minister take to promote this issue in the Council of Ministers' agenda and by when can members expect to see some concrete progress?

Answer

I believe that there would be merit in appointing a pensions regulator to provide further protection to the beneficiaries of pension schemes. However, I also accept that this proposal needs to be considered in the context of a general review of pension provision.

The States have already agreed, in approving the Strategic Plan 2006-2011, that the Social Security Department will *'...prepare and start to introduce a co-ordinated plan, including a review of pension provision, to meet the challenges and opportunities presented by an ageing population by 2010.'*

I expect that plan to include recommendations on the appointment of a pension regulator.

1.7 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE CHIEF MINISTER REGARDING A POSSIBLE PUBLIC DEBATE WITH A REPRESENTATIVE OF THE TAX JUSTICE NETWORK:

Question

Following his public statement that he would be willing to hold a public debate with Mr. Richard Murphy of the Tax Justice Network would the Chief Minister inform members whether he will be taking steps to initiate such a debate and, if so, when he expects it to be held?

Answer

When I was challenged on B.B.C. Radio Jersey to a public debate with Mr. Murphy, my immediate reaction was to agree as I would have welcomed the opportunity of exposing his position on Jersey as the vindictive crusade it is.

However I have been advised subsequently that previous experience would suggest that any such debate would be misrepresented by Mr. Murphy and would be damaging to the best interests of the Island. I am therefore not now prepared to meet him, or any other representative of the Tax Justice Network.

Mr. Murphy and his colleagues, who are an unelected, unrepresentative group, responsible only to themselves, are dedicated to shutting-down Jersey's finance industry with no thought or care given to the consequences for our Health, Education and other social services, nor for the jobs of over 12,000 local people. A public debate would give them credibility they neither deserve nor can justify.

I am surprised that Deputy Southern, as an elected member of this Assembly, charged with acting in the best interests of the people of Jersey, is prepared to act as an agent and mouthpiece for such an individual and such an organisation.

1.8 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE CHIEF MINISTER REGARDING THE USE OF A 'UNIQUE IDENTIFIER' IN THE POPULATION REGISTER

Question

Has the Migration Advisory Group considered whether the "unique identifier" that will be contained in the population register could be used for voter registration in Jersey and, if not, would the Minister request the Group to look at this possibility so that the matter can be referred to the Privileges and Procedures Committee and the Comité des Connétables for consideration?

Answer

The Population Register was envisaged primarily as a means of achieving migration objectives, being to balance economic growth with demand on resources, and enabling migration and population levels to be monitored. However, the migration policy proposals also make reference to other potential uses, as follows –

“...this proposal will have enormous potential as a basis for sharing basic, non-sensitive information, streamlining the administration of public services in Jersey and generating significant benefits and convenience for all the residents of the Island.”

This statement, however, is qualified in the policy document, which goes on to state –

“The Data Protection implications of these proposals require further detailed consideration, involving the advice of the Data Protection Registrar”

Detailed consideration of the Population Register is progressing, but it must be accepted that this is a complex issue, particularly when the register has potential for a wide range of applications. As part of this consideration, the Data Protection Commissioner’s advice is being sought.

It would be premature to comment further at this stage, other than to say, and without in anyway presuming the outcome of current policy development, that using the basic data and unique identifier within the Population Register for the purpose of voter registration is a positive and constructive suggestion, and one that could bring considerable benefits to the Island. I will certainly refer this suggestion to the Migration Advisory Group, and subject to their views, would then seek to involve the Privileges and Procedures Committee and the Comité des Connétables.

Of course, as with all proposals in relation to the Population Register, any such application would be subject to public consultation and States approval.

1.9 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE CHIEF MINISTER REGARDING THE INTRODUCTION OF A SHARED EQUITY SCHEME

Question

Would the Chief Minister inform members whether the Council of Ministers has discussed details of the introduction of a shared equity scheme yet and, if not, state when this matter is due to be considered by the Council? In addition would he state whether the Council has agreed where the funding required for such a scheme will come from?

Answer

The Council of Ministers has given its full support in principle to the introduction of shared equity schemes.

The Housing Department’s 10-year Property Plan, which contains detailed proposals for shared equity schemes will be discussed by the Council of Ministers at its next meeting, before being lodged for debate by the States. The proposed funding is included in the £30 million capital funding for Housing which has been agreed by the States over the next five years.

1.10 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR PLANNING AND ENVIRONMENT REGARDING THE REDUCTION IN CO₂ EMISSIONS:

Question

- (a) Would the Minister agree to set targets for Jersey to reduce its CO₂ emissions so that the Island plays its part in assisting the global environment and, if not, why not?

- (b) What concrete steps, if any, will the Minister take to ensure the Island reduces CO₂ emissions and, in particular, would the Minister undertake to provide grants to improve the thermal efficiency of homes to reduce energy loss?

Answer

On a global scale Jersey's emissions of CO₂ and other greenhouse gases are tiny. Nevertheless we have the opportunity to show that Jersey maintains the highest possible standards in respect of our global obligations and at the same time put in place measures that will reduce our dependency on imported fossil fuels and generally benefit the economy.

Measured against the accepted baseline standard of 1990 levels Jersey has already outperformed most other developed nations by achieving a cut in emissions of about 30 per cent due to the way in which we now import electricity from France rather than generate it on Island. (French electricity production is almost carbon neutral because it is generated by nuclear and hydropower sources). However there is still scope to go further.

I can confirm that we will be setting targets to reduce CO₂ and other greenhouse gases, indeed the States Strategic Plan already contains a commitment to reduce the Island's emissions of CO₂ and other greenhouse gases and to set targets and timescales for this process. In Section 1.1 of the Strategic Plan we have, as an indicator of success, a commitment to targets and timescales for reductions in greenhouse gas emissions that reflect global commitments. Further on in section 4.3 we set the target of containing greenhouse gas emissions at 1990 levels. At section 5.2.8 we have agreed to meet, where possible, international standards set through the extension of international treaties and conventions over the Plan period. And of course one of the top priorities for the Council of Ministers set out in the Strategic Plan is to develop and implement an energy policy that addresses the environmental impacts of energy.

New and ongoing work streams agreed in the Strategic Plan will set ambitious but achievable targets for the Island, these include Policies that will shortly be brought before the States prior to wider public consultation, notably the Energy Policy, Environmental Taxes, the Integrated Travel and Transport Plan followed later in 2007 by an Air Quality Strategy.

These policies will propose concrete mechanisms to reduce the Island's emissions of greenhouse gases, amongst which there will be measures to improve the energy efficiency of our housing stock. Reducing demand for energy by implementing measures that improve the efficiency of energy use is almost always a win-win situation, whereby the user experiences reduced energy costs at the same time as emissions being cut. I will be using the Eco-Active programme to provide up to date and independent advice to people about how to go about being more energy efficient in their homes and at work and explaining just how good the pay back on such investments can be.

Although in most cases there is a clear financial case for undertaking energy efficiency measures I accept that there may also be a need to offer grant support to encourage take up and I will undertake to examine the provision of such a scheme where it seems necessary and appropriate. In addition I will also ensure that building standards are continually improved by strengthening the building bye-law requirements. The bye-laws were last updated in 2004 with the aim of improving energy efficiency in all buildings and these have had a significant impact on the way new buildings are now constructed with energy performance being improved by some 18 per cent. I do however believe this is not a reason to be complacent and plan to publish proposals within the next 12 months to strengthen the building bye-law requirements relating to conservation of fuel and power that will further improve standards for all new buildings. These will include measures to improve the energy efficiency of new homes as well as making improvements when homes are extended or

materially altered. I anticipate the revised bye-laws will be far reaching and will result in significant reductions in the annual CO₂ emissions from Jersey's building stock.

The question starts with an assumption that there is a pressing need to reduce Jersey's emissions of carbon dioxide. I share this view but for completeness I append a short argument setting out the case for action.

1. What evidence is there that climate change is happening ?

Scientists across the globe have used numerous pieces of evidence to show that atmospheric concentrations of carbon dioxide have risen sharply since the industrial revolution. An example are ice cores from the Antarctic. This evidence has shown a magnitude and speed of change not seen before in history.

Global average temperature have risen by approximately 0.7°C in the last 100 years. Surface temperature modelling taking into account atmospheric conditions has shown that these rises can only be explained by elevated concentrations of carbon dioxide arising from man's recent activities.

Current trends show that global temperature will rise by 2-3°C within 50 years and a rise of 5°C is the equivalent in magnitude to the change between now and an ice age.

Records from our own climate recording at Maison St Louis shows Jersey's temperatures are rising in accordance with the globally accepted trend. It is folly to imagine that Jersey is immune to what is accepted to be one of the most important environmental and economic threats to the world today.

2. What might climate change look like for Jersey?

The Hadley centre, which is part of the U.K. Met Office, has carried out fine scale modelling for Jersey and has given us the best indication of what climate change might look like –

Predicted scenarios of climate change for 2080 assuming medium carbon dioxide emissions are –

Warmer winters by on average nearly +2.5°C

Drier summers – on average 45 per cent less rainfall

Days of heavy precipitation increase by 30/50 per cent in winter but decrease by 40/50 per cent in summer

Increased storminess

Frosts and snow will become even more infrequent

3. What do these predicted changes in weather mean for Jersey?

There are many potential ramifications for climate change locally, for example –

The island will face water resource management issues

It is likely there will be new pests and diseases that will not be killed over the far warmer winters.

This may have a substantial impact on our agricultural industry

There will be changes in biodiversity since the evidence is that nature is finding it very difficult to evolve to keep up with the unprecedented rate of change that we now see.

4. What is being done to address these predicted changes

Through the work we are carrying out on energy policy, we are identifying the risks and outlining adaptation scenarios. We are assisted in this work by the relevant U.K. scientists and organisations like the British-Irish Council climate change programme.

What is clear is that we must act sooner rather than later. Climate change is a global phenomenon and whether Jersey emits carbon or not, we will be exposed to its effects and costs. The greenhouse gases already in the atmosphere have already committed us to a certain amount of climate change.

As the Stern Review has shown, the longer we leave addressing climate change, the more it will cost. The economic costs of reducing greenhouse gases to avoid the worst of climate change is far less (about 1 per cent of global G.D.P.) compared to the costs and risks of climate cost (about 5-20 per cent of global G.D.P.)

5. If Jersey has already achieved U.K. levels of carbon reduction what is the point of Jersey becoming a signatory to Kyoto ?

Jersey is committed to showing the world that economic and environmental success can work together. We have already achieved substantial reductions in carbon emissions outside of the Kyoto framework. By finally ratifying alongside 160 other countries, we are showing the world that we take our global responsibilities seriously and intend to be examples of best practice not only in the financial domain but also in environmental matters.

1.11 DEPUTY G.P. SOUTHERN OF ST. HELIER OF THE MINISTER FOR ECONOMIC DEVELOPMENT REGARDING THE RECENT STRIKE BY SECURITY STAFF AT JERSEY AIRPORT:

Question

- (a) In his statement to the Assembly on 8th November 2006 following the strike by airport security staff the Assistant Minister stated that it was necessary to review the contract with the provider with a view to “ensuring future contractual arrangements are more robust”. Would the Minister explain to members what he meant by this statement?
- (b) The Assistant Minister also stated that such services “could be fulfilled in house in the future”. Will the Minister undertake to bring an assessment of this option to the Assembly?

Answer

- (a) I would first correct the Deputy that the statement to which he refers was made in the House on 22nd November, 2006, the day of industrial action by G4S Aviation Services staff at Jersey Airport. The appraisal of the current G4S contract is a natural consequence of the action taken by security staff on 22nd November, 2006, and a precursor to any decisions which will need to be taken as the current contract with G4S reaches its end date in 2009.

Following the appointment of Mr. Julian Green as Director, Jersey Airport is undertaking a root and branch review of all areas of its operations. A Strategic document “Jersey Airport

Future Directions”, published recently outlined the key findings of this review. As part of the work the Airport continues to evaluate options for the provision of security services. This will include, but not be limited to, the evaluation of an in-house option for such services.

- (b) I am pleased to confirm to the Assembly that I will keep Members informed of the progress of our strategy plans, including any assessment we make with regard to our future security requirements.

1.12 DEPUTY G.C.L. BAUDAINS OF ST. CLEMENT OF THE MINISTER FOR TRANSPORT AND TECHNICAL SERVICES REGARDING THE COST OF OPERATING THE INCINERATOR AT BELLOZANNE:

Question

In relation to the Bellozanne incinerator, would the Minister advise –

- (a) the approximate tonnage of material received for incineration in the last 12 months;
- (b) the annual cost of running and maintaining the plant inclusive of ancillary services such as receiving refuse, weighing, salaries and pensions, etc.; and
- (c) the amount of electricity generated per annum and its value?

Answer

- (a) In the 12 month period from November 2005 to November 2006 the energy from waste plant has received and processed 76,161 tonnes of waste.
- (b) The expected costs for receiving, pre-processing and incinerating the waste for 2006 are as follows –

Manpower Costs	£2,114,528
Supplies and Services	£311,513
Administrative Costs	£5,152
Premises & Maintenance	£1,267,860
Income	(£946,316)
Minor Capital Maintenance	£200,000
Total	£2,952,737

- (c) In the 12 month period from November 2005 to November 2006 the Energy from Waste plant has generated 16,590,140 kWh of electricity. This equates to £872,294 worth of electricity used on the Bellozanne site and £63,140 sold to the Jersey Electricity company.

1.13 SENATOR B.E. SHENTON OF THE PRESIDENT OF THE CHAIRMEN'S COMMITTEE REGARDING MEASURES TO ASSESS THE PERFORMANCE OF THE SCRUTINY PANELS:

Question

The Council of Ministers has been set specific targets in the Strategic Plan from which performance can be judged. Would the President inform members whether the scrutiny panels have in place any performance measurement criteria and, if so, have the targets been met in 2006? Are there plans to implement improved performance targeting in 2007 in order that the overall performance of the scrutiny panels can be determined and assessed?

Answer

The States will be aware that in 2003 they approved P.79/2003 "Machinery of Government: Establishment of Scrutiny Panels and Public Accounts Committee". In approving that project they also approved Section 26. 1 which states:-

Section 26. Measuring the results of scrutiny

26.1 Measuring the results of scrutiny will not be a simple task. However, Panels should be able to identify, in general terms, tangible and substantive outcomes. The Executive system of government, to which the States of Jersey has committed itself, aspires to a number of stated improvements, including quicker decision making, focus on strategic rather than operational issues, fewer meetings, reduced paperwork, more open and accountable government, avoidance of overspends and a joined-up, corporate, approach. Scrutiny, as a key element in the new arrangements in the provision of the necessary checks and balances, needs to be clear about its intended outcomes. The non-Executive members must not be sidelined and must be able to find in scrutiny arrangements the opportunity to make a real difference. This means that they must be able to demonstrate that they have –

- held the Executive to account;
- supported the development of effective policies and initiatives;
- provided an opportunity to engage the public properly;
- positively impacted on the work of external agencies in receipt of public funds;
- provided an effective means for all States members to influence the work of the public service; and
- helped to improve the performance of the Executive and informed the States and the public about the performance of the Executive.

The Chairmen's Committee will be reviewing its performance at the end of this year in order to prepare its Annual Report in accordance with Standing Order 143 (d) for inclusion in the annual report produced by the Privileges and Procedures Committee upon the work of the States and of Committees and Panels established by the standing orders which will be presented to the States.

It is important for the States to remember that this is the first year of considerable change from the previous Committee system to that of Ministerial Government. With any large structural change there is always room for development and improvement.

There remain to date a number of issues regarding working practices which affect the effectiveness of the scrutiny function and which need to be resolved between the Ministers, the Council of Ministers and Scrutiny. The Chairmen's Committee will endeavour to work in conjunction with the Council of Ministers towards improving these working practices.

The development of further performance targeting measures will be considered where justified in the new year.

1.14 DEPUTY D.W. MEZBOURIAN OF ST. LAWRENCE OF THE MINISTER FOR PLANNING AND ENVIRONMENT REGARDING THE LOCATION OF TELECOMMUNICATIONS MASTS NEAR ST. LAWRENCE PRIMARY SCHOOL:

Question

Would the Minister inform members –

- (a) of the location of all telecommunications masts and base units, if any, approved by the Minister (or the former Committee) and erected within a 300 metre radius of the perimeter boundaries, including playing fields and car parking areas, of St. Lawrence Primary School together with details of the provider of any masts and base units that have been erected?
- (b) the intended location of all telecommunications masts and base units, if any, currently applied for and awaiting a planning decision within a three hundred metre radius of the perimeter boundaries, including playing fields and car parking areas, of St. Lawrence Primary School together with the name of each applicant, if any, currently awaiting a planning decision?

Answer

There are no applications that have been approved within a 300 metre radius of the perimeter boundaries, including playing fields and car parking areas, of St. Lawrence Primary School. The Planning Department does not have any knowledge of any installations that have been erected within that radius.

There is currently one pending planning application submitted by Jersey Airtel to erect a wooden clad replica telegraph pole, 3 No. antennae, 1 No. dish and 3 No. equipment cabinets in Field 467, La Grande Route de St Laurent, St Lawrence (Planning Application Number P/2006/2353). The installation is proposed in the north-eastern corner of Field 467. The corner of the north-eastern boundary of the playing fields associated with St Lawrence Primary School is 280 metres from this proposed installation.

The application was received on 24th October 2006 and advertised in the *J.E.P.* on 7th November 2006. The advertising period ended on 29th November 2006. No letters of representation have been received for this application.

1.15 DEPUTY J.A.N. LE FONDRE OF ST. LAWRENCE OF THE MINISTER FOR TRANSPORT AND TECHNICAL SERVICES REGARDING TRAFFIC VOLUMES AND THE IMPACT OF NEW DEVELOPMENTS ON TRAFFIC FLOW:

Question

- (a) Would the Minister provide for members details of the traffic volumes (in terms of numbers of vehicles), if available, at peak morning times (defined as between 8.00 a.m. and 9.00 a.m.) as at 1st January 2005, or as close to that date as possible, for the following roads –

Beaumont Hill (Route de Beaumont) South bound

La Haule Hill (Le Mont au Roux) South bound

St Aubin's Hill (Le Mont Les Vaux) South bound

Beaumont to Bel Royal (La Route de la Haule) East bound

Victoria Avenue East bound

St Peter's Valley East bound

Rue du Craslin (both directions)

Bel Royal to Millbrook (La Route de St Aubin) East bound

Rue de Haut (both directions)

Le Mont Cambrai (both directions)

Rue de la Ville Emphrie (both directions)

Mont Felard (both directions)

La Rue du Galet (both directions)

Would the Minister inform members of the positioning of any sensors used to provide the above data, as well as the exact date(s) when the data was collected and, in addition, would the Minister indicate the capacity in traffic volumes of the roads in question?

- (b) Would the Minister –

- (i) provide updated figures, if available, of the traffic volumes (in terms of numbers of vehicles) for the roads listed in part (a) above following the completion and occupation of all developments (both rezoned sites and all other developments) that have been approved (or construction concluded) since 1st January 2005, noting the date to which the information has been calculated?
- (ii) indicate whether the projected traffic will exceed capacity of the above roads as a result of all of these developments, and if so, by how much (in absolute and percentage terms)?
- (iii) state how many units of accommodation have been taken account of in arriving at the above figures?

- (c) Would the Minister –
- (i) inform members whether estimates have been undertaken of the additional traffic volumes (in terms of numbers of vehicles) for the roads listed in part (a) once all developments under application to the Minister for Planning and Environment (but not yet approved), and any not included in the response to part (b) above (for example any developments commenced before 1st January 2005 but not yet completed) have been completed and occupied, including the impact of the development of Fields 848, 851 etc, stating to which date the information has been calculated and how many units of accommodation have been taken into account in arriving at the figures?
 - (ii) indicate whether the projected traffic arising from developments presently under application will cause the above roads to exceed capacity, and if so, by how much (in absolute and percentage terms)?
- (d) Would the Minister –
- (i) inform members of the Department’s estimation of the total number of vehicles to be generated at peak times by the proposed development of Fields 848, 851 etc in light of the change in numbers and mix of accommodation in total?
 - (ii) identify the estimated number of school runs (both in the morning and the evening) that will be required following the recent confirmation by the Minister for Education, Sport and Culture of the inability of schools in the vicinity to cope.
- (e) In light of the answers given above, and following the comments made earlier this year by the Minister’s Department regarding the ability of the roads to cope at peak times due to a proposed development of 97 units, would the Minister inform members whether the roads passing through St. Lawrence (St Peter’s Valley, Mont Felard, Rue du Galet, La Route de St. Aubin and La Route de la Haule) will be able to cope with the total traffic demand at peak times that will be placed on them by the projected development occurring in the Parishes of St. Lawrence, St. Peter, St. Mary, St. John, St. Ouen and St. Brelade?
- (f) In respect of the answers given above, would the Minister indicate whether the figures provided are average volume figures, and if the volumes increase in bad weather, or in winter? If so, what percentage increase should be applied to the numbers provided in order to arrive at a worst case scenario for maximum traffic volume at peak times?
- (g) For family type estates, how many vehicles does the Department estimate will be utilised at peak times, per unit, for the following in making its calculations of traffic flows?
- 1 bedroom unit
 - 2 bedroom units
 - 3 bedroom units
 - 4 bedroom units
 - 5 bedroom units

Answer

The Deputy has asked me to provide details of traffic flows on 13 roads in the west of the Island, 6 of them in both directions, which equates to 19 sets of data. The data requested are the current traffic volume, the predicted increase due to approved housing developments since January 2005, the predicted increase due to developments awaiting approval, the road capacity, and the relationship between capacity and demand, both in absolute and percentage terms, for those predicted increases. In all, this amounts to 152 values.

The Deputy has also asked for further information in relation to the traffic implications of the proposed development at Bel Royal (fields 848, 851 etc), details of the difference in traffic flows due to bad weather and seasonal variations, and finally details on the ranges of traffic generation my Department would apply to the various sizes of housing unit.

The only part of the Deputy's question which I can answer at such short notice is Question c(i). I can confirm that estimates of the predicted effect of the recent housing developments on those roads listed have not previously been undertaken. To do so would be a significant draw on my Department's resources, estimated to be approximately two weeks work to complete a manual assessment. Only 2 of the listed roads, St Peters Valley (by Tesson Chapel) and Route de la Haule, (by Le Perquage) have permanent counting equipment, so data on the other roads would come from a range of sources at varying times and dates. A more accurate assessment would typically be carried out using a computer model, but this would significantly increase the time and cost and likely involve consultant work.

I do, however, understand the Deputy's concern over the number of housing developments which are being proposed, though Members from the northern and eastern Parishes will, I am confident, agree that the problem of traffic generation is not unique to the west of the Island. I can confirm that, in 2001, officers from the then Public Services Department advised the then Planning and Building Services Department of the likely impact on the road network of the category A units identified in the Island Plan.

In an effort to be helpful to the Deputy, I have asked my officers to liaise with the Planning Department to summarise the number of new units of accommodation expected in the west of the Island and the predicted volume of traffic this would be expected to produce during the morning 8 a.m. to 9 a.m. period heading towards St Helier. As this traffic will inevitably use one of 2 roads, Victoria Avenue and St Aubin's Road, I will provide members with information on the current volume of those two roads and the predicted increases. This will at least enable members to put the issue into perspective. I will also provide the requested information on the traffic implications of the revised planning application for fields 848 etc at Bel Royal.

I would add that the States cannot provide all its housing requirements in St Helier and it is, therefore, inevitable that traffic will increase if current travel habits remain the same. This is why my Department is developing an Integrated Travel and Transport Plan which aims to reduce the proportion of trips made by private car. The plan has now been considered by the Council of Ministers and it will be presented to the States before the end of the year, in advance of public consultation early next year.

1.16. DEPUTY J.A.N. LE FONDRE OF ST. LAWRENCE OF THE MINISTER FOR TRANSPORT AND TECHNICAL SERVICES REGARDING THE NUMBER OF ROAD ACCIDENTS SINCE 2000:

Question

- (a) Would the Minister indicate the number of accidents (pedestrian and vehicle), on the following roads by year since 2000 setting out, if available, details of the level of severity of the accident, including any fatalities –

Beaumont Hill (Route de Beaumont)

La Haule Hill (Le Mont au Roux)

St. Aubin's Hill (Le Mont Les Vaux)

Beaumont to Bel Royal (La Route de la Haule)

Victoria Avenue

St. Peter's Valley

Rue du Craslin

Bel Royal to Millbrook (La Route de St Aubin)

Rue de Haut

Le Mont Cambrai

Rue de la Ville Emphrie

Mont Felard

La Rue du Galet.

- (b) Would the Minister indicate the total number of accidents (pedestrian and vehicle), in the Island, by year, to date since 2000 setting out, if available, details of the level of severity of the accident, including any fatalities?

Answer

- (a) Resource constraints have precluded the provision of an answer to the Deputy's question which breaks down the data by year, by road, as well as class. However, the total number of accidents (pedestrian and vehicle), for the requested roads for the years 2000 to 2005 are given in the tables below. The numbers have been further broken down by level of severity of the worst injury resulting from the accident, and have been broken down by class of road user to which the injuries apply.

Beaumont Hill (Le Beau Mont)

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
29	27 Slight Injury 2 Serious Injury	22 Vehicle occupant 5 two wheel motorised 2 two wheel pedal

La Route de Beaumont

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
5	4 Slight Injury 1 Serious	3 Vehicle occupant 1 two wheel pedal 1 two wheel motorised

Beaumont Hill junction with La Route de la Haule

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
4	4 Slight Injury	2 Vehicle occupant 0 two wheel motorised 1 two wheel pedal 1 pedestrian

Beaumont Hill junction with La Rue de Craslin

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
1	1 Slight Injury	0 Vehicle occupant 0 two wheel motorised 1 two wheel pedal 0 pedestrian

Beaumont Hill junction with L'Avenue de la Reine Elizabeth II

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant

8	7 Slight Injury	4 Vehicle occupant 0 two wheel motorised 4 two wheel pedal 0 pedestrian
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La Haule Hill (Le Mont au Roux)

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
4	3 Slight Injury 1 serious	4 Vehicle occupant

La Route de la Haule junction with le Mont au Roux

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
7	7 Slight Injury	3 Vehicle occupant 2 two wheel motorised 1 two wheel pedal 1 pedestrian

St Aubin's Hill (Le Mont Les Vaux)

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
10	8 Slight Injury 2 serious	7 Vehicle occupant 1 two wheel motorised 1 two wheel pedal 1 pedestrian

Beaumont to Bel Royal (La Route de la Haule)

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
13	13 Slight Injury	9 Vehicle occupant 4 two wheel motorised

Victoria Avenue

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
44	36 Slight Injury 8 serious injury	28 Vehicle occupant 7 two wheel motorised 31 two wheel pedal 6 pedestrian

Victoria Avenue junction with First Tower

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
5	4 Slight Injury 1 Serious	4 Vehicle occupant 1 pedestrian

Victoria Avenue junction with Rue de Galet

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
11	9 Slight Injury 1 serious 1 Fatal	7 Vehicle occupant 2 two wheel motorised 1 two wheel pedal 1 pedestrian

St Peter's Valley

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
37	34 Slight Injury 3 Serious	26 Vehicle occupant 3 two wheel motorised 3 two wheel pedal 5 pedestrian

Rue du Craslin

Bel Royal to Millbrook (La Route de St Aubin)

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
20	18 Slight Injury 2 Serious	8 Vehicle occupant 7 two wheel motorised 2 two wheel pedal 3 pedestrian

La Route de St Aubin junction with La Rue du Galet

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
6	6 Slight Injury	4 Vehicle occupant 2 two wheel motorised

La Route de St Aubin junction with Mont Felard

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant

4	3 slight 1 Serious Injury	2 vehicle occupant 1 two wheel motorised 1 pedestrian
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Rue de Haut

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
1	1 Slight Injury	1 pedal cycle

Le Mont Cambrai junction with La Rue de Haut

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
1	1 Slight Injury	1 Vehicle occupant

Rue de la Ville Emphrie

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
1	1 Slight Injury	1 vehicle occupant

Junction of La Grande Route de St Laurent and La Rue de la Ville Emphrie

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
1	1 Slight Injury	0 Vehicle occupant 0 two wheel motorised 1 two wheel pedal 0 pedestrian

Mont Felard

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
10	8 Slight Injury 2 Serious	7 Vehicle occupant 1 two wheel motorised 2 two wheel pedal

La Rue du Galet

Total number of accidents 2000 to 2005.	Class of Accident by Severity	Class of Accident by Vehicle Occupant
1	1 Slight Injury	1 Vehicle occupant

- (b) Table 1 below sets out the total number of injuries to road users (pedestrian and vehicle), in the Island, by year, since 2000. The injuries have been laid out by severity of the injury, namely slight, serious, and fatal. Table 2 lays out the same data but only for the group of roads listed in the Deputy's question. Graph 1 illustrates the data in table 1 and table 2 with trend lines added.

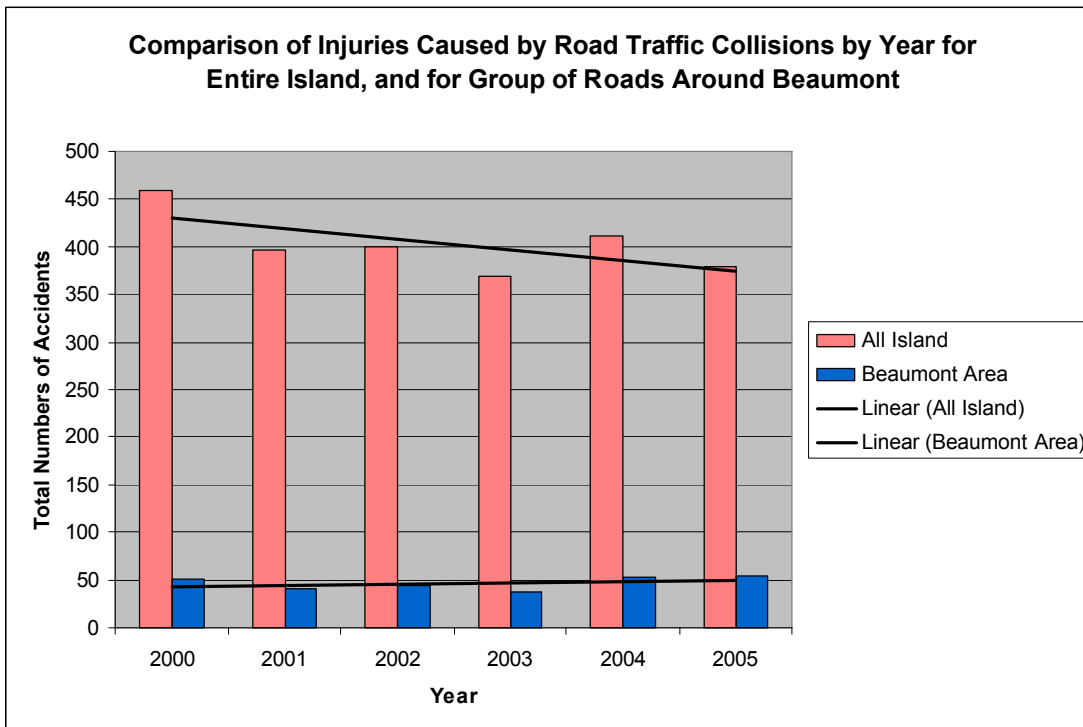
Table 1

	2000	2001	2002	2003	2004	2005
Slight	404	340	353	322	353	349
Serious	54	53	46	46	53	27
Fatal	1	3	0	1	5	3
Total	459	396	399	369	411	379

Table 2.

	2000	2001	2002	2003	2004	2005
Slight	47	33	39	37	46	51
Serious	4	6	5	1	7	3

Fatal	0	1	0	0	0	0
Total	51	40	44	38	53	54



Graph 1.

1.17. DEPUTY J.A.N. LE FONDRE OF ST. LAWRENCE OF THE MINISTER FOR HEALTH AND SOCIAL SERVICES REGARDING THE NUMBER OF ADMISSIONS TO ACCIDENT AND EMERGENCY AND THE REASONS FOR ADMISSION:

Question

Would the Minister indicate the number of admissions into Accident and Emergency for each of the years to date since 2000, and provide a breakdown of the reasons for admission, specifying, in particular, traffic injury, stabbings, firearm related incidents, alcohol related incidents, drug related incidents, other assaults, and the specific number of fatalities, if any, arising from such incidents?

Answer

While I am very pleased to disclose all of the information concerning Accident and Emergency admissions from the year 2000, the Deputy needs to be mindful that his ‘breakdown of the reasons for admission’ – for example, ‘stabbings’ and ‘firearm related incidents’ – are definitions used within the criminal justice system. Definitions used in health and social care relate to primary clinical diagnosis. Of course, it may well be that in taking the clinical history of the individual patient the Accident and Emergency Department may gather information which may shed light on

any criminal causality. However, this may not always be the case and therefore it is safe to assume that the data given below understates criminal causality.

Having said this, the information requested by the Deputy is set out in the following table with the following explanatory notes.

	2000	2001	2002	2003	2004	2005	Jan-Oct 2006
Total Episodes	39040	39315	38378	38472	39080	39959	28803
Total Deaths (All Reasons)	48	38	35	48	42	41	52
RTA	626	606	645	634	947	781	708
Assaults	529	411	376	307	302	519	300
Alcohol Related Episodes	157	113	102	179	233	230	208
Overdose	266	247	227	263	300	239	218

Explanatory notes:

- **Total episodes.** This is the equivalent of total admissions into the Accident and Emergency Department by specified year and covers anything from a minor sprain of the ankle to major trauma and includes the activity associated with the other complaints mentioned in the table (e.g. assaults etc) ;
- **Total Deaths.** This is the total number of fatalities that occurred in the Accident and Emergency Department by specified year;
- **Road Traffic Accidents (RTA).** This is the total number of road traffic accident admissions into the Accident and Emergency Department by specified year;
- **Assaults.** The figures under this heading by specified year include all assaults and therefore do not distinguish between the different methods of assault mentioned in the question;
- **Alcohol Related Episodes.** The figures under this heading by specified year cover the treatment of patients where alcohol intoxication was the primary (i.e. main) presenting complaint. Other patients seen by the Accident and Emergency Department have been under the influence of alcohol but this was secondary to their main presenting complaint and are therefore excluded from the these figures;
- **Overdose.** The figures under this heading by specified year cover the treatment of patients where an overdose of drugs of any sort was the primary presenting complaint.

If the Deputy wishes to obtain further information – or indeed to receive a detailed briefing as to the health implications of criminal activities in Jersey – then I will be pleased to help the Deputy access this.

1.18 DEPUTY R.G. LE HÉRISSIER OF ST. SAVIOUR OF THE MINISTER FOR PLANNING AND ENVIRONMENT REGARDING THE IDENTIFICATION OF SITES FOR SHELTERED HOUSING:

Question

Would the Minister outline what progress, if any, has been made to date in identifying sites for the circa 400 sheltered homes which the Minister for Housing has identified as being urgently required?

Answer

As the States are aware, the Housing Minister has identified an immediate need for around 400 social retirement homes. He and I are working in partnership to respond to the need he has identified.

The Housing Minister and I believe that the Parishes have an important role to play in helping to identify and bring forward sites for Parish retirement schemes, and at our consultation meeting with the Connétables in September, we asked them to provide me with details of sites, which they consider to be economic and suitable, by the end of December.

Until the Parishes have submitted their lists of sites, I cannot be specific about progress. Once I have received the Connétables' submissions I will be in a position to analyse them from a planning point of view and go back to each Connétable for further discussions. I then propose to take a consolidated proposition to the States, with the full support of the Housing Minister and the respective Connétables, to rezone the best sites for social-rented retirement housing, and hopefully to make significant in-roads into the requirement for the 400 homes. I have indicated before that I will favour sites that do not impinge on green fields, in particular disused glasshouse sites, and will only bring forward green-field sites as a very last resort.

The imperative is to deliver affordable retirement houses that provide sustainable retirement communities in the Parishes. The objective is that these new retirement houses will be a long-term social and financial asset to the Parishes.

The required number of homes is likely to be more precisely defined in a document to be lodged in the very near future by the Housing Minister and is referred to in 'Planning for Homes 2006', which will be presented to the States on the same day.

1.19 SENATOR B.E. SHENTON OF THE CHIEF MINISTER REGARDING PROGRESS ON THE IMPLEMENTATION OF THE STRATEGIC PLAN:

Question

The Strategic Plan 2006 - 2011 incorporated approximately 70 actions that had a 2006 or early 2007 target deadline for completion. Would the Chief Minister inform members whether this target will be met in each case and, if not, give the reason for failure and a revised target for the action concerned?

Answer

The Council of Ministers has in place a process that reports 6-monthly on progress and status against all the initiatives in the Strategic Plan. These reports are timetabled to be produced at the end of June and the end of December each year and published shortly thereafter.

The first of these reports was produced in September (as the Strategic Plan was not approved by the States until late June) and is publicly available on the States website. This report indicates that there were very few significant delays at that time. The next report, showing the position as at the end of December, is scheduled to be produced during the first week of January.

To produce the information requested by Senator Shenton outside of this schedule and in so short a timescale would lead to significant duplication of effort and an unproductive use of officer time. The next report will be available for the first States sitting of 2007 on 16th January. This will include the information requested by Senator Shenton.

2. Oral Questions

2.1 Senator B.E. Shenton of the Minister for Economic Development regarding compulsory redundancies at Jersey Airport:

I assume this will be addressed to the Assistant Minister, as the Minister is not in the Chamber.

The Bailiff:

Yes. The Assistant Minister, thank you.

Senator B.E. Shenton:

Will the Minister confirm that there will be no compulsory redundancies at Jersey Airport as a result of the Future Directions Strategy?

Deputy A.J.H. Maclean of St. Helier (Assistant Minister for Economic Development):

I thank the Minister for his question as it enables me to reconfirm the statement set out in the Future Directions Strategy for Jersey Airport. I quote: "The airport will improve operational and commercial efficiency through restructuring the organisation with no detrimental effects upon staff, terms and conditions, and no compulsory redundancies." This is the stated fourth strategy in the published document. Thank you.

2.1.1 Deputy G.P. Southern:

In re-examining the terms under which staff are employed at the airport, does the Minister have in mind the possibility of attempting to negotiate a no-strike agreement?

Deputy A.J.H. Maclean:

That has not been considered at the present moment, no.

The Bailiff:

We come next to a question by Deputy Baudains of the Chief Minister. Deputy Baudains is *malade* so this matter will fall away. The next question is by Senator Shenton of the Chairman of the Privileges and Procedures Committee.

2.2 Senator B.E. Shenton of the Chairman of the Privileges and Procedures Committee regarding an examination of the circumstances of the debate on P.144/2006 - "Committee of Inquiry: mobile telecommunications":

The debate on P.144/2006 on 22nd November 2006 was described by one member as the worst debate he could remember during his 16 years in the States. Will the Committee agree to look into

the circumstances of the debate to ascertain whether criticisms made at the end of the debate were justified and whether lessons can be learned for the future?

Connétable D.F. Gray of St. Clement (Chairman of the Privileges and Procedures Committee):

Any proposition made by a Member that conforms to Standing Orders - and that is a matter for the Presiding Officer to decide - has to be debated. During the debate on P.144/2006, Deputy Duhamel asked, in accordance with Standing Order 79, that the matter be referred to a Scrutiny Panel. A debate on this proposition followed. It is mainly this debate that brought forward some criticism, although the significant time spent after the lunch adjournment debating whether or not to allow Deputy Ryan to withdraw the proposition was also, I understand, seen by some Members as a waste of time. I am aware that the Presiding Officer did try on a number of occasions to steer Members back to the subject of these debates, but the Chair found this a very difficult task. P.P.C. (Privileges and Procedures Committee) is quite prepared to place any issue brought forward by a Member on its agenda but finds the request made by Senator Shenton would be outside its remit. Its role in this instance would be limited to making sure that the formal procedures of the States worked properly. Once a proposition has been accepted, then the conduct of the debate is in the hands of the Presiding Officer. P.P.C. would nevertheless like to disassociate itself from any criticism made at the end of the debate of the way it had been handled by the Presiding Officer and state that it feels that in the circumstances he handled the debate well.

2.2.1 Senator B.E. Shenton:

I am going to get a lot of support here, am I not? I do not believe that there has ever been any circumstances where debates have been analysed, either independently or by P.P.C. Would P.P.C. have any objection to the debate being reported and passed to P.P.C. by myself, looking at the debate and how it went?

The Connétable of St. Clement:

I am not certain what the P.P.C. is supposed to be doing, analysing the debate. I do not quite understand what analysing the debate means, Sir.

The Bailiff:

I think the question was whether the P.P.C. had any objection to Senator Shenton providing his own analysis of the debate and passing it to your Committee.

The Connétable of St. Clement:

None at all, Sir.

2.3 Deputy R.G. Le Hérisier of St. Saviour of the Minister for Social Security regarding the recovery of residential or nursing care costs from the sale of a resident's home or estate:

Would the Minister identify whether any moves are imminent to discontinue the practice whereby the costs of residential or nursing care are, in certain circumstances, recovered from the proceeds of the sale of a resident's home or from that resident's estate?

Senator P.F. Routier (The Minister for Social Security):

The responsibility for the allocation of funds, management and administration of residential and nursing care currently resides predominantly with the Parishes and Health and Social Services. However, with the introduction of income support next year, the responsibility for funding residential care for those in need will transfer to the Social Security Department. But responsibility

for nursing care costs will not transfer during this first phase of the implementation of income support. However, my department and Health and Social Services are working closely to consider this as an option for the future. Removing the burden for residential care for those with significant assets, including a house, but with low incomes in the Income Support Scheme, is not catered for in the funds currently available. I remind Members that RC.49/2004 - the policy review of the social insurance system in Jersey, recognises that meeting health needs of the older population should include a consideration of long-term care costs and should be developed within an integrated health framework. This is why my department is working with Health and Social Services through the New Directions initiative - the next phase of the developing of the security insurance scheme - which, starting next year, will consider and bring forward options for addressing the funding of long-term health care. If the public consultation supports an increase in contributions as an insurance to cover the costs of residential and nursing care, this will obviously remove the need to recover the costs through the sale of someone's home.

2.3.1 Deputy R.G. Le Hérissier:

Firstly, Sir, would the Minister identify why nursing care is not in the near future going to be covered, given that it is by far the higher cost and one that is in severe danger of almost bankrupting individuals? Secondly, Sir, would he not acknowledge we have had report after report over the years and the result has been no action when we, for example, look at our sister Island, which has already in place - and has had for several years - a proper system of residential care insurance?

Senator P.F. Routier:

With regard to the nursing care, as opposed to the residential care, certainly residential care will be the responsibility of income support. The costs of nursing care: we are working with Health and Social Services to identify an appropriate time for that to be funded from elsewhere. But that will have to come through the investigation of a social security insurance scheme. But with regard to the suggestion there has been report after report, I think there have been anecdotal comments made but there has never been a report made which has suggested that an insurance scheme should definitely be put in place. That is the piece of work that will be undertaken during next year.

2.3.2 Deputy J.A. Martin:

I would have liked the Minister to answer Deputy Le Hérissier's question with a "no" because if anyone has studied the Low Income Support Law, if anyone moves their assets or gives them to someone else, there is a part in the law that even with property, Sir - and I think the Minister can confirm this and it is not going to come out until the Regs - it gives in the Law it will be following the U.K. line that if you have not moved your assets up to 7 years, and that asset being your property, that asset is then still classed as your own and it will be used to fund your nursing or residential care. It has not been sorted and it is in the low income support.

The Bailiff:

You must come to the question, please.

Deputy J.A. Martin:

Will the Minister just agree that the answer to the question should have been "no" and there are no terms in the low income support to make this any different? Thank you, Sir.

Senator P.F. Routier:

As I said in the initial answer to the question, there are certainly no funds to enable us to achieve that, and that is the crux of the matter. We do not have sufficient funds within the income support budget to enable us to make that commitment. Certainly the desire is there to do it but the funds just do not permit that to happen at the current time. That is why it is important that during next

year we do bring forward a system, in conjunction with Health and Social Services, which will ensure that people are protected in the way that I think everybody wants to do.

2.3.3 Deputy S. Pitman of St. Helier:

Would the Minister advise the House as to why, in an affluent society as Jersey, the level of savings an individual is able to retain untouched, should his or her spouse go into care, is little more than half that permitted in the U.K?

Senator P.F. Routier:

The rates which we are working on with regard to the new income support system have not been finalised yet. We are certainly in the process of working on that but we have just been finalising the responses from the consultation process, which will be shared with Members in the very near future. With regard to the amounts that will be allowed as assets, that will be a decision for the States and that decision will be made in the spring.

2.3.4 Deputy J.B. Fox of St. Helier:

I wonder if the Minister would just clarify, he talks about discussions with his Ministerial colleague at Health and Social Services. Can you give me an indication of a time scale in date as to when such a proposition could come back to this House, as opposed to something that go on to the future, because I think it is very important, this subject?

Senator P.F. Routier:

Certainly, if Members will recall, in the States' business plan there is a requirement for myself taking the lead, but to work with Health and Social Services, to come forward with a proposition by the end of next year.

2.3.5 Deputy G.P. Southern:

Will the Minister state whether there is funding or whether he will seek funding to enable a decent level of savings to be kept by those who have saved throughout their lifetimes in order to protect themselves?

Senator P.F. Routier:

As I said earlier, Sir, we know that the income support system has a defined budget and the amount that is to be agreed by this House, and this House only, will hopefully set a better level which is an appropriate level.

2.3.6 Deputy R.G. Le Hérissier:

Would the Minister not acknowledge that Members are now very confused? Is he going ahead with adding the residential nursing care component to the low income support system or is he going to put all his energy and that of his Ministerial colleague into developing an insurance system? Because, as he knows, the current system is shot with anomalies, inequalities, unfairness, and, almost - but not quite - arbitrary decisions as to whether people do or do not have to put all their savings towards residential and nursing care.

Senator P.F. Routier:

I want to make it very clear it is the undertaking which we have given to this House in the States' business plan that we will be working on a resolution to this knotty issue. It is something that certainly our Ministerial colleagues are not comfortable with and are as keen as any Member in this House to ensure that we do find a way forward, and that is what we will be doing with... including nursing care, to come forward with the solution that we have. Nursing care at the present time cannot be afforded within income support budget. But we have to find a way forward to ensure that in the future people do not face this difficult problem.

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

Could the Minister confirm that the Social Security Department will be taking on the administration of residential care next May when the low income support system comes into place?

Senator P.F. Routier:

The funding of residential care is already coming out of the Social Security budget. That has already happened. With regards to what happens in June of next year, it will be that we will be administering all the applications for support for nursing care, where this is currently carried out by the Parishes. But, certainly, in June of next year we will be taking on that responsibility.

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

I have been asked by a number of residents to clarify this point on a couple of occasions and never really found the opportune moment. But perhaps I could squeeze it into this part of the morning and ask the Minister whether or not he is going to be considering with his department the implications for those individuals from Jersey who have saved all of their lives and purchased their own home, finding themselves in retirement with a decreasing amount of money available to them, having that home measured against their ability to be supported on a means test basis. Does the Minister not agree that individuals who have saved all of their lives and have not been a burden upon society should not be, in these instances, negated from any means test, especially in regards to their own property, in regards to the fact that that property has been set aside for them in their old age as a pension, in some cases? Is it not a case that this type of means test for those individuals is wrong and should it not be addressed?

Senator P.F. Routier:

I can confirm that with regard to income support itself, as opposed to supporting people in residential care, the main home of anyone - a pensioner - will not be considered in part of the assessment or income support. That is very clear and we are settled on that.

2.3.9 Deputy P.V.F. Le Claire:

May I interject? May I ask? That is a very reassuring statement from the Minister, Sir. May I also ask the Minister further if any of their possessions within their home will be means tested, because at the moment that is a concern?

Senator P.F. Routier:

With regard to possessions, there has to be a judgment made, certainly, that the ordinary run-of-the-mill possessions would not be considered to be part of the assessment. If somebody had a Picasso hanging on the wall, well, perhaps that might be a different matter. But certainly an average house and an average contents would not be considered to be a part of the assessment.

The Bailiff:

Two more supplementaries. Deputy Southern.

2.3.10 Deputy G.P. Southern:

Would the Minister not accept that far from being a new start, income support looks likely to carry over many of the worst aspects of our current welfare system into the new system of which this is just one?

Senator P.F. Routier:

No, Sir. I think it is a new start and we are going to start afresh and I think, from the evidence we have had from all the consultation process, a lot of people are looking forward to it because it will be a lot better.

2.3.11 Deputy J.A. Martin:

Just squeeze in 2. How many people responded to the consultation and - myself, as the Chairman of the Panel looking into low income support, having sighted already the new claim form which covers everything, if the Minister is assuring, Sir, people out there that assets will not be taken into account - why is there a section on the form that asks that any asset worth over £1,000 is itemised on the form? Can the Minister tell me why or are they just nosy?

Senator P.F. Routier:

With regard to the consultation process, it has been quite a wide-ranging consultation. We have had various focus group meetings where we have had quite a number of people attend. We had the last one only the end of last week. I have run a couple of special ones as well for people who were not able to make the timed events. The written responses have been coming in. I think from memory there are around 45 written responses, mixtures of individuals and organisations. Those are all being collated at the present time, so we will obviously be sharing it with Members and the Scrutiny Panel as soon as we possibly can. The second part of your question, sorry?

Deputy J.A. Martin:

You are reassuring people that assets, unless they are Picassos... but you have a section on the new form that asks for any assets over £1,000 to be itemised. Can you explain this then, please?

Senator P.F. Routier:

Yes, certainly, Sir. We have to be aware of people's assets and it gives an opportunity for people to declare what they have. The assurance that we are able to give is that a person's house will not be taken into consideration for that assessment. As it is a means-tested benefit, we just need to be aware of what their assets are.

2.4 Deputy A. Breckon of St. Saviour of the Minister for Planning and Environment regarding compensation paid in 2006 in respect of rescindments of planning permits:

Would the Minister inform the Assembly whether any compensation has been paid in 2006 in respect of rescindments of planning permits and, if so, would he give full details?

Senator F.E. Cohen (The Minister for Planning and Environment):

There has been no compensation paid in 2006 in respect of the revocation or modification of any permissions. For further information, I can inform the House that the Trinity infill site is still at a pre-negotiation stage. Furthermore, I have revoked only one permit in 2006. This was effectively a modification and was relatively minor issue and it is hoped that a negotiated settlement can be reached.

2.4.1 Deputy P.V.F. Le Claire:

I did not quite catch what he said about the Trinity infill site. Could he expand upon what is happening there, please?

Senator F.E. Cohen:

I think it would be inappropriate to expand. I will repeat what I said. The Trinity infill site is still at a pre-negotiation stage.

Deputy P.V.F. Le Claire:

What is a pre-negotiation stage?

Senator F.E. Cohen:

It is a pre-negotiation stage, which means that our lawyers and the claimant's lawyers are in discussion trying to clarify a number of issues prior to negotiation.

2.4.2 Deputy A. Breckon:

I wonder if the Minister could tell the House, then, what he has done with the £700,000 that was granted to the Minister in March this year?

Senator F.E. Cohen:

I can confirm that I have not spent it. It is held in an account, as I understand it, pending negotiations. But, as I have said, we are still at a pre-negotiation stage.

2.5 Deputy G.P. Southern of the Minister for Social Security regarding indexing of Family Allowance benefit:

Will the Minister explain to Members why, over the period 2001 to 2005 when R.P.I. increased by some 17 per cent, the amount paid in family allowance remained constant and the number of beneficiaries reduced by 21 per cent? Will he also explain why the decline point and the datum income since 1991 on the capacity for family allowance has not been fully indexed to alleviate child poverty?

Senator P.F. Routier (The Minister for Social Security):

The number of family allowance claimants in the system has indeed decreased over the years for a variety of reasons but chiefly due to a different and more up-to-date approach of managing the records of families with incomes over the family allowance limit. Family allowance claimants were kept as a live record for years after they were not claiming. They were taken off the system gradually over several years prior to the moving to a new computer system. To help the Deputy and Members, I can advise that in the year 2000 the average weekly payment to a family allowance claimant was £63 per week and in this year it is £93 per week. This represents a 49 per cent increase in the average weekly rates. However, the overall budget has remained fairly static, as the numbers of children have decreased and earnings have grown faster than inflation. The decline point and the datum income have never been indexed. The income parameters in the family allowance system would not necessarily impact on child poverty but do have a bearing on disincentives within the family allowance system and the welfare system. Increasing the figures periodically, while - more importantly - always increasing family allowance rates, as Members overwhelmingly agreed to at the last sitting, has targeted more financial support to the neediest families in the Island.

2.5.1 Deputy G.P. Southern:

That answer, I believe, is incredible. The Minister says he is targeting more family allowance to the most needy families. What he is doing is reducing the amount of family allowance that is payable to those who are in poverty. If a person was on a minimum wage, they will receive £45 a week less than they would have, had the income point been indexed properly. He is reducing the amount of money paid from £6.1 million in 1998 to £5.1 million today and reducing numbers from 2,300 to almost half - if I can find it - 1,293 today. Is it not the case that he is allowing family allowance to atrophy and erode and it is worth less today than it was 15 years ago?

Senator P.F. Routier:

No, Sir. The Deputy, I am afraid, has got a misguided question and a misguided press statement, which was totally inflammatory and absolutely disgraceful. The amount of money that is being paid to families on family allowance has increased dramatically over the years. People's amount of money that they have been earning... some people have moved out of the income bracket for family allowance because their earnings have extended above inflation and also the number of children has reduced, year on year, since the figures the Deputy is quoting. The States have agreed

that the family allowance will be replaced with income support and there will be components in there for children and for child care. The amount of money which has been used for supporting children over the years has also increased because we have included an additional benefit during that period, which is child care allowance. I think the Deputy's question is totally misguided and I am afraid I am really disappointed in the attitude the Deputy had taken.

2.5.2 Deputy G.P. Southern:

Does the Minister not accept that to maintain its value over the past 15 years since 1991 when it stood at around £6 million, it would have to be increased to maintain its value this year according to inflation by some £3 million? Is he going to make sure that restoring the level of this benefit goes into income support and is he going to find that £3 million to make sure that it does maintain its value?

Senator P.F. Routier:

The Deputy really does seem to be missing the point with regard to how the numbers of beneficiaries have reduced and the way the budget has reduced as well because there are less children than there were a number of years ago. I can assure the Deputy that when Income Support comes into place we will be making particular note of the needs of families and children. There will be a childcare component, there will be a children's component, and we will be ensuring that the benefit is appropriate. It will be this House that sets the rates. It is not the Minister by himself, the rates will come to this House, and I am sure the Deputy and the Scrutiny Panel - who will be involved in helping us develop the rates - will ensure that sufficient funds are given towards children and all families.

2.5.3 Deputy J.A. Martin:

I am pleased to hear that the Minister keeps telling us that the low income support will set the funds; children, low income families will be okay. The House cannot set the funds, the budget is already set. Will the Minister agree the overall amount for low income support is not to be moved, and therefore there will be winners and losers, and he cannot say that all the children will be protected. Especially if he keeps the £6,000 as a low income family, which is where the starting point of family allowance is now; and if you are on a minimum wage of earning £10,000 you come in half way down and that is where you get your benefit? The Minister keeps assuring the House that the low income support will cover everything; can he confirm the budget is already set and that is what we are working to?

Senator P.F. Routier:

Yes, I can confirm that the budget is already set, and I think everybody is very aware that what is happening with income support is there is a redistribution of the budget. There will be people who will not be allocated at a similar level to where they currently are, and I can tell you the whole focus of this income support system is to support families far better than we have ever done before with all our combination of benefits. I think Members will recall also that the Treasury have allocated another £20 million to protect those people who will not be assessed as being at a level that they currently are. So, they will be protected and we will from day one of Income Support coming into place be able to direct more financial support to the people at the lower ends of the spectrum, who in particular are families with children.

2.5.4 Deputy G.P. Southern:

The Minister is fully aware that that £20 million is just for transition to make sure that everybody does not lose everything straight away, but only over a 5-year period. Does he not accept that by refusing to move the decline point from 1991, when it stood at £6,000... earn over £6,000 you start to lose your family allowance. By refusing to change that decline point, except marginally to

£6,950 nowadays, he has reduced the number of children who can receive maximum benefit? That is the automatic conclusion he must reach surely from studying the figures.

Senator P.F. Routier:

The transition money, Sir, is to protect people who would be assessed at a lower amount in the new system. What will happen is that the people who will be allocated the additional money, which is being created through the transition, will be those at the lower end of the income bracket and they will benefit. There is no getting away from it; that is just what will happen. With regard to refusing to change the decline point, there is a mechanism which ensures that we have to make sure that we direct the majority of our support to people in the lowest bracket, and that is what we have done for years. Family allowance is going to not be in existence next year and the principle that has been worked on for a number of years by the previous Committees - and myself in recent times - is to ensure that the available budget is directed to those who are most in need, and we would continue to do that in the future.

2.6 Deputy R.G. Le Hérisier of the Minister for Health and Social Services regarding insurance to cover the costs of residential and nursing care:

Would the Minister confirm whether or not he supports the principle of insurance to help cover the costs of residential and nursing care, and, if so, inform the House when he proposes to bring forward proposals to introduce such insurance?

Senator S. Syvret (The Minister for Health and Social Services):

Yes, I fully support the principle of mandatory social insurance scheme to cover the cost of residential nursing home and community primary care. The “in principle” decision to introduce such a scheme will come to the States as part of the new directions health and social care strategy. It is hoped to publish these proposals in green paper form at the end of this year. Subject to consultation and scrutiny a proposition will be brought to the States for debate early next year. Assuming the Assembly supports the proposals, the Employment and Social Security Department will then develop the necessary legislation.

2.6.1 Deputy R.G. Le Hérisier:

Thank you, Sir, that is indeed good news. Can I therefore infer from thereon, Sir, and referring to the Minister of Employment and Social Security earlier on, Sir, that we are firmly going ahead now and we will simply be faced next year with transitional arrangements? Firstly, Sir, are we firmly going ahead with the full approval or full involvement of Employment and Social Security? Secondly, Sir, could the Minister tell us what steps he intends to take to deal in the interim with some of the incredible anomalies which presently exist within the system?

Senator S. Syvret:

To take the last system first, as the previous question on this covered somewhat exhaustively, there are anomalies in the present system; the present system is inadequate, but I have to say the prospects in all practicality of doing anything about the present system for the next year or so are remote to say the least. The Assembly simply does not have the additional money needed to put towards these things at the moment. Yes, we are definitely moving towards proposals for the social insurance scheme that will cover the cost of continuing care. As I said, it will be published as part of the health strategy at the end of this year. It will then be subject to public consultation, subject to the scrutiny process, subject to the vagaries of public opinion, subject ultimately to a debate in this Assembly. So, all I can say is I am committed to bring forward such proposals, whether they will be introduced definitely or not is dependent on all the political factors.

2.6.2 Deputy J.A. Martin:

It is good to hear that they will be coming forward under the New Directions. Could I just ask the Minister, as New Directions is going to be a very, very large piece of work is there not a possibility that you could bring the insurance strategy as a stand-alone proposition, because to my knowledge, Sir, when I was on the Health Committee, this must have been worked on for at least 4 to 5 years, and this is where the frustration is coming. Could the Minister not consider this please, Sir?

Senator S. Syvret:

Sir, the actual New Directions strategy is very near to completion, and will in fact be published for discussion at the end of this year. So, the actual decisions that will flow from that strategy, if it is approved by the States, will be multi-faceted. A range of new pieces of legislation will need to be introduced - restructuring and remodelling of health and social care - so there will be a staggered process of introducing the changes, assuming the strategy gets approval of the States. Clearly, moving forward with the social insurance scheme would be one of those priority components of the strategy, which we would wish to move forward on quite quickly.

2.6.3 Deputy R.G. Le Hérisier:

To clarify the situation in the interim, could the Minister inform us what number of people investigated by the States end up in nursing care with full support, as currently defined, and what number have to provide for their own care financially?

Senator S. Syvret:

I would need notice of that question.

The Bailiff:

Very well, we come now to the final oral question by Deputy Southern of the Chief Minister.

2.7 Deputy G.P. Southern of the Chief Minister regarding preparations for possible industrial action:

What preparations has the Chief Minister made to deal with the consequences of the below-inflation pay offer now subject to a ballot for action by both the manual workers and the teaching unions?

Senator F.H. Walker (The Chief Minister):

First I should say that the pay offers made to the manual workers and teachers are not below inflation. The offer of 2.4 per cent from 1 June 2006 is equal to the R.P.I. (Retail Price Index) as at the end of March 2006. This is not only the R.P.I. figure immediately preceding the anniversary date of the pay awards, but is also the R.P.I. figure traditionally used by both the employer and unions concerned in pay negotiations in the public sector. Sometimes the figure later works in favour of the employer, sometimes it works in favour of the employee, but it is always accepted as the base figure for public negotiations. Second, while it is true that the T.G.W.U. (Transport and General Workers Union) is proposing to ballot its membership on whether or not to take industrial action in support of their pay claim, this is not the case with the Teachers' Union. There is a contingency plan for responding to industrial action held within my department, and individual departments are required to have their own plans for maintaining their services as best they can during any industrial action.

2.7.1 Deputy G.P. Southern:

Does the Chief Minister accept that the 3.4 per cent claim made by teachers has been arrived at because of previous years 2.5 per cent award when the inflation rate was 3.7 per cent, and 3.5 per cent when the inflation rate was 4.5 per cent, and it is a catch-up process? The contingency I was looking for was some reserve so that the Minister can go in and negotiate to come to a solution and have nothing in reserve to negotiate with, thereby causing confrontation?

Senator F.H. Walker:

The negotiators are working to the overall budgetary limit set by this House in the business plan. I am certainly not going to respond to the Deputy's points about how the teachers' pay claim has been arrived at, because the last thing I will do is enter into any form of discussion or negotiation in public. So, I also think the Deputy needs to be slightly careful here, because my understanding is that his wife is a teacher.

2.7.2 Deputy G.P. Southern:

I think that is a rather shameful implication, Sir, but nevertheless I shall continue because I believe I am doing my duty in examining this particular aspect. I will repeat my question, Sir, in a different form. Is the Minister prepared to release any of the £32 million in the contingency fund in order to fund a proper negotiation with workers on this Island?

Senator F.H. Walker:

No, Sir.

2.7.3 Deputy S. Pitman:

In line with the last question, it is well known, or at least well publicised, that the propaganda unit - sorry, the Communications Unit - shows that how committed the Council of Ministers apparently is to the process of consultation and negotiation. In light of the up and coming ballot and unrealistic pay offer which led to it, does the Chief Minister agree this situation might have been avoided if we had an Employment Board not consisting only of right wing Ministers with little understanding or care for difficulties faced by ordinary manual workers? Indeed, could he clarify for the House why it is that no Back-Bencher may sit on the Board?

Senator F.H. Walker:

The board was established with the approval of the State. The Deputy referred to... I think she said poor manual workers, or something to that effect. I think it is relevant for the House to know, and for the House to hear the differences in pay and conditions between manual workers in States' employment and those in the private sector because they are enormous. Basic pay for manual workers ranges from £338.50 to £552.51 for a 38-hour working week. They have annual leave of 22 days rising to 28 days plus all public holidays; membership of a pension scheme where the employee pays a maximum of 6.25 per cent of pensionable pay, while the employer pays 15.6 per cent, additional payments for those who work shifts of 15 or 20 per cent on top of basic pay; paid sickness entitlement of 12 weeks at full pay, followed by 12 weeks at half pay; overtime rates of time and a half and double time; and not least excellent job security. No States' employed manual workers have been made compulsorily redundant in at least 30 years. And, Sir, if one looks at the comparison, the lowest grade manual worker is earning 30 per cent more than their colleagues in the private sector in Jersey; 48 per cent more than their colleagues in the U.K. It is at the higher end that the manual worker grades - indeed the higher end of public sector pay scales generally - where the differentials with the private sector fall away, and indeed come out at slightly less. But at the lowest grades States' employees are very well paid and enjoy unique terms and conditions of service within Jersey.

Deputy S. Pitman:

Sir, he has not answered my last question. Could he answer why no Back-Benchers are allowed to sit on the Employment Board?

Senator F.H. Walker:

Sir, it was a States' decision. I am quite happy to consider that position, but to suggest that the States' Employment Board is made up of right wing Ministers who, the inference being, are bearing down on the low paid manual workers, simply does not marry with the facts.

2.7.4 Deputy G.P. Southern:

The Chief Minister has been slightly misleading with his figures. Does he not accept that overall, in comparison with Jersey private sector, at the highest grades there is an 11.5 per cent gap to the detriment of States' workers, and that on average the betterment for States' workers in a mere 3 per cent on average overall, and those are the accurate figures given out by his own department?

Senator F.H. Walker:

Yes, Sir, I accept that, and I said that it is at the higher echelons of pay structures in the States where States' pay falls below that in the private sector. But the question I was asked was about manual workers and I repeat the point that manual workers at the lowest grade - which are those that I assume the Deputy and his colleagues would wish to protect - are on top of all the terms and conditions I have read out, paid an average of 30 per cent more than their colleagues in the private sector in Jersey.

The Bailiff:

Final supplementary, Deputy Martin.

2.7.5 Deputy J.A. Martin:

I thank the Chief Minister for reading out those figures. He did say, and it does seem that some of the States' workers have - I would not say a good deal - I would say a deal that is fair and just for any manual worker, who some, Sir, carry out some very unpleasant jobs and also some very needy jobs in the hospital and in the education service. So, my question is, in his statement, Sir, the Minister then went on to say: "There has been no forced redundancies", but would the Minister not acknowledge that the manual workers has at least halved in the last 10 years because when people are leaving they are not replaced. They are then forced into the private sector, which are not paying and not giving the same benefits as paid holidays, and then these people then fall back on to benefits, welfare, and then into low income. That is exactly what is happening, Sir, and the Minister must admit there are a lot less manual workers now in States' employment than there were even 5, and especially 10 years ago.

Senator F.H. Walker:

The manual workers pay structure you could easily describe as fair and just, and I would not want it any other way. It is interesting that the manual workers' representatives themselves describe their terms and conditions of service as "excellent", that is them talking, not me. I have absolute respect for the work that the manual workers do for various departments of the States. They do do some very difficult jobs indeed, and it is right that they are adequately and certainly - to use the Deputy's wording - fairly and justly rewarded. They are, as in the figures I read out. But there is a limit to how much further the States can afford to improve their pay levels and their terms and conditions of service, particularly when we are working under a States' imposed overall spending limit. Taking up the final point about the reduction in numbers of manual workers, there has been a reduction in numbers but then no one has been forced out of work; no one. So, if the numbers have gone down it is because vacancies when people have retired or left have not been filled, entirely in accord with the States wishes to reduce public expenditure by up to £20 million a year. Now, if we are going to achieve that target then a reduction in manpower is inevitable. I think though it reflects extremely well on the States when I repeat the figure; no manual worker has been made compulsorily redundant for over 30 years. How many other employers can match that record?

The Bailiff:

Now we come to questions without notice, and the first question period is of the Minister for Education Sport and Culture.

3. Questions to Ministers without notice - Minister for Education Sport and Culture

3.1 Deputy S. Pitman:

Given that the Social Affairs Panel received the Youth Service Strategic Plan on 27 November, not in September as expected, in the holiday period, it allows the Panel to undertake a full scale review of a 5 year strategy only in 2 to 3 weeks. Sir, if we are to accept at face value that the delay on the Minister for Education Sport and Culture's part in delivering the Youth Service Strategic Plan to the Panel was not intentional then I am sure he will agree that it is only right that the Panel is granted an extra 3 months to undertake its review; the 3 months that was lost from when we originally expected the plan?

Senator M.E. Vibert (The Minister for Education Sport and Culture):

With pleasure, Sir.

Deputy S. Pitman:

Can I just say thank you to the Minister for his co-operation.

3.2 Deputy S. Power of St. Brelade:

The Minister will be aware of the excellent standards of teaching that has occurred at Les Quennevais School given the resources it has, and the Minister will be aware that the resources at the school - and indeed secondary schooling in the west of the Island - is not in keeping now with some of the newer schools, such as Haute Vallee and Le Rocquier. What plans does the Minister have, long term or otherwise, to put Les Quennevais on a par with the secondary schools in the St. Helier, St. Saviour and St. Clement catchment areas?

Senator M.E. Vibert:

Yes, I totally agree with the Deputy about the quality of the education in all our secondary schools, including Les Quennevais. We have long-term plans which roll-out over 30-odd years for the improvements in our schools and, after the other 11 to 16 schools are now just about finished, Les Quennevais will be the one we have got plans for. We carried out some work a few years ago, but there is more work to be done to bring them up to the same excellent standards in terms of accommodation as our other schools, and I will be putting forth capital in the next capital programme round plans to improve Les Quennevais.

3.3 Deputy A.D. Lewis of St. John:

In some countries around the world local radio and television stations are obligated to play a small percentage of locally produced material, with particular reference to minority languages and music. Could the Minister advise if the Assistant Minister responsible for culture has progressed further the suggestions that some form of agreement with the local media should be reached in respect of giving air time to locally produced music in particular?

Senator M.E. Vibert:

I declare an interest in that I used to be an employee of the B.B.C. The B.B.C. is very particular about not being dictated to by any government, and I think the best way forward is to encourage the production of excellent local music, which all the local media will want to play, not be forced to play by some dictat. We are not in some communist state where we force the media to do as we say. What is important is we encourage them and we encourage the production of excellent local music. I think that is the way ahead, not trying to dictate to the local media.

The Deputy of St. John:

I agree, I am not suggesting we dictate it, but I just wanted to know whether the Minister has perused further the suggestion that may be some form of mutual agreement should be sought.

Senator M.E. Vibert:

We have a very good relationship with the local media. They will play things, and they do produce things that are done locally, and of course we have recently made improvements to our Sounds Workshop, which will enable our young people to have better facilities to produce local music.

3.4 Deputy J.A. Martin:

The Minister stated on 10th October that of the 1,038 students who left compulsory education at 16, there were 156 basically unaccounted for. He was not sure whether they had gone to work, they may be at home, but he was working closely with the Minister of Social Security, he even said, Sir, that some may have left the Island. He did assure the House he would keep tracking this number and he would let us know what has happened to these 156 children over the age of 16. Could he now inform the House if he has carried out his promise?

Senator M.E. Vibert:

I have asked this to be done, Sir. It has proven quite difficult. I have not had a report back on it yet, but I will wait for the report in the New Year.

3.5 Deputy P.V.F. Le Claire:

An interesting question from the Deputy of St. John, and a more interesting response from the Minister in relation to whether or not we are giving the opportunities to the people who do present well-produced music an opportunity for an audience. I wondered, while we would not want to dictate to the broadcasting companies what they play, has consideration been given to granting licences, as in the United Kingdom, whereby if, for example, a petition of 5,000 people is raised a local radio licence is granted to that individual group? Has thought been given to granting licences to alternative radio stations so that the overall majority of what is effectively a monopoly situation can be challenged?

Senator M.E. Vibert:

I think we are very fortunate having 2 local radio stations for an Island our size. If a petition of the sort was raised I would certainly look into it. It is the first time anyone has suggested to me that there should be, if you like, a community radio station, but I would certainly look at it and I would welcome Senator Le Claire's musical talents being displayed more fully on it.

3.6 Deputy G.P. Southern:

What measures does the Minister have in hand in order to meet the 3.4 per cent claim of the Jersey teachers and, if none, will he return to the House and seek the budget to meet this claim because they have fallen behind inflation over recent years; will he seek the budget from the budget next year?

Senator M.E. Vibert:

The Deputy appears to be living in the past. All employees are now employed centrally, not by individual Ministers and departments, and it is a matter for the States' Employment Board to negotiate pay claims with all groups.

3.7 Deputy S. Power:

My question is related to my first question on Les Quennevais School. The Minister will be aware that Les Quennevais School sits in a very confined site in a residential area, does the Minister or his department have a view that any long-term development potential for the school would be on the existing site or does he have another site in mind?

Senator M.E. Vibert:

No, Sir, I do not have another site in mind, and lots of parts of the Les Quennevais School are of excellent size and condition. We would like to improve it still further. We will be looking at that site and to see how we can make best use of it.

3.8 Deputy A. Breckon:

I wonder if the Minister knows whether there is any length of residence required to attend a course at Highlands College and, if there is, what it is?

Senator M.E. Vibert:

We are currently reviewing courses, and Highlands offers a whole range of courses from a whole range of students from the age of 14 through to... I think, the oldest I heard of recently was 88. It is difficult to give a blanket comment because many of the courses, depending on what they are, have different requirements. But as far as I am aware, certainly anyone of compulsory school age who is legally resident in the Island we will provide education for, as is our statutory duty. We always try to accommodate as many people as possible who are legitimately in the Island on any course we can, but because of the whole variety of courses offered at Highlands in different areas I cannot give a blanket assurance that none of the courses have any such restrictions.

3.9 The Deputy of St. John:

I am sorry to mention it again to the Minister, but I do not think I had an answer to my question posed. Would he consider discussing the issue that I raised earlier with the media to come to some kind of memorandum of understanding or agreement that locally produced excellent music and other such productions are given local air time. I am simply asking would he consider discussing that with the media and reaching some kind of agreement. It is not an attack on his department, it is simply a question which I think a lot of people in the Island are quite interested in.

Senator M.E. Vibert:

I will ask my Assistant Minister with responsibility for culture, the Deputy of Grouville, Sir, to take up the Deputy's suggestion.

3.10 Deputy S. Pitman:

Jersey schools are bound by strict staff-to-pupil ratios to ensure both safety of child and employee, and in order that quality assurance in obtaining value for taxpayers' money is delivered. Why is there absolutely no mention of this fundamental aspect of educational policy within the Youth Service Strategic Plan, and so would the Minister agree the current Education Sport and Culture policy of hanging this issue solely on youth workers' judgement is wholly at odds with modern employment health and safety guidelines?

Senator M.E. Vibert:

We currently have just out a draft Youth Service Strategic Plan, which I have just agreed the Social Affairs Scrutiny Panel can have 3 months to review, and I look forward to such suggestions where there may be lacunas in it so that we can take them on board if we feel they are merited. It is a strategic plan, of course, not a business plan or an annual plan and not everything of detail will be included in it.

3.11 Deputy S. Pitman:

Sir, could the Minister answer the question please? I think this is very important as schools have this policy in place, why do youth workers not have this policy in place? This has been the same for many years and there is absolutely no mention of it in the Strategic Plan. It is an important issue, Sir.

Senator M.E. Vibert:

As I said, I will take it up and I will look forward to the comments of the Social Affairs Scrutiny Panel. I know of the Deputy's great interest in youth work and I welcome any comments she has to make.

The Bailiff:

Deputy Mezbourian. Before you ask your question, Deputy, can I just alert Deputy Martin to the fact that the continuing red lights causes me to put Members' questions at the bottom of the list and so I will come to Deputy Martin but only if she looks at the Chair to catch the Chair's eye and does not flash her red light continuously.

Deputy J.A. Martin:

I am sorry, Sir, that is what I thought the red light was for, and I have now learnt my lesson and I will look at you, thank you.

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

The Minister, in his response to Deputy Breckon's question, referred to people being able to go to Highlands College if they were legitimately in the Island, and I wonder whether the Minister would be able to expand on that distinction please, Sir?

Senator M.E. Vibert:

Yes, I was referring to young people below statutory school leaving age of 16, and for a young person to be legitimately in the Island they have to either have their parents with them or an appointed guardian or close member of the family. If they are in the Island without such people they are not here legitimately for educational purposes.

3.13 Deputy J.A. Martin:

It is always a pleasure to look at you anyway, Sir. I was trying to get my figures and my question right. It is a follow-up to Deputy Hilton's question, again of 10 October of the Minister. Deputy Hilton stated there was 28 places on the construction courses and 80 youngsters applied. The Deputy asked the Minister, Sir, would he look into increasing the numbers, and his reply was: "Yes, Sir." Could he tell us where we are, because I think a lot of these unemployed youngsters are looking to go into constructions courses?

Senator M.E. Vibert:

Yes, Sir, in fact I had a meeting with representatives from Highlands yesterday on various matters, including the way forward for the college as a whole. One of the difficulties we have is the physical space for teaching construction and one of the plans we are looking at is increasing that physical space for teaching construction, because it is an area where you have to have the facilities to teach it. You cannot teach construction in a basic way in the classroom for the skills concerned, and we are looking to see how we can improve and increase the space so that we can increase where necessary the number of places on offer.

3.14 The Deputy of St. Martin:

Thank you, Sir. The Youth Service has developed a partnership agreement with 5 Parishes, what steps, if any, has the Minister taken to develop similar agreements with the other Parishes?

Senator M.E. Vibert:

Yes, I am very pleased that our previous youth strategy was so successful in developing these policies of partnerships with the Parishes, and I thank the Parishes involved. We are in discussion with at least 3, if not 4, other Parishes about developing their areas of youth service and we are getting good responses. I thank the Constables and the representatives of the Parishes concerned for being in negotiation with us and we are seeking, where possible, to provide increased youth facilities all over the Island in all of the Parishes. Of course we are constrained by resources as everyone else, but the Parishes are being very cooperative.

The Bailiff:

I am afraid that brings the first question period without notice to an end. The second question period is of the Chief Minister and I invite questions of the Chief Minister.

4. Questions to Ministers without notice - The Chief Minister

4.1 Deputy C.H Egré of St. Peter:

While appreciating that all media reporting may not always be accurate, would the Chief Minister confirm, as reported in the *Jersey Evening Post* last week, that in his absence, as he was ill, that the meeting he was due to chair was in fact chaired by the Chief Executive. If that is correct, would the Chief Minister agree that with the current sensitivity regarding the position of the Chief Executive it may have been better had that meeting been chaired by his political deputy or one of his other Ministers?

Senator F.H. Walker (The Chief Minister):

I am not sure what issues there are relating to the Chief Executive. To the best of my knowledge the Chief Executive is widely regarded as doing an excellent job. The fact was that I was unexpectedly not in the office, I was due to take the press conference, and the Chief Executive became aware of my inability to do so about three-quarters of an hour before it was due to start, and he took the decision - absolutely correctly, in my view, given the timescale - that it was more important that a press briefing went ahead than it did not, and I believe his decision was the right one.

4.2 Deputy S. Pitman:

Should the Bailiff preside over questions being asked of him when he is pre-warned of these questions, and when there is an official to take his place?

Senator F.H. Walker:

I did not understand the question, I am sorry. If the Deputy could speak up a bit I would be grateful.

4.3 Deputy S. Pitman:

A few weeks ago I asked questions concerning the Bailiff, and the Bailiff sat over the questions, and I would like to know your view as to whether or not the Bailiff should be presiding over those questions which he has been pre-warned about?

Senator F.H. Walker:

The Bailiff should be presiding over questions? I am sorry if I am being thick, but I just do not understand the point of your question.

4.4 Deputy S. Pitman:

I will say it slowly for the Chief Minister. Should the Bailiff preside over questions being asked about him when he has been pre-warned of these questions and when there is an official there to take his place?

The Bailiff:

I think the Deputy is referring to the questions relating to a speech that I gave in Liechtenstein.

Senator F.H. Walker:

Thank you for making that clear, Sir. We are referring to the time that you spoke at the Liechtenstein conference I assume, and therefore the Deputy's question is should you preside over questions that are being asked about your involvement in that conference? Right. Well, I am very pleased I have got the point, and thank you, Sir, for clarifying it. Sir, this is House procedures and I do not believe it is in any way inappropriate for you to preside at a time I am being asked questions,

not you, Sir, about the Bailiff's involvement in a conference. I have no problem with that issue whatsoever.

4.5 Deputy D.W. Mezbourian:

The Chief Minister will recall that he agreed to find out about the progress of the review into the likelihood of the States placing funds into ethical investments. Will the Chief Minister now please advise on that progress?

Senator F.H. Walker:

Yes, I am delighted to inform the Deputy that the review is effectively complete and a proposal will be coming to the States early in the New Year.

4.6 Deputy D.W. Mezbourian:

Will the Chief Minister please advise whether or not he would support such investments and the reasons for or against that support?

Senator F.H. Walker:

I would support ethical investment, but at the same time we have to recall that monies are being invested in the best interests of the people of Jersey overall and it is essential that the value of their investment is protected and increased wherever possible. So, as in so many things here I think we are dealing with a balance; we are dealing with a balance between good profitable investment on behalf of the people, and the moral wish that we would all wish to subscribe to for ethical investment. But I am hoping, Sir, that the Deputy will see that very clearly outlined and explained when the proposal comes to the House early in the New Year.

4.7 The Deputy of St. John:

I understand that at the recent Council of Ministers meeting, acting on the advice of the Attorney General, it was agreed that no further action should be taken with regard to reviewing the current Extradition Law. In the light of this, could I ask the Chief Minister would he consider the merits of perhaps writing formally to the British Government and making them aware of the extent of concern that has been expressed by Jersey's business community, particularly with reference to the UK's current extradition arrangements with the United States?

Senator F.H. Walker:

I am not quite sure about the level of concern, certainly I have received no contact on this matter whatsoever from the business community since the NatWest3 case was in the headlines. I have received no representations whatsoever from any lawyers or any other members of the business community, but nevertheless I think the Deputy's suggestion is one I would like to give further thought to.

4.8 Deputy G.P. Southern:

In answer to a written question tabled earlier today, the Chief Minister appears to have failed to answer my question of what the other issues are that make him loath to go to renegotiate protocol 3. His answer he says simply: "We should consider what the European Union might seek in exchange." Can he elaborate on what he believes the E.U. (European Union) might seek in exchange for renegotiating protocol 3?

Senator F.H. Walker:

Of course it is entirely possible that the E.U. might seek - now, that is not to say that Jersey would agree or that Jersey would do anything other than strongly resist - changes to our tax structures; they might seek to impose E.U. levels of harmonisation in V.A.T. or in other forms of taxation. Of course there could be many other things that might be on the agenda at any such negotiation, and I simply cannot believe that it is in anyway in Jersey's best interest, given the relatively minor nature

of the “Jersey issue”, i.e. the passport stamp. I simply cannot believe that it can ever be in Jersey’s best interest to enter into such a negotiation on such an issue knowing that the possible downsides of that negotiation are very much more serious to the people of Jersey than the current issue of a stamp in a passport.

4.9 Deputy J.A. Martin:

To the Chief Minister, in your absence I asked a question of the Assistant Chief Minister regarding the Corporate Management Board and who can obtain agendas and minutes. The House was given an assurance by the Assistant Chief Minister that he would look into this and that Scrutiny may have selective papers. The problem being, Sir, is we still do not know what is on the agenda, so how can we ask for the appropriate papers relevant to the Scrutiny Panels? Could the Chief Minister inform us how this progress is going, and even now, Sir, if he is allowed to see the minutes, because under the email I got from the Chief Executive Officer at the time it was he takes the minutes and he decides who they are distributed to, and I said at the time: “Is this not a piece of the tail wagging the dog?” Could the Minister please answer those few questions?

Senator F.H. Walker:

It is not a case of the tail wagging the dog. Of course it is not, because no binding decisions are taken at the Corporate Management Board. Decisions are taken politically, either by the Council of Ministers, by individual Ministers, or indeed by this House. Politicians are advised by officers, not least the Corporate Management Board, and that is the way it should be. No, I do not see the minutes of Corporate Management Board meetings and nor do I feel that I need to do so.

4.10 Deputy R.G. Le Hérissier:

Would the Minister not acknowledge that the presence of only 3 Ministers at an especially convened meeting for the Council of Ministers on the future of the dairy industry - Deputy de Faye, Senator Routier, and the one Minister who stayed for the whole meeting, Senator Cohen - was a very bad slight upon that industry. Admittedly the Chief Minister himself was ill; admittedly another Minister was suffering a personal issue. Would he not acknowledge, Sir, given the importance of that special meeting convened for both Scrutiny and the Council at which there was a full attendance by Scrutiny, it was a very unfortunate attendance and a very unfortunate sign of the apparent lack of confidence in that industry?

Senator F.H. Walker:

Sir, it is nothing of the kind. The Council of Ministers has given tremendous backing to the work being undertaken on the dairy industry at this point, which I am personally leading. There were 4 Ministers who could not be there for absolutely totally legitimate reasons, and others had pre-meetings from which they could not easily extricate themselves, so I do not accept the Deputy’s, as always, negative connotation. What I will say, Sir, is that if you ask the producers, who are the people who matter in this first of all, the consumers of course will have a very big part to play, but if you ask the producers are they getting support from the Council of Ministers, the answer will be an unqualified yes.

4.11 Deputy R.G. Le Hérissier:

Would the Chief Minister define the exact nature of the support ...

Senator F.H. Walker:

Yes, Sir, I would. The Deputy is aware that a report is being commissioned by a company called Promar, which has recently been published, although the final document will be published I think in 2 days time. We are working very closely with a sub panel of Scrutiny led by Deputy Breckon. I have personally met with the mass ranks of the producers on 2 occasions, and met with the board of the dairy on other occasions. The Minister for Treasury and Resources will be making a statement

shortly this morning which gives a very positive response to the request from the producers to make real progress here to give them a future which they can identify with and face with confidence.

4.12 Deputy S.C. Ferguson of St. Brelade:

Would the Chief Minister like to confirm that he is aware that today will be the annual soup kitchen in aid of the Shelter Trust for the Homeless and that he would encourage all members and the public who are listening to attend to assist this worthwhile charity?

Senator F.H. Walker:

Yes, wholeheartedly and warmly. I know that most Members attend in any event, and I very much hope that every Member of the House will make every effort to do so today. And, yes, to the public listening, the more people who attend this event the better because the cause is an excellent one and by coming down and sampling an excellent range of soup they can be showing in a very meaningful way their support for the less well-off and the underprivileged in the Island. So, I would counsel and request everyone possible to attend in the Royal Square throughout the lunch hour today.

4.13 Deputy G.P. Southern:

Will the Chief Minister explain to Members exactly how the new Ministerial decisions supplementary guidelines toughen up the act of Ministers making decisions, because it seems to me, having read them through, they seem to be normal practice?

Senator F.H. Walker:

Well, the Deputy has not read them closely enough. I am not going to go into the absolute detail now, but it is suffice to say that the new guidelines do toughen up the procedures and make the responsibility that Ministers and their Chief Officers have very clear indeed. Of course the objective is to ensure that all decisions are taken in a proper and correct fashion, and I believe that the new guidelines will achieve that very necessary objective.

4.14 Deputy P.V.F. Le Claire:

Would the Chief Minister update the Assembly as to what the implications will be in relation to the arrival of the E.U. working time directives on the States of Jersey, and if the Chief Minister is able to provide members in the future with a briefing paper in relation to how this will affect our community, because I understand it is going to be extremely onerous upon us. Also, as an aside, would the Chief Minister not also agree to analyse whether or not continuing to adopt E.U. measures is affordable when they continue to pressurise us on the financial front?

Senator F.H. Walker:

It will be a matter for this House whether we adopt the E.U. working time directive, and as non-members of the E.U. we are not obliged to do so, and that will remain the position. The second part of the Deputy's question, of course it is sensible for Jersey and the government of Jersey to maintain good relationships with member states in the E.U. and we have of course signed individual Jersey agreements with individual member states for the first time in our history, and I can report, as I have done before, that the reputation of Jersey and the standing of Jersey is higher among member states than it has ever been, and that can only be helpful to us when we enter into negotiations, which we are doing with member states under the guise of the O.E.C.D. (Organisation for Economic Co-operation and Development) in this context when we are negotiating economic benefits for Jersey, such as free market access, removal from any residual black lists and so on. Our standing and profile, and dare I use the word "personality", internationally puts us in very good stead in that respect and it is infinitely in our best interest to retain good relationships and seek to negotiate benefits for Jersey rather than basically seek to ignore the E.U. and say: "We are having nothing to do with you." That is not the way forward if we want to sustain Jersey's very prosperous economy.

The Bailiff:

That concludes the second question period without notice, and there are no matters under J. Under K, Statements on a Matter of Official Responsibility I have notice of a statement to be made by the Assistant Minister for Education Sport and Culture.

STATEMENTS ON A MATTER OF OFFICIAL RESPONSIBILITY**5.1 Deputy C.F. Labey of Grouville (Assistant Minister for Education Sport and Culture) regarding the formation of the Jersey Council for Culture:**

I have today presented to the States a report about the Jersey Council for Culture. Members will recall that on 20th September 2005 the States adopted the vision and detailed aims and objectives of the Cultural Strategy. The Assembly also approved the structure set out between the cultural organisations and Education Sport and Culture and it approved the creation of the Council for Culture as set out in the report. Both the Minister for Education Sport and Culture and I, as Assistant Minister with responsibility for culture, have been very aware of the different shades of opinion which exist as to the way in which a council might best assist in achieving the wide-ranging objectives of the Cultural Strategy. To take account of this, we elected to hold 2 public meetings earlier this year and invite written responses to elicit those views as clearly as possible. It is customary to thank those who have participated in an exercise of this kind, and I do so so very warmly. But I wish to emphasise that those thanks are not a matter of pure formality. This is an instance where views expressed in the process have strongly influenced the report which I present to the States today. This is, I believe, entirely proper. "Culture", as was noted when the Assembly debated the strategy last year, is a difficult word. It means different things to different people at different times. Confusingly, it sometimes means different things to the same people at different times. However, what one can say with some confidence is that the notion of cultural development is not something which Education Sport and Culture, or indeed the States as a whole, can impose on the Island. Members might wish, at leisure, to remind themselves of the broad sweep of the aims and objectives of the Cultural Strategy. They involve so many bodies; professional and voluntarily, that those aims can only be achieved as a result of co-operation between a number of different groups; the major cultural providers, members of the voluntary community, the individuals who make up the fabric of Jersey's cultural life and, indeed, other States' departments. Not least Economic Development, whose role involves the encouragement of event-led tourism, the creative industries and agriculture. Similarly, Environment and Planning, which is involved in developing policies to enhance the visual quality of our built environment. One must also recall the emphasis placed by the Cultural Strategy on the Parishes. The structure set out in the report is intended both to provide the flexibility and wide engagement of the community, and at the same time to provide a framework within which specific aims and objectives can be addressed and achieved. I shall not summarise the report in this short statement. I do however draw attention to the general shift away from the hierarchical structure involving a relatively small number of participants towards a combination of an open forum and smaller working groups set up for specific tasks. Education Sport and Culture attaches particular importance to the annual conference, which will draw together work done in these smaller groups and also afford the opportunity for the wider constituency of those involved in cultural activity to raise matters and to develop themes of interest and relevance to them. It seems in this way to be inclusive; to respect the obligations of the many existing organisations working in the cultural sector, and equally to value the contribution of the wider community. It is a curious but perhaps an inevitable characteristic of the cultural sector that its creativity and expressive freedom inspires many different and sometimes opposing views. They are often held with passion. I cannot claim that this report incorporates all the suggestions made in the consultation process, nor that it will ultimately satisfy all those who have contributed. It is, however, very strongly influenced by the process in which they have participated. I hope it will be broadly welcomed and that it will constitute a solid foundation for achieving the goals of the cultural strategy and its continuous development.

5.1.1 Deputy P.V.F. Le Claire:

May I congratulate the Assistant Minister and the Minister for bringing forward another piece of our strengthening of our culture. May I ask at the same time, because the paper has been tabled to us today, and I have tried to read it in between questions, but I have not managed to find what I am looking for, if maybe she could clarify as to what the constitution will be of the council, how it will be made up and if it is going to move away from a hierarchical system who will head the council, will it have political association or membership, and what kind of a budget will it have and where will that come from?

The Deputy of Grouville:

There are quite a few questions there. The framework of the proposed council is in the document I have presented to the States today, and it can be seen probably most clearly on page 6 in the form of a diagram. It is not going to have a hierarchical structure, as I said in my statement. It puts the emphasis on working in groups initially throughout the year, and all those groups can voluntarily come together in an annual conference where all their views will be taken on board and a framework for the coming year proposed. The budget at present for the council is £50,000 which it is hoped will drive some of the aims in the Cultural Strategy forward and the political involvement will be not direct but as politicians are E.S.C. we will seek advice from the different groups in the council.

5.1.2 Deputy P.V.F. Le Claire:

Could I just ask one last thing? Thank you very much, to the Assistant Minister, very helpful and obviously we will have time to study it, if it is going to be a voluntary association with groups coming forwards, I just wondered, during the annual council, how does the Assistant Minister envisage it being chaired? Who would head that council?

The Deputy of Grouville:

The annual conference: I do not know who will chair it, it will be organised in such a way whereby the views of the different groups can be put forward in a coherent manner and discussed in an appropriate way and there might even be, well hopefully, a speaker of some description that we can bring over to create sort of an inspiring day, if you like.

5.1.3 Deputy R.G. Le Hérissier:

Thank you, Sir, I would also, having been a critic in early days, like to congratulate the Assistant Minister on moving this very difficult issue forward, but there is the issue, Sir, of the ghost of, in a sense, Banquo, who is not at the feast and I would like to ask, Sir, what proposals does ESC (Education Sport and Culture) have in order to bring about a greater rationalisation of the roles of the Jersey Arts Centre and the Opera House? This of course is where a lot of the money is going. What proposals does it have and how exactly will the service level agreement be arrived at, given the highly sensitive nature of this arrangement?

The Deputy of Grouville:

Sir, it is our intention to split the Jersey Arts Trust. There will be service level agreements between E.S.C. and each of the cultural providers which will come under all the financial direction, as is proposed now, for anybody who is receiving grants. As I say, we will have service level agreements with each of them and ensure that governance arrangements are in place when they receive the grants.

5.1.4 Deputy R.G. Le Hérissier:

I thank you, Sir, if I could ask a supplementary? What, for example, would be the involvement of E.S.C. in telling the Opera House that there needed to be a certain proportion of almost guaranteed money making shows versus sort of more risky or innovative shows? What sort of role will E.S.C. play in that regard?

The Deputy of Grouville:

Well, I think the Opera House is its own company, it is not really for E.S.C. to go in and start programming shows for it and the Deputy might have read in the *J.E.P. (Jersey Evening Post)* this weekend, the new Director is fully conversant with the running of a theatre and, as she pointed out, there will be a variety of shows and if there are some that make money, then there will be the more risky, challenging-type performances that she can bring over to broaden the variety that is shown there. But, at the end of the day, the financial direction has got to be followed and the organisations have got to come within budget and if they want to take on or show more challenging-type performances then it might be up to them to raise their own funds in order to do this, to remain solvent.

5.1.5 Deputy P.V.F. Le Claire:

Sir, I would just like to emphasise I wholeheartedly support the initiatives of the Assistant Minister and the Minister for the Cultural Strategy. I just wanted to ask at this important outset, if the Assistant Minister could just clarify, for certainty, twice now the Assistant Minister has mentioned that this is not a hierarchal structure, so therefore there is no top down to the bottom management or pecking order. I just feel that, looking at page 2, where the diagram of the structure has been set out in a hierarchal form, perhaps it might have been better drawn in a more fractural system? For the removal of any future doubt and for the removal of any future pecking order, would the Assistant Minister, once again, just ensure Members and indeed the public and the groups that are going to be involved, that all will come to the table and that table will be a round table of equals?

The Deputy of Grouville:

The Deputy is looking at the diagram on page 2, which was setting out the background and the proposed structure in the Cultural Strategy. In actual fact what is being proposed today is on page 6. I appreciate that the Deputy **[Interruption]** has not had time to look at this in depth, which is why the timetable for this is... if there are any comments we would welcome them by the end of January.

Deputy P.V.F. Le Claire:

That is true. I am sorry, I beg your pardon. I apologise for that, Sir, I have seen the other diagram and I do appreciate the Assistant Minister's advice. Thank you.

5.2 Senator T.A. Le Sueur (The Minister for Treasury and Resources) regarding the move of the dairy to Howard Davis Farm:

On 24th October, 2006 I withdrew both Projet 65, which sought authority to lift the covenant which restricts the permitted use of Howard Davis Farm and Projet 68 which proposed the sale of part of the site...

The Bailiff:

Minister, I am sorry to interrupt, there are some questions as to whether we quorate but the Greffier assures me we are just quorate so you may continue on. Sorry to interrupt.

Senator T.A. Le Sueur:

The proposed sale of part of the site to the Jersey Milk Marketing Board. At the time, I referred in my statement to the commissioning of a report on the dairy industry which would be likely to include comments on the future site of the dairy. The report, by Promar, has now been published and identifies Howard Davis Farm as the best available site for relocation of the dairy. My Assistant Minister and officers have recently met with locally resident members of the Davis family and correspondence has been received from relatives in South Africa. Both the South African and local based relatives are supportive of the dairy relocating Howard Davis Farm but are opposed to a

total lifting of the covenants and would like to see certain restrictions kept in place. As the future of the dairy is a pressing matter, I intend, before the end of the year, to lodge a proposition over here to amend the governance so as to allow the lease of the site of the Howard Davis Farm to the Jersey Milk Marketing Board for use as a dairy and for associated activities. The actual details of the proposed lease will be the subject of a separate proposition to follow. Meanwhile, my Assistant Minister and officers will continue to liaise with members of the Davis family, both here and in South Africa, before bringing forward a further proposal to amend the covenants in order to determine activities that will be permitted in future on the remainder of the Howard Davis Farm site. They will also discuss with the family how the next proceeds from such activities should be managed so that, as far as possible, the original purpose of T.B. Davis's gift is not forgotten.

5.2.1 Deputy G.P. Southern:

Yes, the Minister refers to Howard Davis Farm, as being the recommended and best site. I understand that, in earlier drafts of the Promar report, that was not the case. Is the Minister prepared to release those early drafts of the Promar report?

Senator T.A. Le Sueur:

Sir, I am not aware of earlier drafts of the Promar report so I am in no position to comment.

5.2.2 Deputy R.G. Le Hérissier:

Thank you, Sir. Would the Minister confirm that the Davis family is speaking as with one voice?

Senator T.A. Le Sueur:

As far as I can ascertain, yes, Sir. The family is quite large and wide-spread but there seems to be no dissent that I have heard to date.

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

Acorn Industries provide work for adults with learning disabilities. They currently occupy premises at the Howard Davis Farm. Will the Minister confirm, in the event that the dairy are given permission to relocate and, in doing so, impact on any areas Acorn currently use, he will give his assurance that alternative premises will be provided for their use before they are expected to vacate?

Senator T.A. Le Sueur:

I do not believe it is likely, Sir, that any of the activities of the dairy would impact on the activities of Acorn Industries at the present time, except perhaps some of their growing activities. If that is the case then I do undertake to ensure that those activities can be relocated elsewhere, either on the site or another suitable location.

5.2.4 Deputy R.G. Le Hérissier:

Would the Minister confirm whether he is indeed in agreement with the Promar recommendation that it be based at Howard Davis and has he studied the arguments for and against its retention on the Five Oaks site? If so, why did he reject Five Oaks, as appears to be the case, in favour of Howard Davis?

Senator T.A. Le Sueur:

Sir, it is not my decision as to whether the dairy should be relocated; my responsibility as Minister where I am responsible for property, is to ensure that if the site at Howard Davis Farm is to be used by the dairy, it is used in accordance with legal and other requirements. I have no decision or no activity to take in respect of where the dairy itself should be relocated.

5.2.5 Deputy G.P. Southern:

Will the Minister accept my assurance that there was an earlier report circulated and if that turns out to be the case, will he agree to release it?

Senator T.A. Le Sueur:

Sir, I am not the author of the Promar report. It is not commissioned by me, and it was for the people who commissioned that report to decide to what extent copies of earlier drafts or anything else should be released. For my part, I think it is irrelevant to speculate on what might or might not have been in a draft discussion paper, what we have is a final report which is the one we need to work on.

5.2.6 Deputy J.A. Hilton:

The dairy currently occupy a very valuable site in a built-up area. Can the Minister explain to the House how the Treasury are going to value the land at the Howard Davis Farm?

Senator T.A. Le Sueur:

The evaluation of the land at Howard Davis Farm, Sir, will be totally irrelevant to whatever the value of the dairy at Five Oaks or any other property in the Island would be. It would be valued on its own merits, as a site suitable for a dairy. It will be valued with professional advice and I believe on that basis, Sir, there will be a fair and objective value and there is no question of the dairy receiving it either at a discount or at a premium.

5.2.7 Senator F.H. Walker:

Will the Minister confirm that the Promar report has assessed other site options, including a redevelopment on the current dairy site and has come out fully in favour, as has the industry, of the move to the Howard Davis Farm site and that it is considered by the industry that such a move, in early course, is vital if we are to protect brown cows in green fields and protect Jersey's much valued and highly respected and indeed necessary dairy industry in the long-term?

Senator T.A. Le Sueur:

Yes, Sir, I confirm that having received the Promar report that the conclusions are quite clear and therefore we need to proceed, I think, with all due haste in order to assist the dairy in this reconstruction of their activities.

5.2.8 Deputy A. Breckon:

I wonder if the Minister could say whether he has considered taking the covenant back to the Royal Court for an opinion, as opposed to the political route?

Senator T.A. Le Sueur:

I certainly considered the legal implications of the covenant with the Solicitor General, Sir and I believe that, on the basis of the advice I have received to date, that the proposals I intended to take are the appropriate ones in this instance.

5.2.9 Connétable D.J. Murphy of Grouville:

Could the Minister please confirm what the ownership arrangements are for the Jersey Dairy? Who is the owner?

Senator T.A. Le Sueur:

That, Sir, is outside my remit. The Board was set up by a scheme some years ago and, to my knowledge, it has not changed since that time.

PUBLIC BUSINESS

6. Budget 2007 (P.130/2006)

The Bailiff:

That concludes matters arising from statements and we come now to public business. The first item of public business is the Budget 2007. This is the first occasion, I believe, upon which there has been a proposition in relation to the Budget and I ask the Greffier to read the proposition.

The Greffier of the States:

The States are asked to decide whether they are of opinion: (a) to approve the estimate of total taxation revenue in 2007 of £479,200 million as set out in summary table A on page 35 of the Budget Statement, with the sum to be raised through existing taxation measures and the proposed changes to income tax, Impôts duty and stamp duty for 2007, as set out in the Budget Statement; and (b) to agree that £10 million should be transferred from the Consolidated Fund to the Strategic Reserve in 2007.

Senator T.A. Le Sueur (The Minister for Treasury and Resources):

Although this will be the fourth time I have stood up to present a budget to the States, this is my first budget as Minister for Treasury and Resources and the first under the new Ministerial system and I am pleased to be able to present in this budget what I consider to be a very favourable position. This budget concludes the first year of Ministerial government in which the States have already approved a new Strategic Plan and also its first Annual Business plan. Now this budget proposes the tax measures for 2007 that are required to fund the States' detailed spending allocations and which in turn will enable the strategic objectives and the essential public services for the Island, over the next financial year, to be delivered. This process, as set out in the new Public Finances (Jersey) Law 2005 now separates the spending of approvals in September from the tax and funding proposals in the Budget thereby allowing clearer decision-making. I therefore remind Members that in this budget, we shall not be debating expenditure but only the income needed to pay for the expenditure which was agreed in the Annual Business Plan in September. This year has also seen the States approve further stages of the fiscal strategy. Each stage is a further step towards establishing a sustainable financial framework of tax and spending measures which is essential to enable the States to address the challenges arising from the forthcoming changes in corporate taxation. This framework of balanced budgets over a 5-year cycle, constraining expenditure growth and phasing-in new tax measures has led to a low and fairly stable level of inflation over the last year, which has also been close to the States' target level. The States willingness to take these difficult decisions and to maintain a stable economic environment is the key to business and consumer confidence, in particular, with our international customers. This in turn will contribute to the economic growth which has been apparent over the past year and which is crucial to delivering the additional tax revenues that we need. I turn now, Sir, to the global economy; I am pleased to be able to report that the outlook remains robust, as was the case at the time of last year's budget. Global economic growth is forecast by the National Institute of Economic and Social Research to exceed 5 per cent in real terms in 2006 and to be above 4.5 per cent in 2007. This is similar to the rate of 4.7 per cent last year and is above the average for the past 10 years. However, just as last year, we find that despite the positive outlook for global growth, there are still significant uncertainties surrounding the world economy and particular in respect of U.S. consumer confidence, which could have global repercussions. The recent dollar weakness serves as a timely reminder as to how fragile the U.S. economic situation is. Recent downward trends in oil prices have been encouraging but a reversal of such trends could be another factor that turns the global economy off course. Further rises in oil prices cannot be ruled out with global demand still strong and the potential still exists for further disruptions to the supply side, whether it be through tensions in the Middle East, or natural disasters. Higher and more volatile oil prices pose a continual threat to efficiency, inflation and growth in the world economy. Looking closer to home, developments in our main export market remain encouraging; growth in the U.K. is

expected to be 2.5 per cent this year, supported by government and consumer spending. In 2007, U.K. growth should increase slightly, helped by improved competitiveness and stronger business investment. For our French neighbours the economy is expected to remain buoyant over the next few years, growing at just over 2 per cent per annum. This will be driven by domestic demand rather than improvement in trade. The Euro's own outlook as a whole is slightly less optimistic but still points to recovery with growth expected to pick up to 2 per cent this year and next, from 1.5 per cent last year. If Jersey businesses are to maximise their potential in these growing markets, then it is vitally important that our policies continue to focus on efficiency and productivity gains which will allow businesses to grow their market share. Moving now to the Jersey economy, there have been a number of positive developments over the past year. In my last budget speech, I reported that there was growing evidence to suggest that the economy had turned the corner and was returning to growth in 2005. I am delighted to confirm that that was indeed the case and significant real economic growth was recorded - for the first time since 2000 - at a rate of 2.8 per cent in real terms. It is also encouraging to see that that growth was not confined solely to the finance industry, in fact growth and activity in the non-finance sector, at 3.2 per cent, out-stripped that in the finance sector, of 2.5 per cent. Within the non-finance sector, other business activities, including architects, cleaning services, advertising, security and personal services, construction, wholesale and retail show the strongest performance. The biggest contributor to our economy is of course financial services, which generates half our income. The Financial Institutions Survey shows that companies in this sector saw property increase in 2005 for the first time in 5 years, supporting the overall picture of a return to growth. The good news does not stop there; expectations recorded in the survey once more showed greater optimism with 87 per cent of finance firms expecting profits to rise again this year. This level of optimism outweighs that from the previous survey, suggesting that growth in the finance sector continues and perhaps at a stronger rate. Another of the key indicators that can tell us how the Jersey economy is progressing, is the level of employment. Manpower returns show that the total employment stood at 770 people higher in June this year, compared to last year, which saw an increase of 550 people. This is the second year of employment growth and was made up of an increase of 780 people in the private sector and a decrease of 10 people in the public sector. What is even better is that the whole increase was made up of locally qualified staff. The decrease in non-locally qualified staff has been matched by an increase in 'j' category staff. The finance and construction sectors account for most of the increase in employment, with respective increases of 430 and 270, however there were also very slight increases in employment this year, in agriculture and tourism, after falls in previous years. We must, however, strive to better understand the current budgetary pressures and other influences within the current employment market. This will be a key challenge for 2007, which the Council of Ministers has already recognised. As I have already mentioned, improved productivity is at the heart of the Economic Growth Plan and the vital ingredient, if Jersey businesses are to improve competitiveness and be successful at home and in export markets. In 2005, it is clear that economic growth was the result of improved productivity. Labour productivity in Jersey, last year, grew by 2.4 per cent and that was the second year of improvement. There was an economy-wide improvement in this measure of productivity with growth in the non-finance sector exceeding that in the finance sector. Looking at the performance in other sectors of the economy, there have been some mixed results. In tourism there was a drop in staying leisure visitors of about 5 per cent, anticipated for this year. This fall in visitor numbers is reflected in a lower number of people arriving by sea, mainly as a result of Emeraude exiting the St. Malo route. There have, however, been a number of positive developments; other ferry operators have increased services and there is also an increase in the number of visitors arriving by air. The conference sector continues to grow, with refurbishments being completed in some important hotels in this area. There are also signs for optimism in the future with significant investment expected in new additions for accommodation and attractions, including private sector investments in 2 new quality hotel properties opening next year. When this is combined with the planned new marketing initiatives for the year and the fact that the Economic Development Minister is working with the airport to see what new routes can be

developed, it is hoped that visitor numbers can rise again. The agricultural industry has been declining in recent years but last year saw some real growth, the first increase since 2002. The amount of potatoes exported increased by 5.5 thousand tonnes, or 17.5 per cent in 2005. Improved returns are expected for 2006, as there has been a greater emphasis on unified marketing of exports. The construction industry also showed strong growth in 2005 and with further rises in 2006, growth looks to have continued in this year. Development on the Waterfront has been a key factor in the growth in this sector and is expected to maintain the level of activity in this sector in coming years. The States' Economic Growth Plan has therefore got off to an encouraging start. Not only have we seen growth exceed a target of 2 per cent in 2005, but all the indicators are suggesting that the economy has maintained its momentum in 2006. The improvement in our tax revenues, compared to original forecasts, suggests that this economic growth is being converted into additional tax revenues. The focus of the plan is to deliver economic growth through boosting productivity and the competitiveness of our industries. So it is also interesting to see that productivity growth is occurring throughout the economy. But further productivity improvements will require improvements in our skills base, creating a better environment for small businesses and enterprise and ensuring that competition is allowed to drive efficiency improvements across the economy. That is why I took great encouragement from the announcement by my colleague; the Minister for Economic Development, last month, of a new business and enterprise strategy that focuses on delivering new policies such as business advice, a small firms loan guarantee scheme, an export development initiative, a business incubator and support for innovation. Another part of the Economic Growth Plan is creating more stable economic conditions for businesses and consumers to operate and I am pleased to bring forward proposals to establish a new fiscal framework in this budget, which I will come to shortly. Maintaining low inflation in the coming years will play a critical part in securing the economic stability which is needed to sustain economic growth. All of our exporters, whether they are in finance, agriculture, tourism or fulfilment, will suffer a loss of competitiveness if inflation is not kept in check, undermining recent growth. Detailed work has begun, analysing the causes and effects of inflation in Jersey and this will allow us to review the appropriateness of the current anti-inflation strategy. Consideration will also be given as to the level of savings in the Jersey economy and whether government policy should be and is able to encourage greater savings within the Island. This year the underlying rate of inflation; R.P.I.X., has risen slightly from last year's record low of 1.9 per cent, to its current level of 2.8 per cent, which is just above the States target rate of 2.5 per cent. Higher oil prices have certainly had a part to play in this rise in Jersey, just as elsewhere and the recent falls in the oil price, if they can be maintained, should help keep inflation down. This volatility in oil prices and also in interest rates, shows the importance of focussing our policies on those factors which we can influence in R.P.I.X., the underlying rate of inflation for the Island. The favourable turnaround in our economic performance in the last 12 months means that we enter a crucial stage in our economic cycle. In the past, a growing Jersey economy has often been accompanied by rising inflation and particularly an increase in wages and salaries and other costs. We must be determined in setting our pay policies; we must stick to them and we must resist the inflationary demands of some employee groups. Equally, we must contain our own appetite for providing new and improved levels of service, without regard to their ongoing cost implications, or corresponding reductions elsewhere. There has been some adverse media coverage recently in relation to the States' pay settlements but I must reiterate that the employer's offer is in line with the March inflation rate of 2.4 per cent. This is the level that we provided and budgeted for in the business plan of September and we must stick to this figure, since to pay any more will simply mean finding the money from cuts or savings elsewhere. But on a more positive note, the *Jersey Evening Post* initiated a public purse campaign which I welcomed and responded to by setting-up a working group to consider the responses. I am pleased to say that that working group will be presenting an interim report early in the New Year. It is important that businesses, individuals and the States all contribute to keeping inflation down and to make sure that we do not repeat the mistakes of the past. The 3 wise men which I am proposing in the Stabilisation Fund proposals will provide an independent check on that. The new fiscal

framework will also ensure that the States play the part in other ways; businesses and individuals must adjust their expectations concerning wages, rents and prices, to be consistent with a low inflation environment and to ensure that we do not simply squander the recent improvements in the economy. House prices have fluctuated a little bit more than usual over the last few quarters and have increased by 6 per cent so far this year. The trend for the past few years has been one of stable growth of around 2.5 per cent per annum but recent figures suggest that the rate of price growth may now be progressing at a slightly higher rate. However, earnings have grown even more, which points to some gradual improvements in affordability. There is a risk that if house prices continue to increase in line with recent trends, some of these improvements in affordability risk being eroded. The best strategy for Jersey is to make sure the increases in average earnings are matched or more than matched by productivity developments and also to balance supply and demand in the housing market. House price stability helps keep inflation low and helps keep economic growth on course. Greater competition within the Jersey economy, where markets can take it, will be important in delivering both economic growth and low inflation. Competition can help drive efficiency improvements across the economy and help deliver the productivity improvements that are necessary to achieve these objectives. I am pleased to see that the J.C.R.A. (Jersey Competition Regulatory Authority) is consulting on competition issues surrounding shipping and port services and they also report on issues surrounding the proposed sale of Jersey Telecom. We should also recognise the valuable service provided by the *J.E.P.* fair play campaign, which has heightened consumer awareness, particularly in relation to fuel prices. This illustrates that one of the best mechanisms for reducing prices is using information to change behaviours and to encourage customers to shop around. It might be considered disappointing, therefore, that in the light of this economic growth, the States is forecasting a small deficit for 2007. This is due to the fact that although revenues have indeed grown, there is significant growth of 5.7 per cent in our expenditure for next year. This is a rate which cannot be allowed to continue and indeed the agreed annual business plan shows that it will fall, over the remainder of the economic cycle, to an average of 3.5 per cent per annum. It is imperative that the States adhere to that plan if we are to maintain our sustainable financial position and not stoke-up the rate of inflation by spending more than our income. In summary, the current economic situation in Jersey is the best seen for several years and the background to that can be seen in the Economic Adviser's Report which was released just last week. To summarise the position, firstly, global economic growth is forecast to remain robust this year and next, while in Jersey last year we saw significant real economic growth for the first time since 2000. This growth was spread both across the finance and the non-finance sectors of the economy. There is every indication that the economy will maintain momentum and we can expect further economic growth and therefore the Economic Growth Plan remains on course. Secondly, employment in the Island has increased for the second year in a row, with the increase coming from locally qualified staff. It is clear that the growth in our economy has been based on economy-wide improvements in productivity, rather than increased immigration. Finally, inflation is only just above target, mainly as a result of higher oil prices. There is still work to be done on keeping inflation on target as the economy continues to expand. The new fiscal framework, which I am now coming to, will ensure that the States plays their part in creating the conditions for future further economic growth with low inflation. This is all positive news but I must put it into perspective; we must not forget that we are relying on that 2 per cent real economic growth as one of the key components to fill the tax revenues which we will lose as a result of the move to "Zero/10." We must recognise the need to stick to our policies and not go back to the 'boom and bust' days of the 1990s. But I turn now to the proposals for a new fiscal framework, which I think is one of the most important parts of this year's budget proposals. The importance of this move should not be underplayed as establishing the framework set out in the report *Projet 133* of 2006 puts economic considerations at the centre of tax and spending decisions, alongside the Island's political objectives. Such a move is vital if the States are serious about sustaining the improvements that we have seen in our economy. It is important, I think, at this stage to expand a little more on the Island's economic objectives and why we need a new framework. Yes, we are in

a currency union and our interest rates are set by the Bank of England, relative to consumers in the U.K. This does not mean that we have no influence over the direction of our economy but rather that a lot of emphasis has to be put on using fiscal policy in the wider sense to steer our economy in the right direction. To create the conditions for sustainable economic growth with low inflation, this means taking money out of the economy when it is going strongly and putting it back into the economy when it is performing weakly. This has clearly not always been the case and we only have to look back to the last decade to illustrate the point. In 1998 the economy was growing strongly, in real terms, at 4.6 per cent and inflation, measured by R.P.I.X., was significantly above the target, at 4.3 per cent. However, in that year, States' expenditure grew by 8 per cent, right into double digits in the following 3 years and instead of putting money away, what did we do? We drew down, from the Strategic Reserve, a total of £30 million in 1998 and 1999, fuelling an already buoyant and perhaps over-heated economy. At the risk of using jargon, fiscal policy was pro-cyclical and not counter-cyclical and that will have worked against our objectives of achieving sustainable economic growth and low inflation. When the economy started to struggle in the year 2000 - well, early 2000s - we had already spent the money that we could have used and should have used then, to support the economy. It was this analysis that prompted me to look at enhancing our fiscal framework to see how we could better support our economic objectives. This must also include a policy for the Strategic Reserve, which I am charged to review as well as the Strategic Plan. It must include a policy for the Stabilisation Fund, which the States agreed to in the Business Plan and in the Strategic Plan debate earlier this year. I will firstly explain what the new fiscal framework means for the Strategic Reserve. The overall objective of the reserve remains largely unchanged in that it is only to be used to insulate the Island from a severe structural decline in a key industry or industries, following a major natural disaster. A capital sum within the fund is effectively off-limits for all other purposes. The analysis behind the framework goes further in pointing out that at current levels, there is no guarantee that the Strategic Reserve is sufficient to meet these objectives and that there is in fact a significant risk and it is too low. The long-term aspiration is therefore to grow the fund by a further £100 million or so to a minimum level of 20 per cent of G.D.P. (Gross Domestic Product). We need to do this to give us more reassurance that we really could make a difference, should the Island face either structural decline or a natural disaster or - even worse - both happening together. The second element of the new framework is set out clearly in the policy for a Stabilisation Fund. The key guiding principle is to build-up the Stabilisation Fund over a period of time to the region of 15 to 20 per cent of total States' net annual expenditure. That works out to something like £75 million to £100 million a year: 20 per cent it would be. So that is sufficient to be able to provide some protection in a cyclical - and I emphasise cyclical - economic downturn. This will require further payments into the Stabilisation Fund in coming years, on top of the initial £32 million, which we propose to move from the Dwelling House Loans Fund. Transfers into the Stabilisation Fund could come from any one of a number of sources; they could be made from the cumulative balance in the Consolidated Fund, they could be from unexpected increases in tax receipts, running fiscal surpluses when the economy is performing strongly or indeed part of any proceeds from the sale of States' investments. Perhaps the most important proposal in the new framework and one which will be groundbreaking for Jersey will be the establishment of a fiscal policy panel. This independent panel of leading economists - 3 wise men or women - will publish an annual report which will provide a much broader perspective on the current state of the economy and the direction it is heading and advise the Ministry of Treasury and Resources whether this merits transfers into or out of the Stabilisation Fund. The panel members are likely to be experienced economists that can bring expertise in setting an inflation policy and, in particular, fiscal policy. They could be former members of the Bank of England's Monetary Policy Committee, treasury economists from elsewhere from within the private sector, or even academic economists with practical experience. They will be appointed on 3-year contracts with the possibility of renewal, by the States, on the recommendation of the Ministry of Treasury and Resources, based on advice from the States' Economic Adviser. The result of establishing such a policy will be that we have a clear and credible framework in place that can reassure everyone

that fiscal policy would be better focussed on achieving our economic objectives in future. A clear signal will be sent to the businesses and to individuals that the States is committed to delivering low inflation. In addition, economic considerations would be balanced against political ones in the tax and spending decisions and, as a result, economic policy should be more effective. Having outlined the clear economic rationale for putting this fiscal framework into place and having demonstrated how it will operate effectively to help us achieve 2 of the main aims of the Strategic Plan- economic growth and low inflation - I strongly urge Members to support the proposition; Project 133, when the time comes and to reject the counter-proposals of Deputy Southern. I turn now to our work on the international scene where, generally, it has been another positive year. We have continued to consolidate the major international initiatives that had impacted on the Island in recent years, including the E.U. savings tax directive, but on the evidence so far, does appear to have had a relatively minimal impact on the Island's business pace as we forecast. The first flows of money taken from investors in the form of withholding a retention tax have contributed about £3 million to the States this year and as this return is for only 6 months, then a rather higher revenue can be expected in 2007. The returns received in Jersey appear to compare favourably with the sums reported by other jurisdictions. It remains to be seen how the E.U. reacts to what is generally perceived overall as a disappointing yield from external territories involved in the implementation of the savings tax directive. It seems unlikely that Hong Kong and Singapore, as well as some other centres approached by the E.U., will wish to participate, tending to suggest major new developments in respect of the existing arrangements applying to Jersey are also unlikely in the next 12 months. The other major E.U. dossier of significance to the Island is, of course, the E.U. Code of Conduct on Business Taxation. In terms of Jersey's commitments and arrangements between ourselves and the E.U., activity over the past 12 months has increased particularly involving close consultation with the U.K. government about our developing proposals in the form of the design proposals for the "Zero/10" system and the subsequent drafting of proposed legislation, to meet the commitment given in 2002, to meet the Code of Conduct criteria on non-discriminatory corporate taxation. These discussions have progressed satisfactorily and it is envisaged that our proposals will be discussed with the wider E.U. Code of Conduct group in early 2007. In this respect, we know that similar discussions have already begun with the Isle of Man and the E.U. Code group relative to their version of the "Zero/10" reform and we should be watching the outcome of those discussions carefully as they would inform our own situation. However, at this point based on discussions with the U.K. Treasury, the progress and acceptability of our proposed reforms do not appear to be in any doubt whatsoever. On our general competitiveness with certain of our rivals in the financial services field there appears to be no let-up in the continuing drive by competitors generally to bolster their appeal to existing and potential investors. Although no major initiatives can be pinpointed, Singapore in general maintains an aggressive policy stance in the tax competition field. The attraction of the Irish Corporation Tax rate of 12½ per cent has continued to be seen. Closer to home we now know more of the detail behind the Guernsey and the Isle of Man variants of the "Zero/10" regime and we remain interested in certain features of those proposals for ourselves providing it can be shown that they are, in fact, E.U. Code compliant. On a wider front, the last 12 months have seen the Island continue to work on affirming its international personality and ensuring it is seen as a viable and trusted implementer of its international commitments. Negotiations have progressed with several O.E.C.D. member states on perspective tax information exchange agreements that, as and when concluded, will come to this Assembly for agreement. As has been stated many times, such agreements need to be dependent on a package of benefits being offered to the Island as part of the overall arrangements. All of this work is consistent with Jersey's ongoing desire to establish its profile as responsible, co-operative but independent player in the world market for international financial services. It also supports our financial vision and our strategic vision not to stand still but to develop and invest in the future and establish a reputation for what is best about Jersey. The last time I outlined for the Assembly how the main work streams of the fiscal strategy would be implemented and rolled-out during 2006. It was clear to me then that 2006 would be a busy year for the implementation of tax

and spending framework to ensure that we address short-term deficits, achieve balanced budgets, further reduce inflationary pressures in the economy and fill the tax revenue deficit resulting from the move to “Zero/10.” I am pleased to inform the Assembly a substantial progress on the fiscal strategy has been made during the past 12 months. We are still on track - but only just on track - to deliver a reformed tax structure of Island which will ensure our future economic prosperity. Before I outline the progress on each of the main fiscal work streams, I wish to remind Members briefly of the measures that the States have agreed to implement. These measures were approved in Project 106 in 2004 and Project 44 in 2005. In 2004 we agreed to move to a “Zero/10” corporate tax model and having done our recent calculations those latest estimates indicate that this will lead to a tax revenue deficit of some £79 million to £95 million per annum from 2010 onwards. In order to fill this tax revenue deficit the States originally agreed to deliver some £20 million expenditure savings and £20 million from economic growth. This still, however, required £60 million to be raised from taxation. The States accordingly agreed and have now implemented an Income Tax Instalment System which will bring in, and is bringing-in, £5 million a year. It is agreed in principle for the withdrawal of tax allowances for those on higher incomes. That is to raise £10 million a year. They agreed to implement a broad-based Goods and Services Tax to raise £45 million a year. Overall this package of measures is progressive ensuring that those on higher incomes share a higher burden of tax liability. It is also inclusive ensuring that as many people as possible who benefit from States’ expenditure contribute to some extent to taxation as and where they can afford it. So let me now turn to developments over the past year in respect of each of those measures. On “Zero/10” we had a consultation document and I can inform the Assembly I will shortly present to Members the legislation to enact these proposals for debate in February. If approved by the Assembly, the “Zero/10” structure will be fully effective from the 1st of January 2009. On the Income Tax Instalment System I do not think I need to remind Members that that was introduced at the start of this year and it has been successfully introduced as a result of which we have now an additional 15,000 people or so being brought into the tax net for the first time, of which some 6,000 of those will be paying income tax. So the yield for I.T.I.S. (Income Tax Instalment System) which we expected to be £5 million is on target but I have asked the Comptroller of Income Tax to report back by March of next year on the outcomes for the first 12 months of I.T.I.S. I also intend to conduct a further review of I.T.I.S. towards the end of 2007 or just after the end of 2007 to evaluate its appropriateness and perhaps the possibility of moving to a more general current year assessment basis. On “20 means 20” I have consulted *ad nauseam* over the past couple of years but finally, in the summer, we agreed the general principles and Members have the legislation before them today in the Income Tax Law to put that into practice. I will return to that proposition in due course. On Goods and Services Tax there has been a considerable amount of implementation work undertaken led by the newly appointed Goods and Services Tax Director at the Income Tax Office working with the internationally renowned Crown Agents. That consultation process is ongoing with an aim of ensuring that we include a significant contribution from the financial services sector in the overall yield of £45 million we are looking for. We had a debate in October about possible exclusions and I think Members are well aware of the outcome of that discussion. But I can inform Members that I will shortly be lodging the G.S.T. (Goods and Service Tax) primary law and intend that be debated early next year. Having listened to the concern of Members, I can confirm that while the rate of G.S.T. remains at 3 per cent and is still a broad-based model I have now proposed the exemption not only of medical supplies - that is doctors’, dentists’ and opticians’ fees - but also the related medical products. I have also held discussions with the Minister for Sport, Education and Culture to discuss possible ways of providing assistance to those families who need it to alleviate the effects of G.S.T. on school fees. Finally, I can advise Members that I have listened to their views in the recent debate and those in the Corporate Services Panel, in particular, and I have revised the treatment of property repairs and maintenance in relation to dwellings to the effect that these will no longer be zero-rated. In addition, I have also confirmed that the supplies of goods and services made by approved charities will also be exempted. All of this will be reflected in the draft law to be debated by this House early next year. The States have agreed that before G.S.T. is

introduced, a revised Income Support Scheme should be and must be introduced. Detailed work in this area has been undertaken, led by the Minister for Social Security, and the enabling legislation for a revised Income Support Scheme was debated and agreed by the House in early October. The details of this scheme are now being worked on through the various Regulations and Orders in advance of the implementation during 2007. I confirm that I do not propose to debate the G.S.T. Regulations, let alone implement them, until after the outcome of the debate on the details of the Income Support Scheme. Once the G.S.T. primary law has been approved, an educational and training program will be unveiled throughout 2007 in order to prepare the business community for the introduction of the tax from early 2008. Finally, on environmental taxes when the Assembly approved Projet 44 last year I was tasked with undertaking further detailed research on possible environmental taxes relating to energy, transport and waste which may be appropriate to the Island. I was also tasked with investigating a land development levy. While such economic instruments may not generate significant additional tax resources, they could make a substantial contribution to achieving our strategic environmental aims. The Council of Ministers recently had a presentation with a view to publishing a consultation document on possible high level options early in the New Year. So, in summary, I have done what the States asked me to do in terms of the comprehensive analysis and research into a tax and spending framework, together with the most comprehensive consultation exercise that the Island has probably ever seen. The States have now taken the difficult decisions and it is crucial that the implementation of that tax and spending framework continues to be delivered on time. This is an important part of the financial framework within which the Strategic Plan was prepared and which requires balanced budgets over the 5-year planning cycle. Though at one time some people argued that we were implementing too much change, too quickly and too early, I would argue that we acted early because we were aware of the scale of the changes that were needed - because those changes are significant - and by starting early we are able to phase-in these tax changes to achieve a smooth transition and to lessen the impact on businesses, individuals and the economy. Over the last year the new Council of Ministers has reviewed the Strategic Plan and its vision for Jersey is about sustainable investment and priority of services. This can only be delivered if the resources are in place to fund that investment. The framework relies on a combination of spending constraint, the delivery of efficiency savings and increases in States' revenues at a rate at least equivalent to the rate of spending. The forecast for States' revenues have improved over the last year, particularly in the short-term. The deficits forecast for 2005 and 2006 have now been replaced by small surpluses as income tax revenues have begun to grow again. Consumption of goods subject to Impôts duty have recovered slightly and the buoyancy in the housing market has contributed to increased levels of stamp duty. These improvements have meant that despite increases in States' spending proposed in the Strategic Plan where decisions were taken to invest in the future of Jersey and then detailed and approved in the Annual Business Plan, the financial position is still sustainable. As a result of the budget measures proposed today the forecast is for a small deficit of only £3 million for 2007 which is an improvement of £8 million since the Business Plan in September. Similarly, the improvement in 2006 is from a forecast deficit a year ago to a predicted surplus of £15 million although I accept that £11 million of that improvement is exceptional and represents one-off income and special dividends from 2 of our utility companies. If these forecasts come to fruition then the consolidated funds, that I call the States' current account, would have an estimated balance of £32 million by the end of 2007. That is after transferring the proposed £10 million to the Strategic Reserve. This is a relatively healthy position, particularly if G.S.T. is implemented in early 2008 and with it the predicted annual additional revenues of £45 million a year. The States would then be in a strong financial position ahead of the changes in corporate tax structure which will affect States' revenues from 2010. Beyond this period our forecast can only be considered indicative and I believe that they are also, quite rightly, cautious. I am not in the business of taking risks with States' finances or taxpayers' money. I strongly believe that a prudent approach is the right approach. If the States becomes at all complacent about the need to introduce the required tax proposals during this or any future debate, Members only need to look at the longer-term forecasts which although indicative

and, as I infer, very cautious, reflect a difficult and challenging future which will require us to maintain strict control on future spending. In summary then, the States are committed to invest in priority services and in initiatives to stimulate economic growth at a level which they can afford. The growth and spending approved in the Annual Business Plan is sustainable but it will remain sustainable only if the grip on spending is maintained not just this year but for each of the 5 years of our planning cycle. We have an agreed financial framework and we must stick to it. We must address any spending pressures over this period from within the agreed spending limits. In previous years I would now have outlined those spending proposals but, of course, under the new Finance Law they have already been approved in the Business Plan in September. All I have to do is to indicate the tax proposals for 2007 which I am about to do. I turn first to the income tax proposals. The main income tax proposals in this year's budget is to incorporate the principles of the "20 means 20" proposals which the States agreed when they debated Projet 58 earlier this year and put that into Income Tax Law which will then take effect from 2007. I just remind Members that following discussions the States agreed, in the summer, that we would retain tax relief for children for higher earners including those of higher education and maintain relief for the first £1,000 of life insurance premium. For 2006, the proposal is for tax exemptions and allowances to be frozen but from the year of assessment to 2007 the proposals are to increase tax exemption thresholds to all taxpayers by 2.5 per cent per annum through to the year of assessment 2009. Retaining tax relief for children will ensure that all taxpaying families will continue to receive allowances in respect of their children. Furthermore, bearing in mind the growing cost of higher education, tax relief will continue to be provided for all taxpayers with children receiving full-time higher education at universities or colleges of further education. The biggest change to the proposal, however, is to combine the introduction of the phasing-out of allowances with a commitment to increase exemption thresholds for all taxpayers by 2½ per cent a year. Raising exemption thresholds will remove a significant number of households entirely from the payment of income tax and benefit those on so-called middle incomes. Generally this effect will be to reduce the impact of "20 means 20" on middle-income families. Many previously affected by the proposals will now find no change in their tax bills and, in certain circumstances, the raising of exemption limits will result in tax bills reducing over the next 3 years. Various examples of the effect have been available both within the budget document and on the income tax website. Those proposals, Sir, are contained in the draft Income Tax (Amendment No. 26) (Jersey) Law which we will debate later on in the day as a consequence of this budget debate. I now turn, Sir, to the indirect tax proposals. Firstly, I am continuing the policy of announcing proposals for Impôts duty in advance of the budget. As with previous years the agreed duty rates for 2007 will be effective from midnight on 31st of December. I am also maintaining the policy of the Finance and Economics Committee for increases in Impôts duty consistent with raising sustainable levels of revenue while considering the impact on the local economy and the health and the environmental objectives of the States as set out in the Alcohol and Tobacco Strategies. The Alcohol Strategy states that the increase in Impôts duties should be at or above the rate of inflation. A further objective of the strategy is to equalise taxation rates in respect of alcohol. This aims to address the anomaly that currently exists whereby the Impôts duty rate on the use of alcohol in beer and cider is significantly lower than that on wines and spirits. To support the Alcohol Strategy and also to help address the duty anomaly, following consultation with the Minister for Economic Development and the Minister for Health and Social Services, I am proposing that the full rate of duty for beer and cider is increased by 4 per cent which is slightly above the increase in the R.P.I. However, I am conscious of the effect of taxes and duties on small businesses and to help mitigate this effect I am proposing that the rate of duty for beer produced by small breweries is reduced to 50 per cent of the full rate. This is a further reduction on the current rate of 83 per cent introduced in 1994 and is consistent with the 50 per cent rate introduced last year for small cider and spirit producers. I should emphasise that these reduced rates apply equally to small producers both in and out of the Island but the principal effect is to assist local businesses that produce such alcoholic products. The loss of duty as a result is something like £70,000 a year but this will be partly offset by the general

increase on non-locally produced beers. The remaining increases in alcohol products are at a rate of 3.5 per cent. The proposals for tobacco, again consistent with the Tobacco Strategy, are for an increase of 4.5 per cent, somewhat above the latest inflation index. The Health and Social Services Department believe that this policy is having success and as I have already mentioned there is no doubt that the amount of imported tobacco on which duty is paid continues to decline. The Customs and Immigration Service is aware of evidence that suggests that locals and tourists are increasingly turning to duty-free sources for their tobacco supplies. The service is maintaining and monitoring this activity and personal importations in excess of the allowance continue to be detected. There is, however, no evidence or intelligence to suggest that there has been a marked increase in passengers evading Impôts duty by exceeding these tax-free requirements. Perhaps, rather that residents are making maximum use of their duty-free allowances. These increases on duties would only add roughly 0.1 per cent to the R.P.I. That is similar to the effect a year ago and, therefore, should have no effect on the rate of inflation. In monetary terms the rates are 29 pence on a litre of spirits, 3 pence on a bottle of wine, a penny on a pint of beer and 13 pence on 20 cigarettes. In respect of duty on motor fuel, I have considered all the various factors relating to the environment, global oil prices, local price margins and the effect on inflation. As a result, I am proposing an increase of 1 penny a litre on petrol and diesel. I believe that the marketplace this year has clearly demonstrated that there is sufficient scope within local competition to reduce the retail price and, therefore, offset the effects of this increase. I can also confirm that ahead of the move to Goods and Services Tax in 2008 there will be no increase in the standard rate of Vehicle Registration Duty either for new or used vehicles. Earlier this year I stated my intention to explore the issues concerning the application of Impôts duty to fuel used by marine pleasure craft. In order to inform any decision as to whether there should be an increase in duty the States of Jersey Customs and Immigration Service conducted a public consultation. That attracted widespread attention and received numerous responses, the majority of which being overwhelmingly against the introduction. However, I do not just go by responses from people like consumers. It is clear to me that there are wider economic implications about the withdrawal of the marine fuel duty. These will be the subject of further research and discussions with the Economic Development Minister in the context of the promotion of the marine leisure industry. I am therefore not proposing any changes to the duty concession for marine pleasure craft for 2007 but will await the outcome of discussions I have mentioned. Finally, on Impôts duty, I would draw Members' attention to the table on page 29 of the budget document. That table illustrates that despite duty increases the proportion of the retail price made up of duty is significantly lower for all commodities than would be the case in the U.K. It does appear to me that there is some evidence, at least, of profit margins in Jersey being higher than the U.K. and that still needs to be addressed. One of the principles over the last few budgets has been whether it is possible to remove loopholes and to improve the clarity and intention of various tax and duty provisions. In relation to stamp duty there have been a number of such improvements to date and further proposals are made in this year's budget. The 3 main changes to 2007 are that the terms of the first-time buyer entitlements are modified to exclude those who own what is called a reversionary interest. The term "net value" is amended to ensure that life interests do not reduce the value for stamp duty purposes, and to avoid the provision of refinancing abuse the wording is clarified to ensure that the 2 parties to borrowing must be the same on both transactions. It is also proposed that the Stamp Duty and Fees Law be amended to include a new section in the schedule for planning appeals. There are no changes proposed to stamp duty rates and, in fact, this will be the third year in which those rates have been frozen. This is partly in recognition of the significant changes in other aspects of tax structure. It also reflects stamp duty income has increased as a result of higher property prices. My department is making progress with the project to consider options for capturing tax on duty from share transfer property transactions. I am sorry that these have proved more difficult to deliver than was first envisaged. However, I am confident that I will be able to bring the proposals to the States next year. The current preferred option is likely to take the form of a new tax rather than stamp duty with the amount payable on share transfer transactions equal to that which would have been payable had stamp duty applied.

The objective is to produce proposals which are simple to administer and which can be implemented in a timely manner. In the light of the current progress and my confidence that it can be delivered, I have included an assumed income of £1 million a year from share transfer property transactions in the forecast of income for 2008 and beyond. Sir, that concludes the tax and duty proposals for this year's budget. As I referred to earlier in my speech, I am delighted to be able to announce proposals for a £10 million transfer to the Strategic Reserve in 2007. This is made possible primarily as a result of the one-off special dividends received from Jersey Telecom and Jersey Electricity Company during 2006. The relatively healthy predicted balance on the Consolidated Fund is £32 million and this one-off income has enabled me to propose this transfer, the first in over 5 years. If our current forecast for 2007 and 2008 come to fruition, including the timely introduction of G.S.T., then there may well be opportunities for further transfers to reserves in accordance with the new fiscal framework over the next few years. Sir, in summary, I think we have made tremendous progress this year. We are in the process of implementing the fiscal strategy measures. These include the Income Support Scheme and proposals for the withdrawal of personal tax allowances from higher earners. There has also been a considerable amount of consultation on proposals for G.S.T. and those discussions will be coming to an end with legislation proposed early next year. More importantly, we have constrained spending growth to sustainable levels and we have begun to prioritise our resources to achieve strategic objectives. We have addressed fiscal, international and competitive challenges proactively. We have in place proposals to broaden and strengthen our tax base. We have improved our international reputation and identity. Jointly these factors have maintained our competitive position in the global marketplace. We are proposing to enhance our financial planning still further by introducing a fiscal framework which will help to contain inflation, improve economic stability and create the conditions for sustainable economic growth in the Island. We are also considering a number of new initiatives in different areas of the States which will ensure that prudent steps are being taken to mitigate public sector spending pressures in the future. Some of these initiatives will take time to reach fruition but in the areas of health improvement, waste strategy and environmental objectives the States will be working with the public to change long-established behaviours and reduce the financial burden on the States in the future. This very positive record of achievement and progress could not have been delivered without the commitment and support of the Council of Ministers and the Corporate Management Board. I would like to take this opportunity to thank them for their support and the strong corporate approach which has been maintained throughout this difficult first year of working. I would also like to thank the senior officers of my department, the Treasurer of the States, Mr. Ian Black; the Comptroller of Income Tax, Mr. Malcolm Campbell; the Director of Customs and Excise, Mr. Dave Nurse; and the excellent teams of professionals who support them. I must also thank the States' Economic Adviser Dougie Peedle and the retiring Director of International Finance, Mr. John Harris. Finally, I would like to pay tribute to Mr. Bill Ogley, our Chief Executive, who has in particular overseen the major transformation associated with the move to Ministerial government. The fiscal strategy has been a landmark for Jersey in different ways. It has brought about a fundamental rethink in the way we levy taxation. To help the States make these decisions we have undertaken the biggest public consultation ever seen in Jersey and it has involved people of all ages and all walks of life. These members of the public have made a significant contribution by giving their time and their wisdom. I would like to take this opportunity to thank the whole Island community for participating in this process. Sir, the Strategic Plan identified a vision for the Island for the next 5 years. It identifies a need to invest for the future and not to stand still, to continue to move forward and to build on the substantial progress made in recent years, to be proud of what we have achieved and what we are good at and to develop a Jersey brand. It has been a challenge to balance that vision with my own well-established reputation for prudence and conservatism. But working with the new Council of Ministers I believe we have taken some difficult decisions and achieved the right balance. We have in front of us a sound and stable financial position and probably the best economic prospects for many years. However, we must not be complacent. We must broaden our planning horizons and we must

continue to look forward and review and improve our forecasts. I believe we are doing all that and doing it better and I believe that the proposals for a new fiscal framework will broaden our perspectives still further with expert, professional and independent economic advice. Sir, I commend this budget - and apologise for coughing through it - and the accompanying proposals for the newest fiscal framework and I move it the proposition.

The Bailiff:

Proposition seconded? [**Seconded**] There are amendments to the proposition in the name of Deputy Southern. The first amendment will be read by the Greffier.

6.1 Budget 2007 (P.130/2006): Amendment

The Greffier of the States:

(a) At the end of paragraph (a), after the words “as set out in the budget statement” insert the words “except if the estimate of total taxation revenue shall be reduced by £2.2 million by increasing all income tax exemptions by 2.5 per cent for the year of assessment 2006”; and (b) in paragraph (b) reduce the proposed £10 million transfer from the Consolidated Fund to the Strategic Reserve by £4,640,000.

6.1.1 Deputy G.P. Southern:

When I came into the Chamber today another Member said to me: “Good on you bringing an amendment to the budget. It is good we should have a debate.” I want to do more than that today. I want to have a debate and I hope Members will consider seriously I want to win a debate. When I first started working on this amendment it seemed that it was barely yesterday and it still seems that way. It has been a year since the last budget debate. What a difference a year makes. Today, last year, we were faced with - I believe it was - 17 amendments. This year we face just 2. But that does not mean to say that those amendments are not as important as what has gone before. This is a major opportunity to change direction slightly to amend properly and correctly within the nature of a balanced budget; just to tweak the budget appropriately. It is a debate we do have on an annual basis, the Treasury Minister and me, and the issue is fiscal drag. If this House refuses to index the level of exemptions, a process of fiscal drag occurs and this does 2 things. First of all it takes in a tranche of people lower down the income scale, progressively lower and lower each year we do it - and we have done it for the last 4 years - into the income tax net. The question is do we really want to be bringing lower and lower income earners into income tax? I would suggest and my argument today is that we have reached the point where we are at a low enough point to stop. The second thing it does is it takes a little more tax off everybody on marginal rates. Now depending upon the rate of inflation and the rate at which wages are rising - in fact dependent upon the Average Earnings Index rather than R.P.I. but nonetheless the Average Earnings Index - some between 300 and 500 households are brought into tax if we freeze exemptions. That is the reality. I suggest we should stop doing that because I think we have hit the right level; a level at which we are impinging on those in relative poverty and we will come to the argument over how do you measure poverty and what is relative poverty later. If Members would turn to the accompanying sheet on your desks with table 1 and a revised financial forecast on it perhaps they will see the impact of fiscal drag. What I have chosen, very simply, is a single person whose tax exemption limit is £11,020; a single person, because it produces a very simple and straightforward case. A single person on minimum wage and you will see there the minimum wage started in 2004 at £202 a week or £4.80 an hour. Only nominal back then but nonetheless this came into force 2005/2006 and there is predicted 2007 and that prediction there assumes a 2.5 per cent increase; merely that in the minimum wage from where it is now. That is how the minimum wage has grown through those years and that produces annual earnings figures - in the fourth column - growing from £10,500 to £11,700 just on the annual operating. No promotion, no great job change. Just on the minimum wage, doing your job,

getting the R.P.I. adjustment; the appropriate minimum wage adjustment year on year. Remember this is someone on minimum wage. This is someone who is not wealthy, who is not a middle earner. This is a low earner. It is the minimum wage; the minimum acceptable wage on this Island. Look what happens to his/her tax bill under fiscal drag. Back in 2004 this person would not be paying tax but came into tax 2005 just a tiny amount and that has been raised each year since, and raised significantly. The fact is that fiscal drag drags people in and very rapidly, over the course of relatively few years, increases their tax bill quite markedly. That is what happens and that is the illustration of what happens for those people right on the border who get scooped-in to tax. Indexing at 2.5 this year will reduce that tax bill by £74 for the single person. Not an enormous amount, but nonetheless, a significant amount if you are on the minimum wage. Further indexation further on, again, takes away the compounded freezing, the compounded fiscal drag and that will rise unless we index. So, that is simply a simple picture of what happens. I believe we should stop doing that. I believe we should stop doing that because effectively, what we are doing is taking money, taking taxation off people on the very bare minimum wage and increasing that year on year and we should stop. So, the question as to whether this is relative poverty that we have achieved, or poverty absolute is partly answered by the fact that we are starting to tax people on the minimum wage. I think that argument speaks for itself. Do we really want to be doing that and do we want to be taking more money from these people now? Even for those with far more exemptions and allowances, family people, the total amount of money we are talking about is £138 in one year that we are not taking. Of course, as you go through the income scales that sum, more or less, remains the same. Depending on your circumstances, but that £74 or that £138, depending on your circumstances remains the same, so those people higher up the earnings scale get relatively - and again use of that word relatively - relatively less benefit. It is significant to the bottom end as you go up through the tax earnings, so for example, someone on £14,000 a year, their income tax bill will be £800. Yes, we shall take a chunk off that between £74 and £138. Take a chunk off it, it amounts to a 9 per cent reduction in their particular tax bill and as you go higher, through the earnings scales, that percentage, that relative amount counts relatively less. So, the impact is definitely on those at the lower end. The question is how do you measure? I say we have reached as low as we wish to go because according to the 2002 income distribution survey, 24 per cent of our households were in relative poverty. By relative poverty I am referring to the universally accepted O.E.C.D., E.U. and U.K. definition: it is 60 per cent of the median wage. So if you are comparing one community with another, you compare the relative poverty index. For example, the 2002 income distribution survey revealed that 24 per cent of our households were in relative poverty, 22 per cent were in relative poverty in the U.K., so a small difference but worse difference for relative poverty indicator for Jersey and it is no use arguing that that is not real poverty. It is not absolute poverty because what is the measure of absolute poverty. The comparable measure as relative poverty compared to other communities. What does that figure produce? So, from the 2002 income distribution survey, it says here on page 7: "We turn to the distribution of household incomes after deducting housing costs. This most fairly reflects a household's true standard of living." When we examine the figures, we see that the median back in 2002 falls to £20,960 or £402 per week, the median. The figure for 60 per cent of the median amounts to some £12,600 a year, or £240 a week - or an hourly rate of around £5.70 - so this 24 per cent is reflected in relatively low earners. It is clear that by those standards we are talking about relatively low earners, so whether you simply take the minimum wage figures, or you take the figures produced by our own Stats. Department from 2002, we are talking about taxing those on relatively low wages. I now turn to the question of supposedly unbalancing the budget. The Treasury and Resources Minister says: "My budgets are balanced over a 5-year cycle. My budgets are balanced over a 5-year cycle, therefore I can look you straight in the eye", he says: "and justify with my hand on my heart the £3 million deficit or thereabouts for this year." But horror of horrors, Deputy Southern is proposing that we carry a £5 million deficit this year and that is absolutely unacceptable. No doubt he will rise to his feet later and say so and I am sure nobody would object to him suggesting that. However, if you turn to the revised financial forecasts in conjunction with

table 4 on page 12 of your budget, the financial forecasts, we can see what this means. At the end of the day when it goes dark, it does not mean an awful lot. The budget presented by the Treasury and Resources Minister is a balanced budget over the 5-year economic cycle. My budget is a balanced budget over the 5-year economic cycle. Because what we have done here in 2007, in the Treasury version, we have allowed a £3 million deficit and we have then taken £10 million from the Consolidated Fund and put it in the Strategic Reserve. That is like putting it in the deepest, darkest vault that is triple-locked that you can find because we put it in there so we cannot spend it. That is why we do it. Now, you might choose to do that, and the balance appears on the very bottom line, the estimated Consolidated Fund balance. That is where to read the balance over the 5-year economic cycle. Now, Treasury and Resources advice that I have received says: "You look at that bottom line. Imagine it is your current account." That is effectively what it is. That is money you can access and spend should you wish to. It is not money that is locked away in some sort of trust fund, treble-locked away there. In an ideal world, I would say to members, take that £10 million you are about to lock it away and say: "Do not throw that away. Do not put that away for a rainy day which is never going to come. Why are you putting £10 million away like that? Why is that not just £5 million. Why do you not balance your books that way?" So, what effectively happens is £32 million on the Treasury Minister's balance, £32 million in his current account, becomes on my balance £35 million in balance. Over the 5-year cycle, you will notice over forecast surplus or deficit, his measures go -£3 million, -£4 million, -£2 million, 0, £6 million. Mine go -£5 million, -£6 million, -£4 million, -£2 million, £4 million back into balance. The overall sums at the end of the day in 2011 - which is as far as the Minister will ever predict - I have a balance of £60 million compared to the Minister's balance of £65 million. But look at the trend. Why a 5-year cycle? Why not a 7-year cycle? The Minister says: "Because I cannot go there. It is unreliable." But look at the trend. On the revised forecast surplus or deficit line, look what is coming up in 2010: £24 million in the red and £23 million in the red. What is happening in 2012 and beyond? We will be seeing more... thank you, Sir, I am just coming to an end shortly. I will return to that point later on when we talk about the Stabilisation Fund and the Strategic Fund. The budget I am proposing to you is a reasonable budget. It protects those who otherwise we would be taken into tax and taken more tax from just at the low end of the earning scales. It protects those on a minimum wage. It is balanced in the terms that the Treasury and Resources Minister presents his balance, in terms of the 5-year cycle. It is a perfectly acceptable way forward to ameliorate some of the impacts of taxation on the relatively less well off. I propose my amendment, Sir.

The Bailiff:

Is the amendment seconded. [**Seconded**]. The amendment is proposed and seconded. May I assume that Members would wish to adjourn at this time until 2.15 p.m.?

LUNCHEON ADJOURNMENT PROPOSED

Senator M.E. Vibert:

I will officially propose the adjournment if it helps, Sir.

The Bailiff:

Thank you very much. If Members agree we adjourn until 2.15 p.m.

LUNCHEON ADJOURNMENT

PUBLIC BUSINESS (continued...)

7. Budget 2007 (P.130/2006): Amendment (continued...)

The Bailiff:

It appears that too many took the Chief Minister's advice to go and have soup, not to return at the proper time. The amendment of Deputy Southern has been proposed. Senator Le Sueur.

6.1.2 Senator T.A. Le Sueur:

It may be the number of Members in the Chamber this afternoon signifies the view of the importance of this particular amendment. It does seem in recent years inevitable that whatever I propose in the budget, Deputy Southern will always find something that he wishes to amend. I do not object to that. I think it is right that we have an alternative view. However, I think in this case, the alternative view is not right. The Deputy suggests that we need to tweak the budget appropriately. Yes, maybe we need to tweak the budget. I do not believe that the measures he is proposing - both in this amendment and the second one - are particularly appropriate. Indeed, if I stray into the second amendment at some stages in my speech, Sir, it is because I think the argument is very similar for both amendments. The Deputy does not want to see income tax exemption consistently frozen, because that potentially increases the number of persons liable to income tax to rise to such a level that it might affect the least well-off. He is talking of maybe 300 to 500 additional households being brought into the tax net by fiscal drag. Much of the detail within his report is indeed correct and his amendment, indeed the whole basis of applying tax exemptions is that the people for whom these tax exemptions apply are those who are just on the borderline, or inside the tax net, paying tax - liable to tax - at the marginal rate of tax. I think the fundamental flaw with the Deputy's proposition is that he tries to equate those people at the margin of the income tax threshold with those people in relative poverty. I accept that it may appear perverse on one hand to tax people on low income and on the other hand to bring them within the band of income support. But that, however, is not what the Deputy's amendment would do. I emphasise that by asking you Members to look at my comments to his amendment. Members will see at the foot of page 2, top of page 3, that as a result of the introduction of the Income Tax Instalment Scheme, we now have a far more comprehensive taxpayer-base and I mentioned that this morning and the number of potential taxpayers has risen from about 50,000 to about 65,000 people. Of that 65,000 people, it is important to note that 36 per cent, nearly 24,000 people are currently not liable to income tax because of our current exemption limits, which I have referred to as being quite generous. I accept that by freezing tax exemptions at the current level, it will bring in maybe another 1,000 a year into that bracket, but I think at 36 per cent, we are being more than adequately generous. I know that sometimes I have been referred to as Scrooge, but I think that is hardly the case in this situation. Even if those extra 500 households do fall within the tax bracket, there will still be well over 30 per cent of the population who will still not be paying tax. Given that one of my fiscal objectives - one of the States' fiscal objectives - is to broaden the tax net, some might say I have not gone far enough, if we still have 30 per cent not paying income tax. I believe we have got a suitable balance here but the Deputy is getting over-excited in his ideas. Can I also remind Members that this amendment would reduce our income by £2 million a year next year and every year thereafter? That would be £2 million less to spend on university fees, or prisons, or housing, or whatever you want to spend it on. For what benefits? Who would benefit? For the answer to that one, I refer Members again to my comments on page 3. The people who would benefit are the 38 per cent middle-income people paying at the marginal rate of tax. Those are taxpayers, who in some cases have annual incomes of more than £60,000 a year. They are the people we will be helping as a result of this innocuous innocent sounding amendment of Deputy Southern. If the Deputy really wants to look after the interests of the less well-off, this is surely not the way to do it. He also sent around this morning a paper detailing - if I can find it - the income tax liabilities of people at minimum wage who I assume for purposes of calculation are working a 42 hour week and he suggests that at salaries of £11,000-£11,500 a year they start to come into the income tax net. Well, firstly, I think it is misleading to use the excuse of a minimum wage. I would hope that most employers on the Island would seek to pay at the above the minimum wage,

but anyway, be that as it may the Deputy has taken a figure of £11,000-odd, so this morning I asked the Comptroller of Income Tax to let me have the tax liability of a single person in Jersey with an income of £12,000 a year. There was a bit more, maybe he was just paying a bit more than the minimum wage, or maybe working a bit more than 42 hours a week. In Jersey, he would have a tax bill of £265, which seems a bit inconsistent with the figures that Deputy Southern has put forward and that is fine. Again, we have no disagreement there. I will just point out to the Deputy and to Members that if that person was in the Isle of Man, he would have a tax liability of £350 on the same income. If he was in Guernsey - which does not yet have a minimum wage I do not think - he would have a tax liability of £750. In the U.K. he would have a tax liability of well over £1,000. So, yes, in every jurisdiction people on £12,000 a year will start to come into the tax net. In Jersey they come in on a rather more generous basis than they do anywhere else in the world. Okay, maybe the costs of living is higher in Jersey than it is in the U.K., but on a straight comparison between Jersey and Guernsey, the Guernsey figure is £750 compared with £265 in Jersey. That ought to be sufficient to reassure the Deputy and Members that however burdensome our tax system may appear to be, compared with other comparable jurisdictions, people with lots of income are still - even with exemptions remaining frozen - significantly better off. There is also a second part to the Deputy's proposition suggesting that we reduce the transfer of the Strategic Reserve from £10 million to the slightly odd figure of £5.46 million. The reason he gives is that this will somehow give us a better balanced budget. The Deputy refers to table 4.1 and suggests that having in the first part of proposition increased the deficit from £3 million to £5 million, he can somehow make this deficit disappear by clawing it back off the Strategic Reserve. Can I remind the Deputy and can I remind Members that just what is implied by a transfer from the Consolidated Financial Strategic Reserve, or vice versa. The consolidated funds, as the Deputy says, is like money in our current account. The Strategic Reserve is like money in a long-term savings account. Putting less money on deposit and more money on current account does not make you any better off. It is like going to the sales and saying, "Look, because it was only half the price, I spent twice as much money, so I have done pretty well." It is not even as simple as that or as good as that. Whatever the merits of transferring £10 million, or whatever the figure might be, into the Strategic Reserve, it does not make us any better off. It does not alter the fact that we are spending more than we are receiving. It does not alter that deficit, but there are very good reasons for putting money into a Strategic Reserve. I mentioned them in my opening speech. I will mention them again when we come to the Stabilisation Fund and I say that because it is clear from all the analysis, that the Strategic Reserve is probably not yet large enough and we have the chance here with 2 additional windfall dividends, to put some money away. I spoke in my opening speech on the budget about the mistakes of the 1980s, where in a time of high economic growth, we drew down money from the Strategic Reserve and boosted-up our spending. Totally economically disastrous. No, what I am saying is if we have got some windfall money here, let us put it aside. What would you do if you were a prudent housewife, a prudent Constable, a prudent anybody? If you get a bit of windfall money, it is not an excuse necessarily to spend it, it is an excuse to say, "Well, that was a bit of luck. Let us put it aside in case I need it later." So I suggest to Members that the Deputy suggesting that now is not the time to put money away, is totally approaching this from the wrong end. To suggest that £5 million is somehow going to get a better result than £10 million, is window-dressing and has no real effect. So, I think if anything, the question Members might want to ask is rather than reduce the transfer to the Strategic Reserve, should we want to increase it and maybe we can in the future? For my part, I believe that the figure that I propose of £10 million is the correct one and I urge members to reject both parts of this amendment.

6.1.3 Deputy J.A. Martin:

At the beginning of Deputy Southern's speech, he said: "Do we really want to make lower income people worse off in Jersey?" Well, if anybody turns to page 22 of the budget proposals, the first paragraph does say exactly that: "...on the Comptroller's database who actually pay tax and

gradually widen the tax net. However, that still means that about a quarter of the Island's taxpayers are not liable to pay any income tax." And then we have heard from the Treasury Minister, Sir, that there are about 24,000 people who do not pay any tax still. Then we heard about the differences again between Guernsey, the U.K. and the Isle of Man. I will not speak for Guernsey. There is not that much difference there. The Isle of Man and the U.K. cost of living is so much different. You talk about £12,000 for a single earner in Jersey. They are probably having to pay rent, Sir - a one bedroom flat if they are not with their parents any more and they are not entitled to any rebate until they are 25 - of a minimum, if you look around, of between £120-£150 per week; then they have to feed and clothe their self and their tax is going up. Again, Sir, on the same page - page 22 - even despite assurances from our Social Security Minister, we are targeting the married couple age 65 plus to another £510 this year if we do not go with Deputy Southern's amendment which, as Deputy Southern said, it is only 2 amendments and this time he wants to win one. I know with - I call it - a pre-conservative main government of Ministers in the House. There are a few of us that have moved on since 1945, but not many, Sir. I really do not believe that he will win this, but I would like to point out a few facts, Sir, which does stick in the working class person and the minimum wage. Income tax receipts from 1999 were £324 million. They are expected to be £385 million next year. Now, where it really does stick in people's craws, Sir, and we know - and I am not stupid enough to know we do not have to compete with the finance industry - but are we getting any of the wedge? There is £179.7 billion in banks and trusts deposited in Jersey and I have had an argument - well, a debate, Sir - over the lunchtime. What is a billion? Is it a 1,000 million, or is it a million million? Give an even one: I will work on the 1,000 million. Our tax receipts are not even a third of one of those £179 million in reserve for very rich people and this is why we are moving all our tax bases, Sir, and this is why the people on the lower incomes are fed up. I think we should all think about this. You are taking from the poor. You are trying to spread it out and we are attracting very rich people who deposit their money quite legally, but we are not getting enough of it, Sir. I always remember when I very first joined the States; I may not have been in here. Senator Syvret said, "We get what is left after the seagulls have been round the table." We have probably got as much of the pigeon as the pigeon and pumpkin soup that was in the Square this afternoon, but we are not getting enough and if this is the only way we can operate in a finance sector and compete, do not ask me and the people who have a moral and social conscience to take it from the poor of the Island and spread - in their own words - the net wider to take in the elderly, the young and the people who are on low incomes. We already had 7,000 families living on benefits in this Island. It is nothing to be proud of when we have got that amount of money, Sir, in our banks. Thank you.

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

Well, I am looking at the figures supplied by Deputy Southern. I must say that I am very unhappy. There is an increase from zero taxation in 2004 for those on minimum wage to £183 in 2007. These are people who in 2004 were not being taxed at all and the tax is very, very small for 2005. That is a massive leap to £113 and then in 2007 to £183 for people who are still, at that stage, on minimum wage. As the previous speaker said and I am not copying her - well, I may be copying her, but I made notes before she spoke and I feel very strongly about this. We keep comparing jurisdictions, but there not jurisdictions like other jurisdictions. When we were talking about Jersey, where the cost of living for basic foods and virtually everything else is far higher, far more expensive than the U.K., from France. I would say we are living in one of the most high cost jurisdictions that we can mention, so I do not think we can compare. It is like apples and pears. So I would like to support part (a), which is effectively implementing this year what the Minister of Treasury and Resources proposes to do for the next 3 years after, so I cannot understand why it is so awful - this amendment now - but it will be all right in 2007 and 2008. Why would it be all right then but not now? Regarding part (b), I do agree with the Minister of Treasury and Resources that we should put away as much money as we possibly can into the Strategic Reserve. That is fine,

that is sense. That is just financial prudence but I still say that we should not be doing that at the expense of the people who are in receipt of minimum wage. Thank you, Sir.

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

It probably will not come as any great surprise but I will not be supporting any of the amendments being made to the budget by Deputy Southern and I will just be speaking to each one in turn. This first amendment seeks to increase all income tax exemptions by 2.5 per cent for the year assessment of 2006. I fully admit, I thought: “Yippee. For once I am going to be voting to reduce my own tax liability rather than forever putting it up”, which is what I seem to be doing in the last 2 years rebates we have had on fiscal strategies. I think, Sir, that is the key point. The proposer tries to make this proposition seem very plausible and argues that his sole intention is to assist those whom he defines as being in poverty, or relative poverty. I think the Minister for Treasury and Resources has already expressed the view that this is a rather emotional argument. It does question whether the maximum gain of £138 a year, arising from this, will properly benefit those that the Deputy claims to be seeking to assist, as opposed to just slightly reducing the tax bill on taxpayers in the marginal relief band as a whole. While these can potentially be at the lower end, it will also assist those with incomes of more than £60,000. We have also heard the comparisons of earnings with other jurisdictions and particularly of Guernsey. I think what we should also note is Deputy Southern is basically wanting to spend approximately £10 million over 5 years. Bear in mind this amendment effectively goes beyond that period of time, therefore when the Deputy claims that he has balanced the budget, well, he has basically spent £5 million. I think I would like to take a slightly different tack anyway, Sir, because we can argue the detail and potentially lose sight of what this is all about. We do have a fiscal strategy. We know that the impact of “Zero 10 will be significant upon our revenue forecasts and while we believe those forecasts are reasonably accurate, the key date is still 3 years away. It is only really then, in 2010 and 2011, we will finally know what the exact impact is going to be. Now, is not the time to be cutting out income by over £2 million per year, certainly not in this way and do not forget, it is £2 million per year, thus the reduction again of the Strategic Reserve is really just a fig leaf to make it appear that the proposition is financially prudent and balanced. It is not going to produce a better balanced budget and by effectively removing a constant £2.2 million a year from our bottom line, it will throw-up some problems for the future. Sir, I will not be supporting this amendment.

The Bailiff:

I call upon Deputy Southern to reply.

6.1.6 Deputy G.P. Southern:

Well, short and sweet, Sir. Probably the shortest budget amendment debate ever had in this House and the Members ought to be congratulated for that. However, I would like to deal briefly with the comments that were made. Oh, yes, by referring to Senator Le Sueur, who is saying that I am giving away £2.2 million and that this is money that could be spent on prisons, that could be spent on hospitals, that could be spent on whatever, to which I have to point the Minister to his own bottom line where he has between £35 million and £111 million in the Consolidated Fund in the next 5 years. So, to make the comparison and say this £2.2 million will not go to hospitals, will not arrive at our prisons and not spent on the right things, does not mean to say that we could not find a way to deliver those very necessary spendings, because our Consolidated Fund balance is positive all the way through the predicted period, even with my amendment. The Minister also, as he often does, made the completely absolutely spurious comparison with other places. May I remind him that he is the Treasury and Resources Minister for Jersey and it is his duty to tax Jersey people in a fair and equitable manner and not to compare them with Guernsey and certainly not to suggest that we should make Jersey people as badly off as the poorly paid in Guernsey. That is no solution at all and the comparison is quite frankly completely and utterly spurious. He then says: “Why am I

proposing not to lock away £10 million worth of possible spending, why do I insist on that?" I insist on it, Sir, because if I was running a deficit at the moment - albeit £3 million or £5 million - I would not be taking money out of my current account and locking it away. Quite simply, I would be saying: "No, I think I may need that. I had better keep it in my Consolidated Fund" and that is all I am trying to do; a very simple thing to do. I thank Deputy Martin for her remarks, apart from saying she does not think I am going to win this debate **[Laughter]** and I remind her, please do not get into the habit of Deputy Le Claire who often used to say that. Lose your own debates, Deputy Martin; do not lose mine for me before I have gone to the vote. **[Interruption]** Deputy Scott Warren was generally in favour apart from the second part where she believes we should be putting away money into the Rainy Day Fund. I would argue with her that that is not the appropriate thing to do at this stage. Deputy Le Fondré: yes, and it comes as no surprise that he could not find his way to support... I doubt if he would support anything that I brought to this House. But he said that my sole intention was to talk of poverty. No, I have said, quite frankly, the money that this attempts to give back to taxpayers will affect those middle earners higher up the scale, but not to the same extent. Not to the same vital extent in which it makes a difference to those at the bottom end, whereas, in fact, it may well double their tax bill next year. They will be proportionately less affected. The issue here is a simple one: do Members really want to gain this £2.2 million extra largely from people who are paying very little tax by charging those people - just into tax - an extra £74 in taxation? If Members do wish to do that then by all means vote against my proposition. If you do not wish to do that - and I urge you not to - please vote for this proposition. I maintain the proposition and call for the appel, Sir.

The Bailiff:

I ask all Members who wish to vote on the amendment to return to their seats.

Deputy S. Power:

Can I seek clarification: is Deputy Southern asking for this to be taken in 2 parts?

The Bailiff:

No, I think it is a vote on the amendment as a whole, Deputy. So I ask the Greffier to open the voting.

POUR: 10		CONTRE: 35		ABSTAIN: 0
Connétable of Grouville		Senator L. Norman		
Deputy A. Breckon (S)		Senator F.H. Walker		
Deputy P.N. Troy (B)		Senator T.A. Le Sueur		
Deputy C.J. Scott Warren (S)		Senator P.F. Routier		
Deputy J.A. Martin (H)		Senator M.E. Vibert		
Deputy G.P. Southern (H)		Senator P.F.C. Ozouf		
Deputy J.A. Hilton (H)		Senator T.J. Le Main		
Deputy S.S.P.A. Power (B)		Senator B.E. Shenton		
Deputy S. Pitman (H)		Senator F.E. Cohen		

Deputy K.C. Lewis (S)		Senator J.L. Perchard		
		Connétable of St. Ouen		
		Connétable of St. Mary		
		Connétable of St. Peter		
		Connétable of St. Clement		
		Connétable of Trinity		
		Connétable of St. Lawrence		
		Connétable of St. John		
		Connétable of St. Martin		
		Deputy R.C. Duhamel (S)		
		Deputy of St. Martin		
		Deputy R.G. Le Hérisier (S)		
		Deputy J.B. Fox (H)		
		Deputy S.C. Ferguson (B)		
		Deputy of St. Ouen		
		Deputy P.J.D. Ryan (H)		
		Deputy of Grouville		
		Deputy of St. Peter		
		Deputy G.W.J. de Faye (H)		
		Deputy J.A.N. Le Fondré (L)		
		Deputy D.W. Mezbourian (L)		
		Deputy of Trinity		
		Deputy A.J.H. Maclean (H)		
		Deputy of St. John		
		Deputy I.J. Gorst (C)		
		Deputy of St. Mary		

6.2 Budget 2007 (P.130/2006): Amendment 2

The Bailiff:

We come now to the second amendment in the name of Deputy Southern, and I ask the Greffier to read the amendment.

The Greffier of the States:

At the end of paragraph (a) after the words “as set out in the budget statement” insert the words: “except all income tax exemptions for the year of assessment 2007 shall be increased by 3.6 per cent, being the retail prices indexed in September 2006 instead of the 2.5 per cent increase proposed by the Minister in the budget statement.”

6.2.1 Deputy G.P. Southern:

To try to be even briefer than I was this morning - not to add some pressure argument, perhaps, to the debate. The important point here is that I believe that the Treasury and Resources Minister has come some way towards meeting my objection to what he does annually with his tax bill, which is to use fiscal drag as a form of stealth tax whereby by doing nothing he gains additional taxation from additional less well-off people. He has come some way in settling for 2007 through until 2009 that he can afford some indexation on the exemptions such that he does not use fiscal drag to target quite as many people as he might otherwise. All I ask in this amendment is that in the first year, 2007, we accept the R.P.I. that we already know, the nearest one to 2007, which stands at 3.6 per cent, in order to ensure that no element of fiscal drag takes place, so that as people's income rises: whether it is the minimum wage; whether it is because of benefits; or whether it is because of wage increase, that as far as possible we index the exemptions so that we do not suck-in these extra low-paid workers into the tax net. As I say, the Minister appears to have gone halfway to that stage, but my feeling is that by setting the indexation at the target for inflation, I believe he is still missing the point. We have already seen the R.P.I. going up to the 3.6 per cent September figure this year. I do not know what it is going to hit come December, but we can see already that the inflationary trend is built into the system, I think. We have seen house prices rising, we certainly know about oil price rises, and fuel price rises that are locked into the system and will kick in as we go through the coming months. It seems to me that we are due for a period - whether it is long or short - of rising inflation. If that happens, then that 2.5 per cent indexation will not be sufficient. Maybe we will not be sucking-in an extra 500 households; maybe we will reduce that to something like 200. It will be ameliorated but it will not be eliminated. I think for 2007 we should set a rate which we do know about - 3.6 per cent - as the nearest figure to 2007's earnings and thereby make sure that this cushion is there in place for the people I am trying to target. Obviously, at some stage, I would be returning - should the House agree to this - to do the same thing later on so that we accurately respond to actual inflation and not to theoretical target inflation, and thereby ensure that we do not keep on using this fiscal drag mechanism to target people who, I believe, we should not be targeting. Thank you, Sir.

The Bailiff:

Is the amendment seconded. [**Seconded**] Does any Member wish to speak?

6.2.2 Senator T.A. Le Sueur:

Yes, although in rising, I do not know what else I can really add to what I said in the previous amendment. Once again, as my comments show, this really affects those people in the middle-income bracket who are on a marginal rate of tax; those people at varying degrees of income up to £60,000 or more. But I appreciate that this particular amendment does not affect the budget figures for this year. Indeed, Members may be wondering why we are having this particular amendment at

this particular time. It strikes me that the only reason I can think of is that it is a last-ditch attempt to undermine the ‘20 means 20’ proposals that we agreed only a few months ago. Members may recall that the purpose of that ‘20 means 20’ proposal was ultimately to raise £10 million a year from those on the highest incomes. Those taxpayers, by and large, would be those paying a huge rate of tax at 20 per cent rather than the marginal rate. In that debate earlier in the year, I proposed to raise a gross sum of something like £17 million from those top income people, and to give back something like £7 million to those at the bottom end by raising the tax threshold for 3 years at 2½ per cent a year. The Deputy, in this amendment, is clearly not satisfied with that: he wants to go a bit further. He suggests that we raise the tax thresholds to 3.6 per cent rather than the 2.5 per cent I was proposing, rather than the 2.5 per cent which the House has already agreed, and a sum which will reduce the yield by about £1 million a year. To put it another way, he is suggesting that instead of the ‘20 means 20’ proposals raising £10 million a year, ultimately, he suggests that we could expect something rather less. He does not suggest where the extra money might come from. Perhaps he just hopes that in the fullness of time my estimates will be wrong and it will come back to £10 million anyway. Well, maybe he will be right; maybe not. But even if he was right - and I certainly have no evidence at the moment to suggest it - I would prefer to wait and see and get the money in before I decided that we could afford to spend it. The Deputy, on the other hand, is committing us to a reduction of £1 million a year before we have even received the first penny in. That does not strike me as being good financial discipline. It does not strike me as what we agreed in the summer. I urge that Members who supported the proposals in the summer - just as they did for the last amendment - to reject this amendment also.

The Bailiff:

I call upon Deputy Southern to reply.

6.2.3 Deputy G.P. Southern:

Once again, the House has broken a record of the shortest debate on a budget amendment: twice in the same day; the same afternoon even. It seems to me that Senator Le Sueur employs a wonderful argument here. Here he is, he said: “What I intended to do when I devised my [I shall call it crazy - that is being polite] crazy ‘20 means 20’ complex scheme for getting £10 million out of higher rate taxpayers, I got my sums completely wrong, so that I found I was raising £17 million from them. Oops, I thought that is a bit unfair. I will have to give some of it back. But I shall give it back in the way that Deputy Southern keeps banging on about to me. I will put it into exemptions, because that will take it from there and take it down to those lower and middle-earners.” Which is highly commendable, and yet not unconnected, perhaps, with the risk that having looked at the original ‘20 means 20’, people quite rightly threw their hands up in the air and said: “That is absolutely swingeing. What are you trying to do?” and the possible thought that the Minister thought: “I might not get this through. The Members of the House might throw this out, because it does look pretty tough. So, what I will do, I will water-down my proposals and give some of it back.” However, the Minister sticks ruggedly to his principle that he will employ fiscal drag to drag in more and more taxpayers into his system and he has not given it an inch on that despite my foolish misapprehension that he was coming on to my ground. I am aware of his opposition to the abandonment of this stealth tax of fiscal drag. However, I maintain my proposition and, once again, call for the appel.

The Bailiff:

I ask Members who wish to vote to return to their seats. I ask the Greffier to open the voting which is for or against the second amendment of Deputy Southern.

POUR: 5	CONTRE: 38	ABSTAIN: 0
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Deputy A. Breckon (S)		Senator F.H. Walker		
Deputy C.J. Scott Warren (S)		Senator T.A. Le Sueur		
Deputy J.A. Martin (H)		Senator P.F. Routier		
Deputy G.P. Southern (H)		Senator M.E. Vibert		
Deputy S. Pitman (H)		Senator P.F.C. Ozouf		
		Senator T.J. Le Main		
		Senator B.E. Shenton		
		Senator F.E. Cohen		
		Senator J.L. Perchard		
		Connétable of St. Ouen		
		Connétable of St. Mary		
		Connétable of St. Peter		
		Connétable of St. Clement		
		Connétable of Trinity		
		Connétable of St. Lawrence		
		Connétable of Grouville		
		Connétable of St. John		
		Connétable of St. Martin		
		Deputy R.C. Duhamel (S)		
		Deputy of St. Martin		
		Deputy P.N. Troy (B)		
		Deputy R.G. Le Hérissier (S)		
		Deputy S.C. Ferguson (B)		
		Deputy of St. Ouen		
		Deputy P.J.D. Ryan (H)		
		Deputy of Grouville		
		Deputy of St. Peter		

		Deputy J.A. Hilton (H)		
		Deputy G.W.J. de Faye (H)		
		Deputy J.A.N. Le Fondré (L)		
		Deputy D.W. Mezbourian (L)		
		Deputy of Trinity		
		Deputy S.S.P.A. Power (B)		
		Deputy A.J.H. Maclean (H)		
		Deputy K.C. Lewis (S)		
		Deputy of St. John		
		Deputy I.J. Gorst (C)		
		Deputy of St. Mary		

6.3 Budget 2007 (P.130/2006): second amendment (P.130/2006 Amd.(2))

The Bailiff:

The debate now returns to the proposition of the Minister for Treasury and Resources. If no Member wishes to speak...

6.3.1 Deputy P.J.D. Ryan of St. Helier:

I will not be long. Some Members - and members of my family, in fact - accuse me of being a perfectionist, and they are probably right. It is either a trait which is a good one or a bad one. I am not sure which, but in this particular instance before I get on to talking about some of the things that I agree with in the Minister's budget, I would just like to talk about one little thing that I do not think is quite right, although I do detect that there is some movement. The Minister, in the past, has often referred to balancing budgets over a 5-year economic cycle. But I noticed recently that he is now talking about a 5-year planning cycle, and those are 2 completely different things. He is even referring to possible structural deficits after 2011. This possible future scenario - if I were to be a perfectionist over this budget - remains a major concern to me. Turning to the Stabilisation Fund for a moment, in particular, page 3 of the review of the Economic Adviser clearly shows that the last economic cycle has lasted for at least 7 or 8 years, and that we are currently in the growth portion of the economic cycle. So, I am therefore very happy to hear the Minister say that he believes that the new Stabilisation Fund will need further funds transferred to it while the economy remains in growth. I repeat my words from a previous debate: the deliberate running of fiscal services in times of growth and resisting the temptation to spend the extra money is the next real political challenge that faces the Members of this Assembly leading up to the next elections in 2008. Although I hope we will have learned the lessons of the past - the Minister referred to this - the political pressure and temptation to spend will, in all likelihood, be significant and will not be a popular thing. Make no mistake: this will not be a popular thing for this Assembly to resist. But resist it we must, in the long-term interests of the Island. So, the Minister will certainly have my support, and I believe the support of the Corporate Services Scrutiny Panel, over spending restraint certainly while I remain its Chairman, anyway - over the next coming years. So now to the things

which I can congratulate the Minister on wholeheartedly: we have a Stabilisation Fund. I think that is a very good move. We have some sensible G.S.T. exemptions in place, although, for my own part - on a personal level - I would have preferred zero-rating of food. I think Members are well aware of that. We shall see what the future brings over the zero-rating of food, possibly if G.S.T. rates have to rise. We have 'Zero/10' changes; the Regulation of Undertakings licences have been scrapped. Excellent. We all knew that that was a bit of a problem and I congratulate him on that one. We have had things like deemed distribution scrapped from the 'Zero/10' proposals. Again, excellent. I am very, very pleased and would congratulate the Minister on what is a slight change, I think - an increasing trend - in politics in Jersey, in that fiscal strategy is becoming much more the domain of the States as a whole. The Minister is listening much more than perhaps past Presidents of the Finance and Economics Committee have done. The Minister is listening much more to the views and the consensus views of the Assembly when it comes to making fiscal policy, and there are more things to come. Things like environmental taxes and other things that he is also on record as looking at. So, overall, Sir - as I say, I did not want to make a long speech, and I am not going to - I am going to congratulate the Minister on an excellent budget, and congratulate him on his ability to listen to consensus politics. Once more, well done, and hopefully we will have some more of this to come in future years. Thank you, Sir.

6.3.2 Senator F.H. Walker:

This House, and I would say the Island, is blessed with a very prudent Chancellor. **[Interruption]** A Chancellor who does not know how to sing his praises and will always tend to understate good news rather than risk any charge of exaggeration and that is to be hugely applauded and hugely admired. So I think we ought to look at the background, and I think, if I may say so, others outside this House - not least the media - should look at the background to this budget. We have come through a very difficult financial and economic time in the history of Jersey. We have States' expenditure rising faster than it should and with the economy bumping along pretty well in stagnation. We have tackled that, and at the same time we have engaged in an absolutely massive overhaul of our fiscal strategy: incredibly difficult times; incredibly difficult balances for any Chancellor - for, indeed, any government - to emerge from in a positive position. Yet, just let me recap what we have heard today and what we have read in the budget document. The economy last year grew, in real terms, by 2.8 per cent. We have the best economic prospects for many years. That is all sectors. It is not just the finance industry: that is across all sectors. Indeed, the growth in non-finance industry sectors has been stronger than it has been in the finance industry, so it is a well-balanced position as well as a very healthy position. Our tax receipts are up and expected to continue to grow for the foreseeable future. Inflation is well below the levels that we suffered from for too long, not so many years ago, although the interest rate changes announced by the Bank of England will have an impact on inflation over the next year or 2. But where we can control it; we are on top of inflation to the extent probably we have never been before. Employment is up, and that is all down to local people, and it is all in the private sector. Employment in the public sector, although marginally, is down. The thresholds are going up. We have agreed - or the Treasury Minister has agreed - exemptions to G.S.T. and extended the exemptions to G.S.T. to include, not just medical services, but some medical products. We have amendments to the original '20 means 20' proposals which means their impact is far reduced on those who will be paying higher rates of tax. Yet, at the same time, we have invested considerable additional sums in health, education and other social services and found the money to invest - not before time - in our housing stock, our roads, our sewers, our sea walls. In other words, our infrastructure, generally. We have done that with only 17 per cent of our population paying tax at the full rate. Now any other government; any other Chancellor would be shouting that from the rooftops because it is an incredible economic and fiscal achievement against a very, very difficult background. In addition to that we are transferring funds to our Strategic Reserve, unlike, it has to be said, Guernsey, who are going to end up halving their Strategic Reserve, and we are setting-up a Stabilisation Fund in the process. Clear indications - if ever there were clear indications - that the Treasury Minister's, and I would say, of

course, the Council of Ministers' policies are working. Most other governments, including Gordon Brown in the U.K., would give their right arm for that sort of budget. Now, we must not get carried away. I absolutely agree with the Treasury and Resources Minister: we must not get carried away and say: "All is well. Now we can spend and spend and spend." That would completely undermine the very hard work and the achievements that we are seeing before us today in this budget. We do have hard work - continuing hard work - to maintain the brake on our spending, to maintain the brake on inflation, and, of course, to continue to see the sort of economic growth and the employment prospects for young people maintained, and, indeed, developed. But, Sir, I unashamedly warmly congratulate Senator Le Sueur, the Treasury and Resources Minister, on what I consider to be a quite excellent budget created against the most difficult fiscal background, and, in some cases, one of the most difficult economic backgrounds that the Island has ever seen. An achievement, indeed, which should be recognised both within this House and further afield throughout the Island.

6.3.4 Deputy J.A. Martin:

Yes, basically, it is just a couple of questions for the Treasury Minister. On page 22 in the Child Allowance Higher Education it states that the allowance will be £5,000. Could he confirm that this is mainly for off-Island? I have had a word with his officers and they said, I think - I am talking about people taking a 2-year course up at Highlands in childcare or catering or construction - they will only be given the £2,500. Could he confirm that for me? Secondly, I did ask this question of the Minister when he kindly gave us a budget review, it seems a few weeks ago - it might have been longer - about setting-up the independent Fiscal Policy Panel. Off the top of my head, obviously, the question I asked is the question I ask now: what would this cost us? I think, and I may have remembered it wrong, the Minister told us it could be within the region of between £30,000 to £50,000 - and he is nodding at me, Sir. But from what he was quoting, I mean, ex-bank people from London, economists, I do not think we will get many really good independent Fiscal Policy Panels to sit and give us really good independent fiscal advice for that sort of money. Maybe I am being cynical, Sir, but I do believe if you pay peanuts, you get the proverbial monkey. Sir, my second question on that is if we are to have this independent panel and they are going to publish a fiscal policy outlining current States' future trends of the Island and economy, and a report with recommendations based on economic appraisals, who is leading the Civil Service? Who is already doing this job for Jersey? Because if we are going to have this panel, which I do not think will come cheap - we may need it - but I really would like that question answered. Just finally, Sir, I recognise that the Chief Minister must stand up and tell us that it is all good news; the budget is brilliant. But, please, remember, I am quoting the Statistics Unit - which is based, but independent, in the Chief Officer's Department - that we are raising this money. We have gone to all these measures because we are going to lose £80 million to £100 million - we all know that - in the next few years because of the move to 'Zero/10.' We have come up with some very unpopular... well, the Minister has, I have probably voted for all the amendments against the thing with my conscience. But I would just like to amend... I quoted the figure, Sir, before that we have a £179 billion in bank deposits: I forgot to mention the £122 billion in trust funds. So we have £300 billion sitting in our banks. So can you not be surprised? What is that? I am not an economist. Maybe the fiscal panel could tell me what percentage is £365 million of £300 billion, and what is a billion: a thousand million or a million million, Sir? On that note, Sir, I think the figures can talk for themselves. They normally do and often they lie. Thank you, Sir.

6.3.5 The Deputy of St. John:

The Treasury Minister, I think, should be, as the Chief Minister has suggested, very much commended for this budget. The consultation process that he referred to was, perhaps, the biggest consultation process the Island has ever seen. I was part of that, wearing another hat in another life. I was impressed by that, and I think we achieved a lot from it. He listened; he made a number of amendments, sensible amendments along the way. I was an ardent opponent to '20 means 20.' I

even found myself on a local T.V. programme in a T.V. studio sitting next to Deputy Southern, and agreeing with him on something [Laughter] and I have to say it does happen, Deputy. We spoke on that particular subject and had some consensus. The Treasury Minister then listened and a period of consultation carried on for another year, and he made some appropriate amendments. I think now that particular element is somewhat more palatable. I do, however, still have one minor concern, and that is that we are perhaps still not incentivising people enough to save. Although I am pleased to see that there is a contingency there for £1,000-worth of life insurance to be exempt, I am not sure that this goes in far enough. I think we should be encouraging people to save far more, and I would be very interested to know what the Minister proposes to do, perhaps in the future, with regard to encouraging people to save. There are a number of schemes that the U.K. Government have invented over the years which do precisely that. I do not see the States of Jersey inventing anything at the moment. Perhaps that is too big a task for our Treasury, so perhaps we could outsource it. I do believe we should be encouraging our residents to save more prudently for their future, so they are not a burden on society in the future. We should provide the environment so they can do that better. So I would like to know whether the Minister has any plans to do something about that in the future. However, we should be justly proud of our Treasury and Resources Minister. He is, in fact, I believe, our very own light touch Scrooge. Thank you, Sir.

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

I would like to agree with Senator Walker that the Island is poised for better times ahead. Certainly, economic growth can be achieved and Senator Le Sueur has succeeded in walking the fiscal tightrope. Businesses have been through a very difficult period, especially considering fears of taxation and over-taxation for businesses. But now there is a renewed confidence coming forward from some of our business sectors. Primarily, I think that is happening because the uncertainty has been taken out of the equation. There has been a great deal of uncertainty over the last 2 or 3 years for the business community, and even for the general public. Businesses can prosper when in a stable economy. It was the uncertainty of the tax proposals and the impact of tax proposals that was causing ripples at the edge of our pond. I really do feel that Senator Le Sueur should be congratulated and we should all give his budget our full support, because he has steered us through a very difficult period. Congratulations, Senator Le Sueur.

6.3.7 Deputy C.J. Scott Warren:

Well, I also would like to say that I think the Minister of Treasury and Resources is both prudent and - it has been said by several speakers, including the Chief Minister I believe, or words to this effect - that he is cautious. As was said in the amendments, I would still like to say that I am concerned about imposing too high a tax bill - be it even under £200 - on those who will then have difficulty. This may seem incredible for the bulk of this House, where there are a lot of fairly affluent Members, but I do feel that some people will have difficulty making ends meet. I would like to ask the Minister: does this mean by this fiscal drag - the term Deputy Southern uses - that we will be taking from some people a minimum wage with one hand, and then giving it back to them through the Low Income Support Scheme with the other? Is this sort of to make the books look good? So, I would like clarification on that. I also note the £200 stamp duty; the new section for planning appeals. I have always believed that a small fee is right for people wishing to make an appeal provided it is not - and in maybe a few cases it could be - prohibitive. Thank you, Sir.

6.3.8 Senator P.F.C. Ozouf:

As Members will know the Council of Ministers were with our Guernsey counterparts a week ago last Friday. It is always interesting to go over to Guernsey, and I always look with great interest as to the coverage in the Guernsey press of what is going on in our sister Island States. The day on which we were there was the day on which the Treasury Minister of Guernsey lodged his budget. It was quickly speed-read by a few of us, including the Guernsey press article. The Guernsey press front page was: "Good News Budget." Today, I see that our own media has dubbed the Treasury

Minister's budget: "Pain Before Gain." Now it is not for the Economic Development Minister of Jersey to comment on the Guernsey Budget and to tell Guernsey how to run their affairs. What I would say, and would encourage Members of this Assembly, is to have a look at the Guernsey budget and to have a look at exactly how Guernsey is dealing with some of the challenges which are common to both jurisdictions. The Chief Minister has said, quite rightly, that by - I think it is - 2012, Guernsey will have run-down their savings from current levels of about £200 million down to approximately £100 million. In comparison, what our Treasury Minister is proposing is maintenance of our Strategic Reserve; further investments in a Stabilisation Fund, which I calculate, if you take a conservative value - because, of course, Guernsey do not own Guernsey Telecom any more; that was sold - that we will have approximately, I hope, £600 million to £700 million in our reserves, other things remaining equal, by the period 2012. Yes, there are some concerns about a structural deficit that we need to ensure that the economy grows, but I believe that the *J.E.P.* have it absolutely right: that there is some pain, which has been well-discussed, well-debated in this Assembly over the lifetime of this Assembly and the previous Assembly, and that we have made the right decisions. I say that because my job as Economic Development Minister is effectively to try and achieve 2 things: to try and ensure that the Treasury Minister has enough revenue as a result of the growing economy to be able to invest in public services and to put that money in the Stabilisation Fund to the extent that he can collect tax over the next few years, and continue to do so. Also to ensure that as far as possible - and he dwelt on this in his speech, and he is absolutely right, in my opinion, to do so - that we learn the lessons of the past. Jersey has had a charmed existence in terms of economic prosperity. But the lesson that we must learn from the past is that when economic prosperity has been in Jersey, it has been to a large extent eroded by the cancer of inflation. In fact, I am probably more optimistic about our economic growth potential than I would have been 12 months ago. I can tell Members that as far as the responsibilities we have at Economic Development - jointly now with the Chief Minister's Department and the Housing Department - things are looking good in terms of new job opportunities and the growth of the financial services sector. In the last 2 weeks, we have granted new licences for 2 new banks. We have granted the setting-up of a number of new trust funds. We are hearing new business arriving in the Island from high net worth individuals and family office functions. In fact, all of our major players in the finance industry are showing high levels of increased growth; indeed - some of them - double-digit growth. This is good news. As I had a conversation with one of our leading financial players over the weekend: they are extremely pleased with the responsible attitude that this Assembly has taken in setting out a clear, responsible, prudent, balanced budget approach for Jersey. We are paying, and we are getting, slowly, the dividends from that approach. We can go out to international banks; to the international community, and say that we have plans to deal with the consequences of the black hole which has been discussed. From our point of view, that gives a great marketing opportunity for Jersey. But, in fact, because of the fact that economic growth appears to be almost surpassing some of our objectives in some ways, it does mean that that second element of the responsibilities we have is even more important to focus on. Certainly, from Economic Development's point of view, we are going to have to, in the next 12 months, work even harder at dealing with the unintended consequences of the economic prosperity that I think is going to be coming. That is something which is going to require more attention. I am just going to say a couple of things - I will not repeat why I think it matters - in terms of, for example, the job market, we are seeing an effervescence in terms of potential wage inflation. We are seeing potential of, effectively, the merry-go-round because there are more jobs around. That means that it is going to be even more important for the Education Minister and myself in order to work on the whole issue of skills. On the supply side it is going to mean that we are going to have to get on with implementing our retail strategy. I remain of the view that as far as retail prices are concerned - and there have been some interesting comments in the *J.E.P.* about the real reasons behind R.P.I., and I will come on to house prices in a minute - the retail strategy, which should deliver, in my opinion, a third operator to ensure competition in our retail market, is absolutely vital. The supply side of the economy matters, and I am going to be focussing even more attention on ensuring the

competitiveness of our retail markets to ensure that the pound in people's pockets can go as far as possible; that it is not eroded by increased inflation. I believe that the investment that we make in the J.C.R.A. is absolutely vital and a tough competition regime is absolutely vital in order to achieve that. In terms of housing, there have been some comments in the media about the concern of rising house prices. I will be honest to Members and say that in my view the house market is at the top end of where we would like to see it. That is why the Planning Minister today, in his lodging of his report for planning for homes -- it is an absolutely vital report. We need to ensure that there is sufficient supply in order to ensure that we do not see a return to double-digit and higher house price inflation which will, again, erode the good that we are creating in terms of economic growth. Now I happen to believe that the policies of the Council of Ministers has, in relation to the Waterfront east of Albert, Edaw can deliver that without us concreting over large areas of the countryside. I believe the fuel for economic growth can be, to a great extent, taken from the policies that we are looking at - particularly St. Helier - and making St. Helier a much better and a great place to live for certainly the expansion in the areas that we need to see. So this Assembly has taken some difficult decisions. I am confident that those difficult decisions will reap the rewards that the *J.E.P.* says it is pain before gain. But it is worth it; it is a prudent budget; it is a budget that can stand up to the scrutiny of the international community, and I congratulate the Treasury Minister on his prudent, but optimistic, future for this Island's economy.

6.3.9 Deputy G.P. Southern:

The *J.E.P.* is indeed correct when it focuses on the pain before the gain, and the Treasury and Resources Minister is indeed to be congratulated on producing this budget. He is to be congratulated for producing it outside of an election year, because he knows, as well as I do, what the figures in the financial forecast mean, and where the money is coming from, and, in particular, when it is coming. So, for example, here we are still in 2006 and the Minister has persuaded Members to cause this fiscal drag to introduce between £70 and £140 additional tax on relatively low earners; and, indeed, that is for starters and that is in 2007. We also have G.S.T. due to kick-in in 2008. I remind Members of the figures that we debated in the last month over the impact of G.S.T.: a minimum of £286 on the lowest earning families additional tax when G.S.T. is in place. So that is the lowest quintile stretching to a £1,000-plus additional tax on families in the topmost quintile. So, that is 2008: the first tranche between £280 and £1,000-plus additional tax for every family on the Island. We also have, at last, a sight over the horizon of '20 means 20' whereby the income tax allowances are being reduced by their first tranche for the year assessment 2007, which means the year of payment 2008. Looking down the list, on page 22, I think - just roughly adding up - I see some £5,500 worth of reduction in that first tranche. So if you were benefiting from every one of those allowances, you would be paying another £1,100 tax in 2008 on top of whatever extra tax you are paying in G.S.T., and that will kick-in in 2008. So, bear in mind, Members, 2008 will be an election year and people will be hurting in that election year, and they will be hurting quite seriously, and they will realise at last, I think, what the full impact of what these measures mean. I remind you what these measures mean because further down the line as we look along table 4.1 and see the black hole for 'Zero/10' proposals kicking-in, and we see deficit budgets which we dare not even turn the page and look into 2012-13 for fear of what we might see there. So we are looking for extremes of pain. I am not sure that I see where the gain is when I look at those figures. So, the impact of this budget will be serious, indeed, and we can expect people on the Island to be responding to that in a serious manner come 2008 when they finally realise just what impact... what it means to transfer our income source from business to individuals, because that is what we are doing. The impact is going to be serious indeed. We shall see people starting to hurt and responding appropriately, I hope, in 2008.

6.3.10 Senator J.L. Perchard:

Just a short question, Sir. I, too, endorse the Minister's commitment to produce balanced budgets, and I recognise the requirement, Sir, for strict financial discipline and controls on spending.

However, my question is quite a simple one, really, and it is the one about process and privatisation for the financing of Strategic Plan initiatives. I have, as Members will know, a passion to see the rehabilitation and vocational training and education of prisoners be put high up the agenda. The States agreed hugely with that and decided that it was an important Strategic Plan initiative. My question is about process of resources. Can the Minister inform me as to - with limited resources, and I understand we cannot afford everything - how a judgment is made? For example, there were 2 Strategic Plan initiatives that stand out in my mind: one was the proposal for third party planning appeals, which I understand is going to cost in the region of £250,000 in 2005 and then after, which is fine. It is a commitment the States made and it has been democratically arrived at, and I support it. But how do we prioritise between that Strategic Plan commitment and another which the States also endorsed wholeheartedly to introduce proper educational and vocational training at Her Majesty's Prison La Moye? How does the process work and has the Minister any good news for me?

6.3.11 Deputy S.C. Ferguson:

I agree with the general plaudits lavished upon Senator Le Sueur, but it seems to me that his real problem will be making departments remain within their budgets. The 2004 estimate for 2007 expenditure was just under £440 million, and if you look at the table 4.1, you can see that the total revenue expenditure for 2007 has now crept up to £474 million; some 9 per cent or so higher. So I would like a comment from the Minister, please, as to how he thinks he is going to manage to keep departments under control. Similarly, in the "Fair Play" section last night of our local newspaper, there was a problem with gas supplies delivered by an Australian-owned company, and these were highlighted. Again, would the Minister like to confirm that he will learn the lessons related to this: that a foreign-owned company will have more concern for its foreign shareholders than for its local customers, and might, in fact, derail the anti-inflation plans. A comment on bank deposits: I assume that the Deputy, Sir, has been quoting the gross figure which will also include any deposits from local depositors, including, perhaps, the worthy Deputy. There are also deposits from expatriate retirees living in Europe, servicemen working on secondment in foreign countries; all perfectly legal. So, before we start making sweeping assumptions because the bank deposit figure is large, do not assume that all the deposits belong to the bloated plutocracy. So, with that, Sir, I would like to say that I support the budget, but I would be interested to hear the Minister's answers to my questions.

The Bailiff:

If no other Member wishes to speak, I will call upon the Minister to reply.

6.3.12 Senator T.A. Le Sueur:

I did wonder at 3.00 p.m. whether we were going to have a budget debate at all or whether it would all fizzle-out, but I am pleased that Members have expressed some views on this budget. I am also pleased that the majority of them seem to think that it is going in the right direction. I will start with Deputy Ryan who gives a message which, I think, was echoed by the final speaker, and that is just how we resist the urge of States' Members to spend more and more money. That is a challenge that I have been facing for the last 4 years and it gets very difficult at times. I think it is even more difficult if we look at it without sufficient information. I think the benefit of having a fiscal policy - a clear fiscal policy - and a clear economic policy to point out some of the pitfalls from an economic point of view, of some, no doubt, very laudable spending activities, will help focus the mind a bit more strongly. Deputy Ryan is correct to warn about the possibility of a structural deficit post-2011, as indeed does Deputy Southern. We have to make sure that we get adequate and timely information to ensure that if that risk were to be a positive threat, that we would do something about it at an earlier stage and not wait until 2011. Senator Walker continued the general positive news and pointed out the changes I made to the Goods and Services Tax exceptions really, I think, reflecting the views of Members expressed at debate a couple of months

ago. Deputy Martin asked about the allowance for child allowance for those in higher education. Can I firstly remind Members that there was an error on the printed table 6.2? A corrigendum was circulated a week or 2 ago, but in the final column where it said: "20 means 20" the rates for child allowance, and child in higher education, and additional allowance should not be £2,000, £4,000 and £3,600 respectively; they remain at £2,500, £5,000 and £4,500. As we said in the debate in the summer, we will maintain child allowance at its full levels and not phase it out over those 5 years. But that was not really the point of Deputy Martin's question: she was asking about those in higher education; perhaps those following courses at Highlands. I would remind the Deputy and Members that it was last year that we amended Article 95 of the Income Tax Law which says that any child over the age of 17 receiving full-time higher education shall receive that deduction of £5,000. There is a note now that the courses to which that applies are those courses which have the same meaning as those in the Education Law of 1999 which are Postgraduate course; First Degree course; a course for Diploma of Education; a course for H.M.D. or H.M.C. or a Diploma in Management Studies; a course for Certificate in Education; a course Preparing for Professional Examination; or a course providing education at a higher level whether or not in preparation for examination: a pretty broad all round group. If there are any particular courses that the Deputy is not too sure whether they are covered or not, I will pass the buck and suggests she ask the Minister for Education, Sport and Culture who could help to find those. Whatever is acceptable education is acceptable to the Income Tax Department. She also queried the cost of the Fiscal Policy Panel which she was correct in her recollection that I said about £50,000 a year, and she suggests that we do not get much for that sort of money. I would remind Members that this is not trying to appoint 3 full-time people. If we had appointed 3 full-time people for that sort of money, we would be pretty unlikely to get them. These people are on a consultancy basis on a very occasional use situation and I am going to ensure - and I am sure the Public Accounts Committee will ensure - that we get full value for money out of them. But I am sure, equally, that it will be money well spent. Do we already have enough expertise in the States? We have some expertise, and we are not going to just do away with that. But it is sometimes good to have an external objective point of view as well as what we have, so this Fiscal Policy Panel will be in addition to the advice that we can get internally. I think Deputy Martin questions the amount of money on deposit: both in bank deposits and in trust funds under administration. I take very great comfort from that and suggest that we have a highly organised, highly professional finance industry within the Island which is growing steadily and whose reputation increases year by year. We should be pleased that there is that much money on deposit. Now, I accept that we get a very small percentage of that back in direct tax revenue. We get that through the administration, of course, the profit of those organisations, and the earnings, often very considerable earnings, of people working in those businesses. **[Aside]** I appreciate the words of the Deputy of St. John. Yes, I think I do try to listen to what people say. I do try to make consultation meaningful and the amendments to the Goods and Services Tax, I think, reflect that. I am not sure what a "light touch Scrooge" does but I suppose any new title is an improvement. Deputy Troy suggests I have succeeded in walking the fiscal tightrope. As far as I am concerned, I am walking that fiscal tightrope and I am three-quarters of the way across it. There is a danger that, just as on the first step you take, you can fall off the tightrope at the last step as well. I am not one for being complacent and saying: "Well, we are nearly there now, chaps. It is all right now." No, I wait until we have the thing delivered before I say: "Job done." But we are certainly getting there much more closely. We have removed a lot of the uncertainty. Deputy Scott Warren is concerned that we might be taxing people with one hand at the lower end of the scale and giving it back to them in terms of income support on the other. There may be cases where income support is justified for people paying tax. There could be people with particular medical difficulties and the need for support in a particular area. So I would not like to say that there will be no cases where a taxpayer is not entitled to income support. But I think it will be very much the exception rather than the rule because, as the figures I showed you in my comments earlier indicated, well over 30 per cent of the population do not pay income tax at all. The income support system is not likely to catch anything like 30 per cent of the population even though it may well spread in various

directions to some considerable level, but I think the reality is that it is difficult to try to equate income tax liability with income support. They are totally different in their nature. Senator Ozouf went on about the economic prospects of the Island and quite rightly too, because one of the key features of our strategic policy, one of the key features of the fiscal policy, is economic growth and it would be remiss of him, in a debate of this nature, not to explain just what was going on in terms of economic policy and to say, quite rightly, some of the many good things that have happened. I am pleased that he indicates that we can learn from lessons of the past. My aim is to ensure that all of us learn from those lessons and do not make the same mistakes again. Deputy Southern is being, I suppose, reasonably polite to me in saying this is a fair enough budget but come to 2008 and the birds are going to come home to roost. I would just suggest to the Deputy that there was an election last year, at a time when I had just brought in the proposal for Goods and Services Tax and I had just brought in plans to tax people on '20 means 20' and, generally, all the things which no sensible President of F and E (Finance and Economics) - as I was at the time - would think of bringing in during an election year. I did it then because I thought it was right and either unfortunately or fortunately, depending on your point of view, I am still here and I was re-elected. So maybe the public do understand the need for fiscal prudence and we will have see on the election platform in 2 years' time. Senator Perchard is concerned about the need to have a financial discipline. He is quite right to be concerned about that but, equally, he wants to know how we are going to get some money to fund initiatives like the Prison and Third Party Appeals. The short answer is, in 2 words, with difficulty. We are finding it difficult to find that money but find it we will because that commitment has been given to the States in the Business Plan that it will be found. The States have already agreed their spending limits for 2007. So, if we are going to spend that money, something else has to give and that is the tension facing the Council of Ministers. We have made our commitment. The States have made it quite clear in their minds, and quite rightly I think, that we need to fund prison education, Third Party Appeals. So, that will be done but the squeeze is on and that is the right approach. It is all too simple to say, as maybe Deputy Southern would like say: "There is £32 million in the Consolidated Fund. What is another £500,000 here or there?" It is another £500,000 spending. It is another £500,000 pressure on inflation. That is why I continue to insist that we live within our means, that we live within the agreed spending limits and the good news is that the Finance Law means that we now have to live within our agreed spending limits. I cannot even afford to take an extra packet of cough sweets out of the budget. **[Laughter]** Seriously, this has been, I think, a good news budget. Yes, there is some pain there but I think the fact that we have policies agreed by this House, we know where we are going, the public know where we are going, business knows where we are going and the international community knows where we are going. We have to make sure we stay on that track and we continue in the direction we set ourselves and we see it all the way through. That way we will see the Island continue to prosper. That way we will continue to have good news budgets in the years to come. But for the meantime, Sir, I thank the Members for their attention to this budget and, for the sake of formality, I will propose it and ask for the appel on parts (a) and (b) together.

The Bailiff:

I will ask for all Members who wish to vote to return to their seats and the vote is for or against the proposition of the Minister for Treasury and Resources and I ask the Greffier to open the voting.

POUR: 48		CONTRE: 2		ABSTAIN: 0
Senator L. Norman		Deputy J.A. Martin (H)		
Senator F.H. Walker		Deputy G.P. Southern (H)		

Senator W. Kinnard				
Senator T.A. Le Sueur				
Senator P.F. Routier				
Senator M.E. Vibert				
Senator P.F.C. Ozouf				
Senator T.J. Le Main				
Senator B.E. Shenton				
Senator F.E. Cohen				
Senator J.L. Perchard				
Connétable of St. Ouen				
Connétable of St. Saviour				
Connétable of St. Mary				
Connétable of St. Peter				
Connétable of St. Clement				
Connétable of St. Helier				
Connétable of Trinity				
Connétable of St. Lawrence				
Connétable of Grouville				
Connétable of St. John				
Connétable of St. Brelade				
Connétable of St. Martin				
Deputy R.C. Duhamel (S)				
Deputy A. Breckon (S)				
Deputy J.J. Huet (H)				
Deputy of St. Martin				
Deputy P.N. Troy (B)				
Deputy C.J. Scott Warren (S)				

Deputy R.G. Le Hérissier (S)				
Deputy J.B. Fox (H)				
Deputy S.C. Ferguson (B)				
Deputy of St. Ouen				
Deputy P.J.D. Ryan (H)				
Deputy of Grouville				
Deputy of St. Peter				
Deputy J.A. Hilton (H)				
Deputy G.W.J. de Faye (H)				
Deputy P.V.F. Le Claire (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy D.W. Mezbourian (L)				
Deputy of Trinity				
Deputy S.S.P.A. Power (B)				
Deputy A.J.H. Maclean (H)				
Deputy K.C. Lewis (S)				
Deputy of St. John				
Deputy I.J. Gorst (C)				
Deputy of St. Mary				

7. Draft Finance (Jersey) Law (P.131/2006)

The Bailiff:

We come to the next item on the Order Paper which is the Draft Finance (Jersey) Law 200- (Projet 131) and I ask the Greffier to read the citation of the draft.

The Greffier of the States:

Draft Finance (Jersey) Law 200-; a law to prescribe the standard rate of income tax for the year 2007; to amend further the Customs Excise (Jersey) Law 1998 so as to vary the duties on alcohol and increase the duties on tobacco and hydrocarbon oil; to amend further the Stamp Duties and Fees (Jersey) Law 1998 so as to revise and add to the provisions in respect of judicial fees and for connected purposes. The States, subject to the sanction of Her Most Excellent Majesty in Council, have adopted the following law.

7.1 Senator T.A. Le Sueur:

I will speak briefly while I still have a quorum and a voice. This draft Finance Law now puts into effect what we have just agreed in the budget which is to set the standard rate of income tax at 20 per cent, to bring in the changes to duty rates that I mentioned in the budget, to talk about the changes to stamp duty which I also indicated and, finally, to do the citation provisions. This is really then the formality of putting into effect what the budget has already agreed. The figures are sometimes a bit confusing to Members in that we talk about duty rates kilogram or per hectolitre or wine rates per litre of alcohol or hectolitre. The simple fact is that they translate into the pence per pint or pence per cigarette shown in the budget book. So, Sir, I propose the principle of the law.

The Bailiff:

Is the proposition seconded? [**Seconded**] Does any Member wish to speak on the principles?

7.2 Connétable D.F. Gray of St. Clement:

I just want to ask a rather naïve question, I think, which is on page 5, Article 6: it says: "Clarifies the provision relating to reduced rates of stamp duty for change of borrower [and I say change of borrower] to make it clear that all the parties to the old and the new borrowing document have to be the same." I am not certain how you manage to have a change of borrower if all the parties to the new documents have to be the same.

The Bailiff:

Well, we will probably come to the detail of the debate in a moment, Connétable, but does any other Member wish to speak on the principles of the draft? Then I call upon the Minister to reply.

7.3 Senator T.A. Le Sueur:

I think there is nothing much I can reply to at this stage. I will deal with the comments of the Constable of St. Clement when I talk about the individual parts of the Law but for the meantime I propose the Law and remind Members that in this particular case it is not one for Scrutiny so it is just to go straight forward. So I propose the Law in principle.

The Bailiff:

I put the principles of the draft. Those Members in favour of the document, kindly show. Again? The principles are adopted and, as the Minister has said, the Finance Law is not subject to Scrutiny in accordance with the Law and do you wish to take them part by part, Minister?

7.4 Senator T.A. Le Sueur:

I think what I will do, I will take Parts 1 and 2 which deal with income tax and duty because Part 1 simply maintains the standard rate of income tax for another year at 20 pence in the pound. Part 2 is the one we have just set out, the changes. That is the changes to the duties on spirits and wines at 3.5 per cent, beer and cider for 4 per cent generally, except for the lower rate, tobacco at 4.5 per cent and petrol and diesel at 3.5 per cent. The Law will come into effect on 5th January 2007. I propose Parts 1 and 2.

The Bailiff:

Parts 1 and 2 are proposed. Seconded? [**Seconded**] Does any Member wish to speak on either of those parts?

7.4.1 Deputy G.W.J. de Faye of St. Helier:

Sir, I would just like to welcome the move to encourage small brewers in the Island. Well, that may cause some hilarity on the rear of the Constables' benches but it is very important to small local industries of which there are one or two who have been struggling along up to now. But I know, having spoken to the producers behind those businesses, that in fact these concessions will allow them to plough the money that they would have paid in revenue back into their own businesses.

These small amounts, in reality of £5,000 to £10,000, means that a small producer can buy, say, crushing equipment or whatever and they are, in fact, enthusiastic that in the medium term, thanks to these innovations by the Treasury Minister, that in fact the Impôts revenues will increase because they will be able to increase their local production. So, although in a very small way, I wish to encourage the Treasury Minister because it shows that he and his team have an eye for detail and a feel for the requirements of the local economy. I am delighted to see that move.

7.4.2 Deputy C.J. Scott Warren:

I just would like to remark on, as Members know, the anomaly of Impôts duty going up and bringing in lower tax receipts because there is 13 pence going on to a packet of cigarettes but, when we look at the figures, we are hundreds of thousands pounds down on the estimate of revenue from cigarettes. Obviously the smoking cessation policy, I presume, has been factored-in to this lower amount. So the irony here of the Impôts duties and the moral issues will obviously continue and so it should. Thank you, Sir.

The Bailiff:

I call upon the Minister to reply.

7.4.3 Senator T.A. Le Sueur:

Dealing with tobacco revenues, it is certainly true that the increase in duty has not resulted in any great increase in revenue, in fact rather the opposite because tobacco revenues are falling. Now, that may be because people are smoking less. It may be because people are making more use of their duty-free allowances. I think it would be rash to draw any one conclusion from the figures that we have before us today. Deputy de Faye gives me praise for looking in favour of small breweries. I need no encouragement to look in favour of small breweries. I would remind him that this applies equally of course to breweries outside of the Island. So that when we have things like a Real Ale Festival here, small breweries will come here knowing that any duty will be at a lower rate. If it is encourages them and encourages better economic tourism prospects, then that is an extra benefit to the Island. That said, Sir, I think there are no other comments to be made and I maintain Parts 1 and 2.

The Bailiff:

I put Parts 1 and 2. Those Members in favour of adopting them, kindly show? Those against? Parts 1 and 2 are adopted and you move Parts 3 and 4?

7.5 Senator T.A. Le Sueur:

Parts 3 and 4. Part 3 becomes a bit more technical when it comes to stamp duties and fees and, pre-empting the question from the Constable of St. Clement, which he would otherwise raise, I do accept that Article 6 as set out in the explanatory note does appear confusing. What it is intending to achieve is that the parties to the document - that is to say the borrowers - have to be the same in both cases. We are getting around a situation where maybe a husband and wife originally had one borrowing and it was split into 2 borrowings, one for the husband and one for the wife, and they each tried to claim the same exemption reduced rates. Clearly, in this case the parties may well be the same but the contract itself will be a different contract, possibly with a different lender. So I think it is the case here where maybe the explanatory note explains less than fully what the intention of the Law was. But the Law itself, in item 1 of paragraph 6, as the note says, does require the same persons to acknowledge indebtedness. What it really does, I think, is to explain that if there are different parties in the borrowing, they will not qualify for the reduced rate. So it is rather in the exception that this Law applies. That is some sort of answer to that question, Sir, but I will happily try to deal with any other questions that Members may have. I move Parts 3 and 4.

The Bailiff:

Are they seconded? **[Seconded]** Does any Member wish to speak on any of the Articles in Parts 3 or 4? I put those Articles. Members in favour of adopting them, kindly show? Against? They are adopted and you move the Bill in Third Reading, Minister?

Senator T.A. Le Sueur:

Yes, Sir.

The Bailiff:

Seconded? **[Seconded]** Does any Member wish to speak on the Bill in Third Reading? I put the Bill in Third Reading. Those Members in favour of adopting it, kindly show? Those against? The Bill is adopted in Third Reading.

8. Acte Operatoire

The Bailiff:

We come now to the Acte Operatoire designed to give effect, immediate effect, to the Finance (Jersey) Law 2006. I hope that Members will have the text on their desks.

Senator T.A. Le Sueur:

I do not seem to have one myself.

The Bailiff:

Do Members have a copy of the Act? Good. Well, I ask the Greffier then to read the citation of the draft.

The Greffier of the States:

Act declaring the taxation draft entitled The Finance (Jersey) Law 200- shall have immediate effect. The States, in pursuance of Article 19 of the Public Finances (Jersey) Law 2005, have made the following Act.

8.1 Senator T.A. Le Sueur:

This is the traditional way in which a Law which would normally have to have a Third Reading, goes to Privy Council and be agreed, can take effect at an earlier date than that and in this case, as the declaration says, the taxation draft shall have immediate effect as if the declaration had been sanctioned by Her Majesty in Council and registered. So, it is a standard procedure that we have to ensure that we can bring in the duty rates from 1st January of next year, even if the Law does not have full legal effect at that time. I propose the Act, Sir.

The Bailiff:

The Acte Operatoire is proposed and seconded. **[Seconded]** Does any member wish to speak? I put the Acte. Those Members in favour of adopting it, kindly show? Those against? The Acte Operatoire is adopted.

9 Draft Income Tax (Amendment No. 26) (Jersey) Law 200- (P.132/2006)

The Bailiff:

Now, we come to the Draft Income Tax (Amendment No. 26) (Jersey) Law 200- and I ask the Greffier to read the citation of the draft.

The Greffier of the States:

Draft Income Tax Amendment No. 26 (Jersey) Law 200-, a law to amend to further the Income Tax (Jersey) Law 1961. The States, subject to the sanction of Her Most Excellent Majesty in Council, have adopted the following Law.

9.1 Senator T.A. Le Sueur:

This draft Law gives effect to the income tax allowances and exemptions which were set out in the budget document and agreed some half an hour or an hour ago. It maintains the existing rate of tax and the allowances and reliefs, other than to the extent that they are amended in this document, and I suppose, therefore, the primary purpose of the new items in this Law are those which bring into effect the proposal for '20 means 20.' The principle of that Law was debated earlier in the year, as I say, and by the House. This Law now puts into effect those proposals that were accepted by the House earlier in the year. With that, Sir, I propose the principles of the Draft Income Tax (Amendment No. 26) (Jersey) Law 200-.

The Bailiff:

The principles are proposed and seconded. **[Seconded]** Does any Member wish to speak on the principles of the Bill?

Deputy R.C. Duhamel of St. Saviour:

Just one observation, Sir, and...

The Bailiff:

Deputy, I am sorry to ask you to take your seat just for a moment. We are not quorate. I must ask Members who are in the precincts to return to their seats, please.

9.1.1 Deputy R.C. Duhamel:

I should really know the answer to this but I do not. Is this House entitled to legally bind our hands for specific years, in 2008, 2009 and 2010, in respect to the Law? I am aware that we can make laws which do go on into the future but in respect of the Finance Law and the raising of income tax, are we at liberty within this House to specifically define, for example, relief maintenances and things for particular years?

The Bailiff:

Attorney General, may I ask you to deal with that.

W.J. Bailhache Q.C., H.M. Attorney General:

I am sorry, Sir, I do not have the draft Acte Operatoire. Is that what the Deputy is referring to?

The Bailiff:

No, he is referring to the Bill itself, I think - Projet 132 - which deals with allowances and reliefs of 2007 to 2010. I think the short answer, Deputy, is that it is open to the Assembly to do this. It certainly has the power to do this but of course it can be changed when we come to 2007 or 2008 if the Assembly is minded to do so.

Deputy R.C. Duhamel:

That is right, Sir. If that is the case, it does seem to be a break with tradition and I am just mentioning so that all Members are aware.

The Bailiff:

Does any other Member wish to speak on the principles of the Law? Then I call upon the Minister to respond.

9.1.2 Senator T.A. Le Sueur:

I think that is a very perceptive observation of Deputy Duhamel and, yes, it may well be a break in tradition. Certainly what this is does is enshrine in law what will happen for 2007 and give a clear indication of what the Law will do in 2008, 2009 and 2010, in the absence of anything to the contrary. I think it gives people far greater planning certainty but it will, of course, be up to Members, in any successive budget debate, should they feel so inclined, to make amendments to any part of that Law. In the meantime, Sir, as I say, this does give greater certainty to the future and I think that is a step in the right direction. I therefore maintain the principles of the Law.

Deputy R.C. Duhamel:

Sir, can I ask for the appel on this one?

The Bailiff:

Yes. I ask any Member who wishes to vote on the principles of the Draft Income Tax (Amendment No. 26) (Jersey) Law to return to their seats. I will ask the Greffier to open the voting which is for or against the principles to the Draft Income Tax (Amendment No. 26) (Jersey) Law.

POUR: 30	CONTRE: 3	ABSTAIN: 0
Senator F.H. Walker	Deputy R.C. Duhamel (S)	
Senator W. Kinnard	Deputy A. Breckon (S)	
Senator T.A. Le Sueur	Deputy P.V.F. Le Claire (H)	
Senator P.F. Routier		
Senator P.F.C. Ozouf		
Senator T.J. Le Main		
Senator B.E. Shenton		
Senator J.L. Perchard		
Connétable of St. Ouen		
Connétable of St. Saviour		
Connétable of St. Mary		
Connétable of St. Peter		
Connétable of St. Clement		
Connétable of St. Lawrence		
Connétable of St. Brelade		
Deputy of St. Martin		
Deputy P.N. Troy (B)		

Deputy C.J. Scott Warren (S)			
Deputy G.P. Southern (H)			
Deputy S.C. Ferguson (B)			
Deputy P.J.D. Ryan (H)			
Deputy of Grouville			
Deputy J.A. Hilton (H)			
Deputy J.A.N. Le Fondré (L)			
Deputy D.W. Mezbourian (L)			
Deputy of Trinity			
Deputy S.S.P.A. Power (B)			
Deputy S. Pitman (H)			
Deputy K.C. Lewis (S)			
Deputy of St. Mary			

The Bailiff:

Minister, in the interests of good order, may I ask you to propose Part 1, perhaps?

9.2 Senator T.A. Le Sueur:

Part 1 deals with the interpretation provisions and is relatively straightforward and innocuous. I do not imagine it is contentious and I propose Part 1.

The Bailiff:

Article 1 is proposed and seconded. **[Seconded]** Does any Member wish to speak? Well, I put Article 1. Those Members in favour of adopting it, kindly show? Those against? Article 1 is adopted. I would, I think, have asked the Minister to propose Part 2 but I think it might be more convenient if I invited the Minister for Economic Development to speak to the amendment, which I understand he wishes to withdraw.

9.3 Senator P.F.C. Ozouf (The Minister for Economic Development):

Members would be aware that we have before us an amendment which I lodged on 21st November. It basically allowed Jersey companies to be non-resident when they are management-controlled outside of the Island. It is an important amendment on which a great deal of work has been carried out, designed to secure a competitive position for Jersey in a market which - by way of example - has yielded approximately £100 million worth of business to Jersey in the last 12 months. The Treasury Minister and I are as one on this issue because it is an important opportunity for Jersey. However, since he has returned from holiday, he has looked at our draft and has improved it. We could have dealt with this issue by lodging an amendment today but we would have been rather in the uncomfortable position of effectively seeking leave of the Assembly to accept an amendment to an amendment, which Members might have just seen, and then effectively asking Members to consider it. Instead, what we have decided to do is for me to seek leave of the Assembly to

withdraw my amendment but instead Members, I think, will have had on their desks a revised amendment to the Income Tax Law which effectively encapsulated my original amendment and the Treasury Minister's further thoughts to improve it. That will mean that effectively we can have a 6 weeks' lodging period and I will be asking, indeed I think the Treasury Minister will be asking, to take this matter on 16th January and the use of the Acte Operatoire could then bring it into force. I can then go through with the normal modalities with my colleague, the Treasury Minister, in properly having this scrutinised, even though there has been a great deal of consultation and work carried out to get us to where we are today. So, I apologise to the Assembly for seeking leave to withdraw this particular amendment but ask and encourage Members to support the Treasury Minister in taking this matter on 16th January. The matter is important to us. It is an important opportunity for Jersey which we have identified but it does give Members the opportunity of considering it in more detail rather than rushing it through this afternoon. So, with the Assembly's permission, I would like to withdraw my amendment, Sir.

The Bailiff:

It is very courteous of you, Senator, to ask for the leave of the Assembly but you do not need it. You have not yet proposed the amendment, so you are entitled to withdraw it and you are notifying the Assembly, for the reasons that you have given, that you are withdrawing it.

Senator P.F.C. Ozouf:

Perhaps I could invite the Treasury Minister at the same time to lodge his amendment.

The Bailiff:

Well, I am sure the Treasury Minister will do that in due course. Well, we turn then to the Draft Income Tax (Amendment No. 26) (Jersey) Law and I invite the Treasury Minister to propose Part 2.

9.4 Senator T.A. Le Sueur:

Part 2 deals with the nuts and bolts, if you like, of the '20 means 20' proposals and also brings in the allowances and reliefs for the forthcoming year and I propose the various Articles of Part 2 and will answer any questions.

The Bailiff:

And Part 3.

Senator T.A. Le Sueur:

And Part 3 also, which is the citation clause.

The Bailiff:

Parts 2 and 3 are proposed and seconded. **[Seconded]** Does any Member wish to speak on any of those Articles?

9.4.1 Deputy R.C. Duhamel:

In relation to any of the Articles which seek to bind the hands of the House for any other years other than next year, I would like to record my dissent to that and if the Articles are taken *en bloc* I shall ask for the appel.

The Bailiff:

Well, you can record your dissent by voting against the part, I think, Deputy, can you not? Does any other Member wish to speak on the Articles in Parts 2 and 3? I call upon the Minister to reply.

9.4.2 Senator T.A. Le Sueur:

I understand the concerns that Deputy Duhamel has. I do not share his concerns but I appreciate his right to have them. But rather than ask Members to vote on every individual Article in turn, I propose Part 2 as a whole, and Part 3 indeed, and if the Deputy feels obliged then he can vote against them. I propose Parts 2 and 3.

Deputy R.C. Duhamel:

Can I ask for the appel, please?

The Bailiff:

Yes. All Members who wish to vote on these Articles of the Income Tax (Amendment No. 26) (Jersey) Law please return to their seats. I ask the Greffier to open the voting on parts 2 and 3 of the Bill.

POUR: 34	CONTRE: 3	ABSTAIN: 0
Senator F.H. Walker	Deputy R.C. Duhamel (S)	
Senator W. Kinnard	Deputy A. Breckon (S)	
Senator T.A. Le Sueur	Deputy S. Pitman (H)	
Senator P.F. Routier		
Senator P.F.C. Ozouf		
Senator T.J. Le Main		
Senator B.E. Shenton		
Senator J.L. Perchard		
Connétable of St. Ouen		
Connétable of St. Saviour		
Connétable of St. Mary		
Connétable of St. Peter		
Connétable of St. Clement		
Connétable of Trinity		
Connétable of St. Lawrence		
Connétable of St. Brelade		
Deputy of St. Martin		
Deputy P.N. Troy (B)		
Deputy C.J. Scott Warren (S)		

Deputy J.B. Fox (H)			
Deputy G.P. Southern (H)			
Deputy S.C. Ferguson (B)			
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 D.W. Mezbourian (L)			
Deputy of Trinity			
Deputy S.S.P.A. Power (B)			
Deputy A.J.H. Maclean (H)			
Deputy K.C. Lewis (S)			
Deputy of St. Mary			

The Bailiff:

Do you move the Bill in Third Reading, Minister?

Senator T.A. Le Sueur:

Yes, Sir.

The Bailiff:

Seconded? **[Seconded]** Does any Member wish to speak on the Bill, in Third Reading? I put the Bill. Those Members in favour of adopting it, kindly show? Those against? The Bill is adopted in Third Reading and we come again to the Acte Operatoire to give immediate effect to the Bill and I ask the Greffier to read the citation of the draft.

The Greffier of the States:

The Acte declaring that the Income Tax (Amendment No. 26) (Jersey) Law 200- shall have immediate effect. The States, in pursuance of Article 19 of the Public Finances (Jersey) Law 2005, have made the following Acte.

Senator T.A. Le Sueur:

This reflects, once again, the same principles we had for the Finance Law. It allows the Income Tax Law to come into effect straight away, although in fact the citation clause in the Law says it will have effect in the year 2007 and subsequent years. I propose the Acte Operatoire.

The Bailiff:

Is the Acte seconded? **[Seconded]** Does any Member wish to speak on the proposition? I put the draft Acte. Those Members in favour of adopting it, kindly show? Those against? The Acte Operatoire is adopted. We come now to Stabilisation Fund...

10. Income Tax (Amendment No. 27) (Jersey) Law 200- (P. /2006)

Senator T.A. Le Sueur:

I think perhaps it would be an appropriate time now for me to lodge the amendment to which Senator Ozouf referred a moment ago, Amendment No. 27 to the Income Tax (Jersey) Law, which, as the Senator says, replaces the proposal that he had put forward with one which I believe is achieving the same objectives in a far better way. He and I are at one with this, that we do need to look at the question of company residence but it is a very fundamental part of our Income Tax Law and it has been our nature not to make changes on a regular basis but only to do so in exceptional circumstances. I think therefore it is only right that Members have sufficient time to digest the content of this relatively simple amendment but to express any concerns they may have and indeed scrutinise it later if they so wish. So, I will be lodging this amendment, Sir, and at an appropriate time I will ask that it be debated in the next year.

The Bailiff:

Thank you, Minister. The Income Tax Amendment No. 27 (Jersey) Law 200- is lodged.

11. Public Elections: reduction in voting age to 16 (P.166/2006)

The Bailiff:

Perhaps I could also take the opportunity of notifying Members of the “Public Elections: reduction in voting age to 16” - Projet 166 - in the name of Deputy Le Claire, has also been lodged today.

12. Stabilisation Fund: rescindment (P.154/2006)

The Bailiff:

Now, we come to Stabilisation Fund Rescindment, Projet 154 in the name of Deputy Southern, and I ask the Greffier to read the proposition.

The Greffier of the States:

The States are asked to decide whether they are of opinion to refer to their Act dated 20th April 2005 in which they approved the Economic Growth Plan and agreed, *inter alia*, that proposals for a counter-cyclical Stabilisation Fund should be brought forward and to their Act dated 27th June 2006 in which they approved, in principle, the States’ Strategic Plan and agreed, *inter alia*, the establishment of a Stabilisation Fund and the need for a new policy for the Strategic Reserve and (a) to rescind their decisions that a Stabilisation Fund should be established and (b) to agree that the Strategic Reserve Fund be established in accordance with the provisions of Article 4 of the Public Finances (Jersey) Law 2005 should be a permanent reserve where the capital value is only to be used in exceptional circumstances to insulate the Island’s economy from severe structural decline, such as the sudden collapse of a major Island industry or from major natural disaster, and with the interest to be available on the recommendation of the Minister for Treasury and Resources, both for

strategic spending and to make fiscal policy more counter-cyclical and create in the Island a more stable economic environment with low inflation.

12.1 Deputy G.P. Southern:

I will start with an apology. It is not like me to come with a rescindment. This is my first but I fear that I had to come with a rescindment because we had taken decisions in principle earlier on in the year which I believe were dangerous in the sense that I certainly had had very little time this year to consider the impact of the Stabilisation Fund. I believe there are very few members around this Chamber who, I am sure, could put their hand on their heart and say: "I know what the Stabilisation Fund is for and how it can be used and I absolutely agree that we should be finding funding to the level which is suggested to put in the Stabilisation Fund and in the Strategic Reserve at this time in the economic cycle." I just want to explore some of my reservations and my reasons for bringing this rescindment. So, my first reservation concerns the speed with which this has been developed and laid before us. I believe it is possible for us to take some time, to slow down a little and say: "Hang on, this may or may not be a good idea. It may or may not be a good idea in the formula which is proposed, but what we need to do is just take a little time and study it in a little more depth before we commit ourselves wholeheartedly towards what is proposed." The second reservation comes with the funding to both the additional funding proposed for the Strategic Reserve, the rainy day fund, up to £120 million at this time and over the coming few years, in addition to which it is proposed that up to £75 million goes into the Stabilisation Fund and is put away for that purpose. It seems to me that to intend to take up to £200 million out of the economy and stick them in these 2 funds, at this stage and over the coming few years, I think is possibly dangerous or unrealistic because I do not believe we quite know where this is coming from. So in terms of the haste and awareness that this Chamber has of the Stabilisation Fund and the proposed amendments to the Strategic Reserve Fund; we first saw them in the Economic Growth Plan - P.133 - where it was suggested, and I will quote if I may: "A critical part of the Economic Growth Plan is to provide a new macro-economic framework for Jersey that represents a clear break with the past. States of Jersey must ensure that fiscal policy, the one macro-economic tool available, is focused on delivering the stability required." This Stabilisation Fund is proposed there but in the broadest possible outline. It then reappears in the Strategic Plan and among - and Members will remember the Strategic Plan - a great big wad of strategies, aims, *et cetera* that went through, not unamended, with some discussion but with very little detailed debate. I believe that that pressure to get through, and we have done an awful lot this year of getting through in principle debates and wide-ranging strategic-type objectives, we have not had time yet to examine this and decide whether this is the way we want to go and this is the way forward in this particular format. I am particularly worried by the prospect of paying for these changes. Examination of the budget, as we have just done, reveals that, in the period 2007 through to 2011, we start to see the impact of 'Zero/10' and the arrival of negative budget. We are talking about 2007, a £3 million deficit; in 2008 £39 million in the black; £41 million in 2009; but by 2010 we are talking a deficit of £24 million; 2011 £23 million deficit. That is a negative trend. As I mentioned earlier on, we dare not even turn the page to look at 2012, 2013, but the trend is there for all to see. When 'Zero/10' impacts properly we are going to see negative budget. At the same time, it has been suggested, we should be piling money into the Stabilisation Fund and into the Strategic Reserve. I do not believe we can do that. So when I asked the Treasury Minister when he exposed this earlier on, not many weeks ago, about how we were going to fund this, the answers he came up with were: "There may be a possibility of transfer from the Consolidated Fund. It may rise to £112 over the next few years. We may have some money there. But immediately behind that we know - we already have the predictions there - we have some negative budgets coming straight on behind that." That £112, should we be sticking it away where we cannot touch it? I do not think so, with the prospect of negative budgets coming through immediately behind it. That would be a mistake, I think. Second on his hit list, listen very carefully: "Secondly, there is also the possibility that, if the States sells certain investments in the coming years, that some of the proceeds could be transferred to the Stabilisation Fund." What are

we talking about there? Certain investments. I believe we have seen what those certain investments that we have for sale may well be. I believe that may refer and does refer to the public utilities. We already have Telecoms being investigated - being consulted on - to see if it is appropriate that we should sell-off our investment in Telecoms. I believe Jersey Electricity, Jersey Water, Jersey Gas - not Jersey Gas, Jersey Gas is already in different hands - will come behind that. Above all, whereas I am quite prepared to consult and discuss and negotiate over the possibility of selling those investments - of privatising them - it is a perfectly legitimate thing to do, I do not believe we should be putting an added pressure on to that particular possibility if that pressure comes with: "We have made a decision to set up the Stabilisation Fund. We have made a decision to pile money into the Strategic Reserve." There may well be a pressure to sell in order to achieve those aims and if that is where the major part of the funding could come from, or will come from, I do not think we should be taking a decision today to say: "Let us plough ahead with this," given that we do not really know what the ins and outs of the Stabilisation Fund are. Nor do we know specifically the reasons why we should be building up the Strategic Reserve by an additional £120 million. If that puts pressure on us to do something else, i.e. sell off our public utilities willy-nilly, then I think we should resist the temptation to go down that route and try and identify better where the funding is going to come for these 2 funds that is proposed that we set up over the next few years. That is not to say that I have a fundamental objection to the proposal. It seems to me that, in principle, looking at it on the surface, but it is only the surface, that possibly that Stabilisation Fund is something that should have and we can make work for us but what I am saying is a case has not been made yet that we should be going down that direction or going down that direction now. The second thing, it seems to me, that in terms of funding a Stabilisation Fund, good, bad or indifferent, is that you decide to set it up, and I know it has been said today that the economy is going into a positive mode therefore we can afford to set up a Stabilisation Fund, I think the buds of growth are just that. They are merely buds and we have not seen a significant establishment of growth at the moment and we know what is coming. We know the black hole is coming. We know 'Zero/10' is coming. So the time for taking this decision is not today because, as I say, we do not have surplus, enormous surpluses, to play with. We do not have the same resources as Norway's oil revenues nor - what is the name of that tiny place - Kiribati's phosphate reserves. They did at a time when it was appropriate for them to do it and they had the reserves, the wherewithal, to do it. If we were going to do this, we should have been looking at this in the 1970s and 1980s when we did have the funds to put in such a Stabilisation Fund and use it properly. We did not then. Perhaps now is not the time to make that decision just because we did not do it decades ago when perhaps we should have done. So, I believe we should take a step back or take a deep breath away from this and re-examine it in the light of it does require some further meat on the bones as to how this will work. I propose this rescindment.

The Bailiff:

Is the proposition seconded? [**Seconded**]

12.2 Senator T.A. Le Sueur:

Listening to or reading the rationale of Deputy Southern behind his rescindment proposals made me think that perhaps the Deputy would have been advised to talk to Mrs. Southern before he lodged his proposition or, if not Mrs. Southern, some other prudent housewife because I think they might have advised him about the need for sensible and prudent budgeting. In the old days there would have been one pot for the rent, one pot for holidays and another for emergencies. Perhaps nowadays we use bank accounts rather than teapots but the principle remains unchanged. My proposal to set up a separate Stabilisation Fund pursues that policy of prudent budgeting. I wanted to set up a separate fund. Indeed the States have agreed to set up a separate fund. It is quite clear that the objectives of a Stabilisation Fund are quite different from the objectives of a Strategic Reserve. The Deputy accuses me of rushing. Now, I think there are several accusations which people level about the States, and have done over the years, but rushing things is something which

is rarely mentioned in the same breath as a States' decision. It was back early in 2005 when we debated the Economic Growth Plan that the proposal for a Stabilisation Fund first saw the light of day. It has taken over 18 months since that Economic Growth Plan until today when we now see the principles behind the operation of that plan, let alone having it fully up and running, and that is undue haste. Well, I am sorry but we have to make some decisions at some time. The Deputy also says that now is not the time to put in £100 million or £200 million worth of funds into these 2 funds and, at least on that one, I can agree with him. We will not do it all next year. We may not do it all for 20 years. These are long-term principles for long-term funds. What the States asked us to do was to come forward with proposals for the establishment of a Stabilisation Fund and how it would operate. My proposition - Projet 133 - does just that. The Deputy says: "Too hasty, we cannot do it, we do not have the money." He thinks it is probably a good idea and we should have done it 20 years ago, possibly, but not this year, not next year, not now. Well, I go back to this question of prudent budgeting and I accept that it is hard to talk about the Stabilisation Fund without also, at the same time, talking about the Strategic Reserve. I would remind Members that the Strategic Reserve, as indeed the Deputy implies in his proposition, is there to cope with an unlikely but potentially catastrophic event. That fund, that Strategic Reserve, should therefore have certain investment principles, the main one of which, I believe, is that its value should keep up with inflation and should keep up with States' expenditure. It should grow year by year until - horror of horrors - that year when we might ultimately need it. Conversely, the Stabilisation Fund, as envisaged in the Economic Growth Plan, as envisaged in the Strategic Plan, as envisaged in the Business Plan, was for a fund which would fluctuate in value year by year. It would fluctuate because in some years money would go into the fund and in other years money would come out of the fund. Money would flow in, in times of economic growth and prosperity, and would flow out, back into the Consolidated Fund, in times of economic decline. In other words, the economic objectives, the underlying principles, and the investment strategies of these 2 funds may well be completely different. Yet the Deputy wants to just use the Strategic Reserve, use one fund, to try to deliver 2 competing, conflicting, differing objectives. Indeed, perhaps he is trying to wriggle-out of it in his proposition by saying: "Yes, well we will use the Strategic Reserve but we will use it a bit like a Stabilisation Fund to the extent we might use some of the income." If he follows the logic of maybe setting-up a sub-fund within the Strategic Reserve, let him have the courage of his convictions and call it a Stabilisation Fund. That is what we are doing. Not only should it be a fund in its own right but that Stabilisation Fund needs to have guiding principles which will be considered by this House and reviewed on an annual basis. Reviewed in the light of experience. Reviewed in the light of professional advice, both from the States' Economic Adviser and a policy panel of wise men and indeed the advice of the Treasury Minister, whether that be wise or otherwise. That is what Projet 133 sets out to achieve and that is what acceptance of this proposition would deny us. Sir, in my comments to Deputy Southern's proposition, I went into all sorts of details about all the different reasons why his proposition was a bad thing and I do not intend to repeat all that this afternoon. What I would say to Members is that what we are doing here today is doing what the House asked us to do, which is to give us the details of how a Stabilisation Fund would work. That is what I will come to, in due course, I hope, when we come to debate Projet 133 and I ask Members that we have the chance to do that, to debate Projet 133, to talk about the details and to reject this ill-thought out, this ill-considered, idea of Deputy Southern's that, because we do not have £200 million immediately, we should forget about the whole thing until we do. That is not sensible government. That is not the way to proceed, Sir. I urge Members to reject this proposition.

12.3 Senator P.F.C. Ozouf:

Sir, I think it was former Senator Jeune who brought a proposition to the Assembly which set up - I am not sure whether it was originally called the Strategic Reserve - basically what we have in the Strategic Reserve today. I have not looked back in J.E.P. reports or States' propositions but I can imagine that there would have been some States' Members at the time that would have perhaps

wanted not to create a Strategic Reserve and rather put the money in a current account in order that we could spend it. So, during the budget debate, a number of Members spoke of the need for us to learn from the lessons and mistakes of the past. The lessons of the past is that this Assembly, not in its current form and not, I do not think, in the previous Assembly, but certainly Assemblies of the past, did, in hindsight - and I say that with the benefit of hindsight - spend too much, did not concentrate enough on economic advice and did not save enough. So, today, this is an opportunity, in urging Members to reject Deputy Southern's proposition and in supporting the Treasury Minister's subsequent proposition, to show that we have learnt the lessons of the past. We need to be prudent. In the times of plenty, we need to save. Jersey can be proud, despite the fact that there are some lessons to be learnt, we can be proud when we compare ourselves to comparable jurisdictions such as the Isle of Man or Guernsey, that we do have incredibly solid public finances. We have £0.5 billion in the bank. We have ownership of utilities, which may or may not be sold and if they are sold that the revenues will accrue to the Strategic Reserve. Some Members have said, however, that that is not enough. We have seen in the last 2 to 3 years some very uncertain times for Jersey. We have seen the need to take some very tough decisions. Business locates in Jersey for a number of reasons. They want a competitive tax regime, they want an independent judiciary for the resolution of problems and disputes, they want a skilled workforce, they want good law; but what they also want is to say, and to be told, that the fiscal environment in which they will base their business is a sound and solid one. We certainly have all of the first 4. We certainly can say that we do have sound public finances in that last issue, but we need to demonstrate that we are continuing to have sound and solid finances. I am an optimistic. I am optimistic about Jersey's future economic prosperity. I want to tell Members when we are marketing Jersey, when we are attempting to secure business for Jersey, when we are attempting to win business to Jersey, just how important it is to be able to demonstrate the fact that we do have sound public finances. I am not going to make comments about some of those other jurisdictions that I have made, but we are regarded as a place that deals with problems, budgets for them and, while being optimistic of the future, we also demonstrate that we are not complacent. Things can change. World economic markets can change, rules can change in other places, and we must be ever-vigilant of being able to adapt to a future changing scenario. So this proposition, if it were to be accepted, would send out the wrong message to the international community. It would send out the message that we are not prepared to take a cautious approach to our public finances. Deputy Southern says that we are rushing things. Well, my memory goes even perhaps a little further back than my colleague, the Treasury Minister, and perhaps in terms of the Finance and Economics Committee, and I am joined on some of the Senatorial benches by Members of the former Finance and Economics Committee. We will say under the Presidency of Senator Walker that we have been discussing Stabilisation Funds, policies for the Strategic Reserve, not for 3 years - which we did under the Presidency of Senator Le Sueur - but we did it when Senator Walker was in charge, and I am hopeful that there are some nods on the Senatorial benches that we were doing so. **[Laughter]** Perhaps they just want me to shut up. But what I want to say to the Assembly is that this is not rushed. In many ways, in fact, this should have been done before. We should have put in place perhaps the ability to have a Stabilisation Fund a number of years ago. So, please, Members should not be under any illusion that this has been rushed. The right time to do this is now as we are looking forward in planning the implementation stages of the fiscal strategy, and it is absolutely right to create a buffer while we introduce difficult tax changes to prepare for the world in which we all find ourselves in 2010. Frankly, it should be a red letter day when we go forward, I hope, to approve Senator Le Sueur's proposition which shows just exactly the continuation of the key elements of the public finance's ability and strength that we have demonstrated in the past, and that has been so fundamental in Jersey winning business compared to other jurisdictions. I cannot understate the importance of that as a key unique selling point for the delivery of business to Jersey which we are seeing at the moment by winning business from other competitive jurisdictions that have all those other things, but we can also say with confidence that we have sound, strong public finances. Now, I often waffle-on in this Assembly about the importance of economic advice and I do so completely

unashamedly. I came to the States when I did not think that there was economics in the finance and economics of the time, not for any particular fault but because of change in personnel. In the last 6 years we have improved the economic advice that this Assembly has had immeasurably. There has been criticism of Oxera, there has been criticism of various different bits of economic advice that we have had, but the truth is that it has changed and raised the quality of decision-making in a way that I do not think could ever have been imagined 6 or 7 years ago. That does not mean to say that you always listen and accept the advice of the economists, but you need it, just as we need legal advice, just as we need advice from the Comptroller and Auditor General on public expenditure. Economic advice is absolutely vital to this Assembly in its decision-making advice to the Ministers who are involved in the development of economic policy. Striking down the Stabilisation Fund strikes down one of the other important parts of the Stabilisation Fund, which is the setting-up of the committee of wise men, or whatever the Treasury Minister has called them. I think this is an absolutely fantastic opportunity and safeguard for this Assembly to ensure that we are advised as an Assembly on a regular basis by top-notch individual people on economic matters. It is akin to the Gordon Brown decision in the early part of the Labour Government of giving the Bank of England independence; setting-up an individual set of people to advise us on how we should be managing the economy. It is a further onward development of the raising of the quality of economic advice available to this Assembly and of the Island. In accepting Deputy Southern's proposition to rescind the proposition we do away with that possibility. Now, I think that that would be a terrible decision for this Assembly to make. I do not necessarily look forward to the setting-up of the Stabilisation Fund, but I welcome the arrival on the advice scene of effectively the wise council of independent economists to ensure that we are making the right decisions for the long-term economic prosperity of Jersey. If for no other reason, I would urge Members to reject Deputy Southern's proposition, but go forward and agree the proposition of the Treasury and Resources Minister. It is absolutely fundamental as a message to be sent out.

12.4 Deputy G.W.J. de Faye:

I wish to speak really only very briefly. First of all, it seems to me it is eminently sensible to put this framework into place, as the States have done. In the good years money can be sorted away and when we run into difficulty money can be put into action in the service of the Island. But I do put in this plea. While I can tell from the faces of Members around me it has been thrilling to hear speeches from accountants and auditors, one thing that perhaps they are not so hot on aside from the mathematics is plain English, and I put in a plea for plain English. A former colleague of mine when I worked at I.T.N., Sir Trevor McDonald, was in fact the man leading the plain English campaign. Sometimes it is hard enough explaining complex fiscal details to States' Members, but if that is hard then it is even tougher for the public out there to understand what it is precisely we are up to, and many of us attended the communications conference recently. So I simply put these words to Members: consolidated, strategic and stabilisation. It does seem to me that we have a confusing nomenclature attached to the procedures that we want to put in place because I have to say, in plain English terms, consolidated sounds a lot more solid than something that has been held in a Strategic Reserve. Stabilisation sounds about right. It does sound as though it is something that perhaps balances one way and then the other, but I do think that while the framework is correct, I do sit here suffering slightly from the nomenclature we have managed to apply, admittedly only on a historical basis. I do think the solid locked-up, the hardly ever touched, account probably should be the consolidated account. The stabilisation account speaks for itself, and I really suspect that the account that we use from time to time when we need the money is the one that should be called the Strategic Reserve. Other than pointing out that in my personal opinion we have got the names of the accounts all the wrong way round, I think that of course we should not go back on what it seems to me is an excellent fiscal framework. There is absolutely no need to rescind this concept.

12.5 Deputy J.A.N. Le Fondre:

Initially I thought that Deputy Southern was being potentially quite prudent in his approach in that he is identifying the Strategic Reserve as our key disaster recovery plan in financial terms - and I will try and keep it in English rather than account-ese at the moment - and he was simply trying to amalgamate the principles of the Stabilisation Fund into the Strategic Reserve and keep matters simple. On closer inspection I somewhat revised my opinion and will not be supporting this amendment, which I am sure will come as no surprise to him. I am sure one day we will agree, but it will not be today. On the face of it, what does this amendment set out to achieve that is different from our current *status quo*? It certainly confirms the special and long-term nature of the Strategic Reserve. However, this proposition is to me a bit of a Trojan horse. It looks innocuous, it looks nice and innocent, yet it could potentially prise open the doors to the Strategic Reserve and start eroding the value of the balance on that account. If you look quite carefully at certain of the wording in his proposition, Members will hopefully have noticed that the Deputy is suggesting that the interest of the Strategic Reserve is to be available for strategic spending and, broadly speaking, the aims of the Stabilisation Fund. This is where the problem lies, Sir. To me this is just a ploy to release the interest from that Strategic Reserve. Yes, money has been released before. However, I do not really want to see us making a habit of doing that. Generally, when I was knocking on doors this time last year - as we have heard already today - one of the concerns was the level of States' expenditure and whether we were being sufficiently robust in controlling it. In my view, the jury is still out on that. We are potentially doing better than before, but we could probably still go a little bit further at a later stage, but it is certainly the case I am still having frequent discussions with parishioners over the States wasting money. Therefore, it is not a prudent measure to be setting-up the interest on the Strategic Reserve to be spent on so-called strategic spending. That is not defined anywhere, which is definitely a black mark against this proposition before we even start. If we think back to July I think we approved the Strategic Plan and therefore is strategic spending anything identified in that plan? The public do not want us spending any more money. They want us to be seen to be controlling our own expenditure and spending what money we have in the most efficient and parsimonious way we can. Deputy Southern has referred to certain parts of past documentation, but I will revisit a couple of those, and I would like Members to just step back and look at what we are trying to establish and how we have got to that point; and I am only going to go back a year and a half. In April 2005, as we have been told, we have the Economic Growth Plan which I will quote briefly. It charges F and E: "to develop a new framework for the Strategic Reserve and fiscal policy that encapsulates the proposals in the Economic Growth Plan for a new [and, sorry, Deputy de Faye] counter-cyclical Stabilisation Fund." I will stop there. One month later the States approved the fiscal strategy and that is broadly identified as the path we are taking at the moment, 'Zero/10' and G.S.T., *et cetera*. About 6 months ago, in June, we have the Strategic Plan which does comment on the need to have an anti-inflation strategy and also states: "We will establish a Stabilisation Fund into which we will pay budget surpluses in times of economic growth and from which we will draw in times of recession." The Corporate Services Scrutiny Panel achieved a very successful amendment and called for the immediate establishment of the Stabilisation Fund and into which £32 million is to be transferred. That was approved by this House. Finally, Sir, in the Business Plan - which we debated and approved only 3 months ago - we stated: "The proposals for a Stabilisation Fund are expected to be brought to the States alongside the 2007 budget proposals later this year." That is what we are doing today. So it is only really when I went back and looked at those various reports and propositions that I myself, as a new Member, realised that this policy had been reaffirmed on quite a number of occasions and by varying different bodies. So this is not something we have just decided a few weeks ago and it certainly is not something we have rushed into. This proposition is attacking a principle which has been established and has been evolving for quite a long time. Deputy de Faye has asked for a translation which I will now attempt. The Strategic Reserve is our long-term savings. It is our disaster-recovery fund. To me it is the equivalent of our pension. We should be contributing to it on a regular basis until it gets to the required level of funding and, most importantly, we should not touch it. The idea of the Stabilisation Fund is to set up a medium-term level of savings. Now, this

we can touch. In household expenditure terms it is that pot of money to put aside for when times might get temporarily harder, or the washing machine blows up, or something crops up that we had not expected, or the house needs painting. Now, we do not want to tap into our pension to replace the washing machine and we do not want to tap into our long-term disaster-recovery fund just to get us through a time of local difficulty. We have already earmarked some funds, as has previously been stated, the £32 million from the Dwelling House Loans Fund, and we hope we can identify further monies as we move forward. But, again, it is the principle that we are trying to establish here and that is what is quite important. I am not going to repeat all the various comments that the Minister has already made in his response to the proposition, which I believe also includes certain corrections to the Deputy's comments, but I will note again if this amendment is supported then the attractive idea of having an independent fiscal policy panel does fall by the wayside. That panel should be quite a strong lever in controlling expenditure and managing the economy and should be supported. Now, if your finances are tight there is never a good time to start additional saving. However, it is rather ignoring the longer-term impact of not doing anything at all. How many times, if you look back 5 or 10 years, have you said: "I really wish I had had the strength at the time to do this thing at that time"? I.e. with hindsight, yes, we should have started our savings; it would have made life so much easier in the future. Our revenue is under pressure, as is our bottom line. However, as well as being prudent, we do need to look to the future and we do need to constantly evaluate our ideas and be prepared for what is around the corner. The idea of a Stabilisation Fund is all about establishing the right conditions going forward, of seeking to control inflation, of seeking to encourage economic growth at the right time, of establishing a base or even a foundation from which we can plan and manage a stable economy, and it is also about living up to our commitments the Corporate Affairs Scrutiny Panel achieved in the Strategic Plan. So I reiterate, Sir, the public do not want us to increase expenditure, which is really what is likely to occur if we start playing around with the Strategic Reserve. It is about setting-up a medium-term savings account and about managing our economy and, accordingly, Sir, I will not be supporting this amendment.

12.6 Deputy P.J.D. Ryan:

Well, during the Strategic Plan debate, Deputy Southern accused me of being a Mexican bandit whirling pistols around to shoot at people's legitimate spending plans. Well, I would suggest that this resentment is the return of Deputy Southern leading the cavalry swishing sabres to see off the Mexican bandits maybe. But I would ask Members to simply see it for what it is. Deputy Southern does not really agree with the establishment of the Stabilisation Fund and we have already made the decision that we should have one, and for all the right reasons. So I would ask people to reject it I am afraid. But there is also one further small point. The way that all the Ministers and people around the Assembly are talking over this Stabilisation Fund, I wonder if we can have the vote again on the other 2 parts of the Corporate Services' amendment [**Laughter**] and see if we get the same results. Thank you.

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

I do have a number of issues regarding the Stabilisation Fund and the plans. It is not that I do not approve of saving; it is just the time when we are telling the general public that 2 years down the road we are heading for a large reduction in income and we are requiring - and in fact we have just made decisions today - residents to pay increased income tax to ensure that they will help fund that hole. Also, we are going to be telling them - and we have already told them - that they will be paying an extra 3 per cent, we hope only, G.S.T. We are saying: "Oh, well, we hear messages from our Economic Development Minister that we have got sound public finances and because we are in good years we save." Well, I suggest we are not in good years and he should be the first one to admit it when I read in my *Evening Post* not so long ago that our airport could be bankrupt in a couple of a years because it does not have sufficient money to finance capital projects. We also know that there are many other demands for capital expenditure which are far overdue. Housing: I

still am not aware of how we are going to ensure that we maintain and provide sufficient capital to manage and maintain our social housing; £70 million to 80 million was the number I heard. Our roads, we still, to my knowledge, have a £30 million requirement to bring our main roads up to standard. Then we have £70 million to 80 million - and I know that we have allocated certain sums of money for this - for the new energy from waste plant. That is just to name but a few. Now, I do not know about prudent housewives or anything else, but I would suggest it is totally ridiculous to on the one hand believe that we have money available to put aside and put on deposit when indeed we have got major items that need to be addressed in the short term. We are already aware that the reason why we are now facing large capital sums to accommodate and improve our housing stock is because we have not invested, we have not spent the capital when we should have. Yet here we are again saying that we need to put money aside. Now, I believe, yes, there are times we need to put money aside and, yes, I do believe that perhaps the time that we should be taking advantage of Stabilisation Funds and that type of fund is when we introduce G.S.T. and the opportunity that windfall amount of income tax will generate. But I really have serious concerns that is now really the time to be putting money aside when we have many other - and I am not talking about revenue - capital items to pay for. Thank you.

12.8 Deputy J.B. Fox:

We might not have any money in the kitty and there is always somewhere else that we can spend the money, but I think having a Stabilisation Fund is a good way forward. I think we do need it for the future. In any government we have to budget for futures, but we have to act prudently and sensibly at the same time. Now, it may not be the right time at the moment to consider having any money to put in, but it does not alter the fact that we do need a Stabilisation Fund. Indeed, the proposer recognises that there will be a need to have one and therefore I do not feel as though I should support this proposition at the moment. Having said that, I do not like the thought of selling off our family silver by way of our utilities either, but that does not mean to say that there are not other windfalls that can be made through the sale of some of our surplus properties and, indeed, some windfall taxes that might be gained in other quarters, but these are decisions for another day, not for today. Therefore I do not feel that it is appropriate to support this particular amendment, but it is important to have a Stabilisation Fund. Thank you, Sir.

12.9 Deputy P.V.F. Le Claire:

I was against the establishment of a Stabilisation Fund and, at the time, I said that I had learnt from history the downfalls of some societies in relation to their habits of hoarding money being detrimental to them. I do believe that in a time of recession it is important for a government to spend money to fuel the economy, but I think there are a number of signs we are seeing that are ahead of us of difficulties and opportunities. We have already heard this afternoon of the £100 million that has been driven into the Island by way of a change in our legislation from the Minister for Economic Development. Perhaps the amendment that has now been lodged by the Minister for Treasury and Resources may open up a new avenue of business that may bring new wealth with it. So I am going to change tack and I am going to support the establishment of a Stabilisation Fund for a short period of time. If I remain in politics for the next few years, I will continue to watch how it is spent and how it is managed, and if it is applied in the right areas at the right times to stabilise and bring back into balance areas of the economy and areas of the budget that we need it to be applied to then I will be supportive of it. But like many things that we are having to go through in the past year and the years ahead of us - the next 2 or 3 years - it is all new ground, and in this new Ministerial system there is uncharted territory. I think, from my experience on the pensions funds - on the Committee of Management - that it did serve the States well, that it had such a reserve to offer as a guarantee to offset the provision of the 85-year repayment plan. Had that not been available, had the States' accounts seemed less secure, then quite rightly the auditors and the financial advisors to the States' fund and the pension management side of things could have asked the States to have paid a lump sum, which would have practically

ruined all of the savings that we have in the bank. The fact that we are able to show some money in the bank, quite a large amount in the reserve, and the fact that we are able to say that we were going to meet the new challenges under a fiscal package - which 99 per cent of I do not agree with; G.S.T., *et cetera* - I do think that in this instance a Stabilisation Fund may well serve us well. So I am going to change tack and give it support but only - as I say, if I am here - for a limited period of time; and if it is not applied wisely, and I will watch it, then I will become a strong critic for it because I still strongly believe that there are lessons in a hoarding economy and that if money is just kept for the sake of having money it is a detriment; it must surely be applied at the right times. Hopefully, if it is applied in the correct way when we need it, it will turn out to be something of value for the community. So in this instance I am unable to support Deputy Southern. Having shared the same concerns that he expresses today - many of which I still hold with him in regards to other fiscal elements of the policies we are putting forward - I do think it is wise to have this opportunity to let the Minister and the other Members as well know that I am willing to give something time; and I think that is what we need to do. It does not mean to say that I have changed or turned my coat inside out. It means that I am willing to be flexible and not stubborn, and willing to look and willing to learn. If it does not work, as I say, then I will become a strong critic.

12.10 Deputy J.A. Martin:

I am looking at you, Sir, honest. **[Laughter]** No, I do not have much to add to what has been said. I would like to follow-on from the Deputy of St. Ouen. There are some very big unknowns coming up. Just reading the "Planning for Homes" and the lodging of the Housing Department Property Plan 2007-2016, I think we were hinted that today from the Economic Development Minister that because of economic growth there are other things that have to be considered. Not one of the facts is that our housing prices are at rather the top end of what he would like. So obviously we need to build more. Some of that will be people who can buy, but the majority again will be for social rented, and that has to be provided by the States, or we do not know. We have a concern I know which is revenue. The Prison Performance Plan cannot be distributed among the House because we have not decided yet what parts of it can be funded. As I say, the £32 million that was voted on - I do not think I did support that, I am sure I did not support it - to establish the establishment of the Stabilisation Fund in the first place, I felt it was being directed in the wrong area at the time. There are still first-time buyers out there, which this was targeted at, who maybe could not get a loan from the bank, but I think the interest may be a bit higher, but this was never looked at and brought up to date. It was just £32 million in the Dwelling House Loans Fund that has been paid back in and because people are not borrowing and getting a better interest from, say, the mortgage shop or banks the money is not then going out. But it is also not being spent on housing when we are in dire straits of money being spent on all types of housing. So I did sign Deputy Southern's rescindment. I stand by that. We have enough funds where we can put money already. Just for the comment that the Economic Minister again made that if we rescind the Stabilisation Fund we will be rescinding the important set-up of the independent fiscal policy panel, for that reason alone -- and I am the one who is always told: "Please do not quote the U.K: we are Jersey." I certainly do not want to be told by some ex-banker - and I said that very carefully, Sir, because I could see where I was going to maybe fluff my words - from the Bank of England or economists when we have so many social issues that we cannot deal with, I do not want £30,000, £50,000. As I say, I do not believe that figure. You pay for what you get and these people are going to be advising us when we need to spend and when we need to save. We should be making that decision. I am sorry, I have got the Senators shaking their heads, I am not saying I am an economist, but I thought we had the expertise on the Island and, as I say, again, Sir, for that reason alone I support the rescindment; I do not want this new panel telling us when to spend and when to save; all outsiders, economists, from the U.K., with no soul. Thank you, Sir.

12.11 Deputy G.P. Southern

I shall try and be as brief as can, but I believe people's contributions are worth nothing. The first word I have got on my sheet is housewife and the pot theory: saving. It does not behove of the Minister to talk to me about ability to save and divvying things up into different pots. Well do I remember the tin that my mother used to keep on the mantelpiece. It contained something like 9 compartments. The last one was for the insurance. Friday night when the insurance man came around 6.00 p.m. on his bicycle with his gabardine, who was sent to the door to say: "My Mum is not in"? I know what it is to keep money in pots and to have it spent before the end of the week. "My Mum is not in. Sorry. We have not got the insurance." So, yes, I am fully aware of keeping things in separate pots. But he then started to talk about mixing the 2 together in the one pot and saying: "Well, it becomes unclear." What becomes unclear? He also talks in his reports criticising mine and saying I talk about using the interest to do this counter-cyclical Stabilisation Fund and he says: "Well, how much is that?" The Strategic Reserve over the last 5 years has been earning on average something like 5.2 per cent. So we are talking between £20 million to £24 million available to spend towards the Stabilisation Fund. Is that not enough? We are only talking about a fund of £70 million total. It seems to me that the Minister is saying to me that £24 million might not be enough; we might need more than that. Hang on. I do not believe we are if we can make an arrangement using what we have in the pot properly. It is not confusing at all. He then went on to say: "It is not as if we are going to create this money tomorrow." I never suggested the Minister was. He then said: "In fact, we may not do it for another 20 years." So we have to get on with deciding now when we might not do anything for 20 years. Absolutely a reason for not hurrying and not rushing through this now. Deputy Martin talked about the 3 wise men, or women, and her lack of faith in getting experts across to tell us what to do. Make no mistake, those wise men, or women, will be saying things like: "Oh, you must not go spending on your prison. Oh, no, you must not go spending on education. Oh, no, you cannot go spending on hospital because you need to put some money aside, if times are plenty, in the Stabilisation Fund." This is going to lead to severe, serious arguments over political decisions, social decisions that we will want to make in the future. When I talked about rushing through I think I probably got the wrong emphasis because, as reminded in Senator Ozouf's speech, what I really meant was not that the Minister was rushing, but for once the Minister had not fully consulted. I do not understand quite how this will work, how it effective it will be, and where this money is coming from. I do not believe other Members do. I think it is not because I used the wrong word "rush", because the time to consult fully and involve people in the decision to get their support has not been taken. That is what I think is the critical mistake that has been made on this. Deputy de Faye talked about plain English and the differences between the 2. What he did make me think of because he referred to the "people out there - the listeners who were hearing this" - I think the people out there, the people who are listening to this debate, will look at the reserves and say: "Hang on, you have got £460 million in the bank which you could use for this purpose. Why do you need to keep piling more in into a separate fund? Why can you not use some of that - common sense would say to them - towards this purpose?" Deputy Le Fondré talked about some sneaky plan of mine to get my hands on the interest. Can I just remind him that in the proposition to set up the Stabilisation Fund and the policy for the Strategic Reserve it clearly says: "Where the capital value is only to be used in exceptional circumstances." Now, I do not know how you read sentences, but that implies "but the interest might from time to time be used for other...". Otherwise why would it say the capital value only to be used in times of national disaster? Again, in the report it says capital value only used in times of national disaster. That seems to imply to me, as it would to anybody, that the interest could be used and that is exactly what I am proposing in this proposal. That from time to time - not all the time, not every year - it will be appropriate to spend the interest either for stabilisation purposes or for strategic economic investment, and that will be the appropriate thing to do. So, it is not confusing and it is clear that we can operate in a very similar way using the money that is in the Strategic Reserve already. Deputy Ryan said that I did not agree with the setting-up of the fund; that is not true. I simply do not agree with where the funding is coming from, and I am unhappy and unsure about where it is coming from. I was reminded of where it is coming from to start with by the Deputy of

St. Ouen. I thank him, like Deputy Martin, for turning to the Dwelling House Loans Fund, which is where this initial money is coming from. The initial first tranche £32 million to go into the Stabilisation Fund, coming from a fund set up to do something completely different. Now, I do not know where and when we changed policy on housing. Whether we decided that we were not going to encourage house ownership; that we somehow were able to cope with our States' rental housing, which is falling down and requires £80 million; that we can afford to take £32 million from a pot which said "housing" - this is the pot on the mantelpiece - and put it in a pot which says "Stabilisation Fund" but that is effectively what we are doing if we vote for this today. I maintain my amendment and call for the appel, please.

The Bailiff:

I invite all Members who wish to vote to return to their seats and I ask the Greffier to open the voting, which is for or against the proposition of Deputy Southern.

POUR: 5		CONTRE: 40		ABSTAIN: 0
Deputy A. Breckon (S)		Senator L. Norman		
Deputy J.A. Martin (H)		Senator F.H. Walker		
Deputy G.P. Southern (H)		Senator W. Kinnard		
Deputy of St. Ouen		Senator T.A. Le Sueur		
Deputy S. Pitman (H)		Senator P.F. Routier		
		Senator M.E. Vibert		
		Senator P.F.C. Ozouf		
		Senator J.L. Perchard		
		Connétable of St. Saviour		
		Connétable of St. Mary		
		Connétable of St. Peter		
		Connétable of St. Clement		
		Connétable of St. Helier		
		Connétable of St. Lawrence		
		Connétable of Grouville		
		Connétable of St. John		
		Connétable of St. Brelade		
		Connétable of St. Martin		

	Deputy R.C. Duhamel (S)	
	Deputy J.J. Huet (H)	
	Deputy of St. Martin	
	Deputy P.N. Troy (B)	
	Deputy C.J. Scott Warren (S)	
	Deputy R.G. Le Hérissier (S)	
	Deputy J.B. Fox (H)	
	Deputy S.C. Ferguson (B)	
	Deputy P.J.D. Ryan (H)	
	Deputy of St. Peter	
	Deputy J.A. Hilton (H)	
	Deputy G.W.J. de Faye (H)	
	Deputy P.V.F. Le Claire (H)	
	Deputy J.A.N. Le Fondré (L)	
	Deputy D.W. Mezbourian (L)	
	Deputy of Trinity	
	Deputy S.S.P.A. Power (B)	
	Deputy A.J.H. Maclean (H)	
	Deputy K.C. Lewis (S)	
	Deputy of St. John	
	Deputy I.J. Gorst (C)	
	Deputy of St. Mary	

13. Establishment of a Stabilisation Fund and Policy for Strategic Reserve (P.133/2006)

Senator T.A. Le Sueur:

I am in the hands of Members really; this is the last item to do with the budget. Having got the agreement in principle to a Stabilisation Fund during the budget, and having rejected Deputy Southern's amendment, it may well be that this need not take very long. **[Approbation]**

The Bailiff:

I ask the Greffier to read Projet 133.

The Greffier of the States:

The States are asked to decide whether they are of opinion to refer to the Act dated 20th April 2005 in which they approved the Economic Growth Plan and agreed *inter alia* that proposals for a counter-cyclical Stabilisation Fund should be brought forward, and through the Act dated 27th June 2006 in which they approved in principle the States' Strategic Plan and agreed *inter alia* the establishment of the Stabilisation Fund and the need for a new policy for the Strategic Reserve and:

(1) To agree in accordance with Article 3.3 of the Public Finances (Jersey) Law 2005 that a special fund to be known as the Stabilisation Fund be established with, (a) The purpose of the fund being to make fiscal policy more counter-cyclical and create in the Island a more stable economic environment with low inflation, (b) The Minister for Treasury and Resources to be responsible for proposing to the States the transfers between the Consolidated Fund and the Stabilisation Fund, having regard to the advice of a new, independent fiscal policy panel appointed by the States on the recommendation of The Minister and following advice from the States' Economic Adviser, and (c) The fund to be set up with the transfer of £32 million surplus funds currently available from the Dwelling House Loans Fund: (2) To agree that the Strategic Reserve Fund established in accordance with the provisions of Article 4 of the Public Finances (Jersey) Law 2005 should be a permanent reserve, where the capital value is only to be used in exceptional circumstances to insulate the Island's economy from severe structural decline, such as the sudden collapse of a major Island industry or from major natural disaster.

13.1 Senator T.A. Le Sueur:

I explained the background to the Stabilisation Fund and the Strategic Reserve policy in the course of my budget speech. As time is going on I do not see any need to repeat what I said then. The Business Plan debate in September did 2 things; it confirmed that we would transfer £32 million from the Dwelling House Loans Fund into a Stabilisation Fund and ask you to come back to this House with a policy by the end of the year on how it should be used. This is the second part of that; setting out how the funds should be used. The fund initially will have £32 million in and I hope, in the fullness of time, that fund will grow but whatever the level of the fund the principles behind it remain the same. I think really there are 3 questions to be asked. Why set up a Stabilisation Fund? How much should ideally be in it? How should we decide when to move money in and out of it? We have agreed why we should set up the fund; we should set it up as a counter-cyclical, as a way of matching the ups and downs of the economy. **[Laughter]** The amount ideally in it is suggested by the States' Economic Adviser should be up to about £75 million to £100 million. How should we decide when to move money in and out of the fund? I remind Deputy Pitman and others, who are concerned about the 3 wise men, that they, just like the Economic Adviser, just like me, we all advise the States. It is the States which decides when money is moved in and out of the fund. It is not the advisors; it is not even me. I hope that Members will listen to my advice; it is often quite sensible, **[Laughter]** but ultimately it is for Members themselves to decide. So therefore, Sir, I think the safeguards are there. Although we are setting-up this fund, although we are proposing the setting-up of a panel, the ultimate decision remains with this House and if that were not the case then I am sure there would be a lot more reservations. Given that the fund decision is with this House, Sir, I believe that we now have a complete framework to deliver the Stabilisation Fund and I do so propose.

The Bailiff:

Is the proposition seconded? **[Seconded]** Does any Member wish to speak on the proposition?

13.2 Deputy P.J.D. Ryan:

I rise only because, once again, I am going to be a little bit of a perfectionist. I would just like to refer to a couple of things that were said in the previous debate; the rescindment one. Senator

Ozouf said: "It does not mean to say that you should always listen to economic advice word for word." Deputy Martin said: "For that reason alone, I will support the rescindment," and referring to the 3 wise men from the north, or the east, or the south, or wherever they were - perhaps it was the wicked witches from the north, I am not sure - she said: "They will be telling us when we should spend and when we should save, and we should be doing that, not them." The point I am trying to make, Sir, is that the equivalent in the U.K. economy, which is the group that controls the interest rates - the Bank of England Advisory Committee - has statutory powers. We are setting-up a panel that has no statutory powers. I am only referring to it because, as I say, I am a perfectionist. I will certainly support the setting-up of our panel, our 3 wise men, on the basis of no statutory powers but I do make the observation that we may need to re-visit this at some stage in the future; that is all. Thank you, Sir.

13.3 Senator P.F.C. Ozouf:

I would wish to re-state what I said. The issue of the economic advice is that it is important that we have economic advice at our disposal. We might not like it, but it is important that we have it; we may set aside the economic advice in relation to other objectives that we may be pursuing on social or environmental matters but the most important thing is that we have it. To my mind, this is a move forward of a jurisdiction that is growing-up yet further. It may well be, and Deputy Ryan is quite right, that in due course one would give that panel some stronger powers than they may have, over in that advisory... I think the States may well hesitate before they would do that, but this is the first step in the road of putting some independence into the setting of some of our fiscal strategies. It does not undermine the ability of the States but it is the message that this is a jurisdiction that can confidently be exposed to advice and is a jurisdiction that is growing-up. I think that is a great and a significant step forward for a small jurisdiction that is already established and well known as a leading jurisdiction. In fact we are going to get even better, with even better advice.

13.4 Deputy A. Breckon:

Just a couple of points; in paragraph 1(a) at the end it says: "With low inflation" and that is the purpose of the fund, to iron out the peaks and troughs, but we have domestic economy; we have just approved increases in Impôts which will be the own-goal which will translate to at least 0.5 per cent when the March quarter comes out. They will not be picked up yet because they do not have an effect on the one that is under review at the moment. We are also going to impose Goods and Services Tax. So, on one hand we are establishing a fund to do things about things and then, on the other hand, we are going to create something for it to do, to address indeed I would suggest. The other thing is the low inflation; I know the time of year and perhaps if the Treasury Minister put it on a note and put it up somebody's chimney then his wish would be granted, **[Laughter]** but I cannot see how we can do much about oil prices or interest rates. I would suggest that if interest rates went up 2 per cent this fund would not be able to deal with that. The other point I would make, Sir, is that in paragraph (c) it is raiding a particular piggy-bank that others have looked at with envy, and that was the Dwelling House Loans Fund, which is an accumulation of over-payments for people who have had a particular transaction with the States. Not everybody, I would suggest, Sir, knew that this fund was in play. Had they done so, then others may have bid, other people have mentioned perhaps the housing themselves, for refurbishments and the like. I thought we had processes now of decision conferencing and weighing things against the other where this would be done. Now, this may well happen through this fund, Sir, but I think notice should have been given to all Members that this was in play, as it were. Perhaps they, as individuals, could have suggested things and may even do so now with this fund. I have noticed, as others have done, that there is some terminology of different funds. I hope we do not get into arguments of not being able to do this with that fund, or the other with the other and it is administered by the accountants, dare I say, with common sense. Thank you, Sir.

13.5 Deputy G.P. Southern:

It will come as no surprise to anybody that I intend to vote against this. Not because of any principle, but because I do not believe that we can do this without putting pressure on sources of income that we do not have. We can see the Dwelling House Loans Fund already going this way. I suspect that the setting-up of this fund will be an excuse to put pressure on us to sell off the utilities one by one throughout the coming years, in order to build up this special reserve. I believe voting for this will be a mistake and I will not vote for it.

13.6 Deputy C.J. Scott Warren:

In past years, and I have mentioned this many times, short-term cuts have been made to services to balance the books without looking at the impact of those cuts over the following few years, and whether in fact cutting by a certain amount has lost far more in revenue than if there had not been a cut. Can I ask whether the Stabilisation Fund can, if deemed appropriate, be used so that that situation would be less likely to happen in future? Thank you.

13.7 Deputy P.N. Troy:

On page 16 of the document we hear that: "The fiscal policy panel will be made up of independent economists and it is hoped that the Minister can bring together the right mix of experience and skills. They could be current or ex-monetary policy committee of the Bank of England members, public or private sector economists or academic economists. Panel members will be appointed by the States on the recommendation of the Minister and following advice from the States' Economic Adviser. They will be appointed on a fixed, 3-year basis with the contract being open for renewal by the States on the recommendations of the Minister for Treasury and Resources." It then states, under financial and manpower implications: "There are no manpower implications of this proposal and it is the intention that the costs of the fiscal policy panel will be absorbed within the existing budgets of the Treasury and Resources and Chief Minister's Departments." Could we be advised as to what the costs associated with this panel might be? Certainly, some persons who might be ex-members, retired persons, might consider giving their services free and just having their expenses paid. There are many people who would see this as a very prestigious position to be involved in and I would like to have further details from the Minister.

13.8 Deputy G.W.J. de Faye:

I recall the Island survived the great blizzards of the 1960s, with drifts 20 feet high in some places, and then the drought of 1976 where we all had to use our bath water on the flower beds and the gardens, and the mighty hurricane that blew down all the pine trees on Route Orange. Sir, I am not quite sure just how severe the natural disaster has to be to persuade the Minister of the Treasury to get his key out and go down into the vaults, but I would like at least a reassurance from him that it will not be his decision entirely but he will revert the matter of what does constitute a major natural disaster to the States, so that we can all decide.

13.9 Senator J.L. Perchard:

Very briefly. I fully support this proposal and congratulate the Minister for bringing it so promptly since the Strategic Plan debate. I am just a little confused by the list that Deputy Reed read out earlier, of areas where public expenditure is required and why he would associate that with the development of a Stabilisation Fund. There is a procedure through the business plan if the Deputy feels that we need to spend more money in a particular area, and that is the time. It is not by raiding any reserves that we might have. It is through proper planning through the Business Plan and I am sure the Deputy realises that. So, I think setting-up a Stabilisation Fund is something quite different and that does not stop any investment on infrastructure. It is just a different process and I think perhaps the Deputy has missed that point. The States have a pretty good track-record of having weak moments and dipping into, perhaps the Tourism Development Fund, for example. We did just last sitting when we voted £200,000 from that fund to look at a reclamation scheme at St. Aubin. Sorry, I am being told we did not.

Senator P.F.C. Ozouf:

Just a point of correction, Sir, it is a proposal that will have to go to the T.D.F. (Tourism Development Fund) and then they will have to decide independently; it is a recommendation of this Assembly.

Senator J.L. Perchard:

Yes, right. Okay, but effectively we were prepared to raid the Tourism Development Fund, Sir. So, when we have the odd weak moment as an Assembly we are prepared to dip into reserves and I want a reassurance, despite the advice from the 3 wise men and women that will be there to oversee the Strategic Reserve and advise on it of what procedures are in place to stop this Assembly, at the time of a weak moment, dipping into this fund regardless of the economic cycle and pressures that may be prevalent at the time, Sir?

13.10 Deputy J.B. Fox:

This has got to go forward and we, as the States, will be making the decisions at the end of the day. If we have a weak moment - and I would suggest that probably the best thing is for us to have a resolve that we should not have weak moments - that is what we are here for. If the new Member, the Senator, feels as though he needs to have a weak moment probably one of his colleagues on either side could aid him in having a strong moment. Thank you, Sir.

13.11 Deputy S.C. Ferguson:

I feel sorry for Deputy de Faye who was watering his geraniums with the bath water. [Laughter] I had a well in 1976 and that one did not run dry.

Deputy G.W.J. de Faye:

It is all right for you rich folk! [Laughter]

Deputy S.C. Ferguson:

The biggest caveat with regard to this Stabilisation Fund is identifying the turning point of a cycle. If we all knew this then nobody would have any financial problems and we would all be millionaires. If you ask any 3 economists for a view you will probably get 6 answers. I trust this caveat will be borne in mind and also that we will need a Treasury Minister who is not trigger-happy with releasing public funds at the slightest opportunity.

The Bailiff:

I call upon the Minister to reply.

13.12 Senator T.A. Le Sueur:

I thank Members who have spoken, and who have generally spoken briefly and to the point. Yes, I take the point from Deputy Ryan; we may, as time goes on, need to re-visit how this fiscal policy panel operates. Let us get them going and see what the results are. As Senator Ozouf says, we have the advice, it is up to us then whether we take it or we do not take it and that panel, and the way we operate, may well evolve with time. Deputy Breckon hopes that this fund will be administered with common sense. Well, it is in the hands of Members; it is up to Members to exercise common sense. Deputy Southern fears that we will use this as an excuse to sell-off utilities; I believe that is just scare-mongering and certainly my intention, the intention of the setting-up of the Stabilisation Fund, which pre-dates any question of selling-off utilities, is one which we need to do in any event. Deputy Scott Warren asks if the fund could be used to boost spending; I am not quite sure what she means there. It cannot be just dipped into at any Business Plan debate time, just to say: "Oh well, we are short of money, let us dip into it." What it is is to effectively increase our spending at the times when we need to spend in terms of economic decline. Now, it may well be that some Members will say: "Oh, it is raining; we are in an economic decline"

even if it is quite clear to everybody else that the sun is shining. It will be up to States' Members to decide ultimately when that time to spend is required. Deputy Troy talks about the manpower and the financial implications, and the fact that, as I indicated I think to Deputy Martin earlier, I am suggesting that a figure of something like £50,000 a year should be a suitable budget for employing this panel. It may well be that we will have people prepared to do this on a voluntary basis, or just on expenses, and it may well be that I am pleasantly surprised we do not need all that money. I am just warning Members that it could well cost that much. If it was spent it would be money well spent. Deputy de Faye asks how we will know when there is a disaster. I am reminded about the question of how do you define an elephant? Well, it may be hard to define, but you certainly know one when you see it: we will be quite clear when it has happened. Senator Perchard approves of the fact that we have responded swiftly, but he wants a reassurance that we will not dip into these reserves at times of weakness. All I can say to reassure him is that I will not recommend that we dip into this for no good reason, but I am aware that people are human and it may well be, because the decision rests with this House - rests with individual States' Members - that they may have times of weakness. My objective is to make sure that not more than 25 Members have that same degree of weakness at any one time. **[Laughter]** Deputy Ferguson, quite rightly, suggests that there is going to be great difficulty in just identifying where the turning point in an economic cycle is. I do not think any of us are particularly adept at doing that. Economists are not brilliant either. All I can say is that 3 heads are better than one; 5 heads are better than one; 53 heads are better than one; but at least let us make a decision on an informed basis. This will allow us to do that, Sir, I maintain the proposition and I ask for the appel.

The Deputy of St. Ouen:

Please, Sir, would the Minister consider us being able to vote on the 2 separate parts?

The Bailiff:

The answer is no, I am afraid, Deputy. So, the vote is for or against the proposition of the Minister and I ask the Greffier to open the voting.

POUR: 40	CONTRE: 4	ABSTAIN: 0
Senator L. Norman	Deputy J.A. Martin (H)	
Senator F.H. Walker	Deputy G.P. Southern (H)	
Senator W. Kinnard	Deputy of St. Ouen	
Senator T.A. Le Sueur	Deputy S. Pitman (H)	
Senator P.F. Routier		
Senator M.E. Vibert		
Senator P.F.C. Ozouf		
Senator J.L. Perchard		
Connétable of St. Saviour		
Connétable of St. Mary		

Connétable of St. Peter			
Connétable of St. Clement			
Connétable of St. Helier			
Connétable of St. Lawrence			
Connétable of Grouville			
Connétable of St. John			
Connétable of St. Brelade			
Connétable of St. Martin			
Deputy R.C. Duhamel (S)			
Deputy A. Breckon (S)			
Deputy J.J. Huet (H)			
Deputy of St. Martin			
Deputy P.N. Troy (B)			
Deputy C.J. Scott Warren (S)			
Deputy R.G. Le Hérissier (S)			
Deputy J.B. Fox (H)			
Deputy S.C. Ferguson (B)			
Deputy P.J.D. Ryan (H)			
Deputy of St. Peter			
Deputy J.A. Hilton (H)			
Deputy G.W.J. de Faye (H)			
Deputy P.V.F. Le Claire (H)			
Deputy J.A.N. Le Fondré (L)			
Deputy D.W. Mezbourian (L)			
Deputy of Trinity			
Deputy S.S.P.A. Power (B)			
Deputy A.J.H. Maclean (H)			

Deputy K.C. Lewis (S)			
Deputy I.J. Gorst (C)			
Deputy of St. Mary			

Senator T.A. Le Sueur:

That really concludes matters to deal with the Budget and I would like to thank Members for dealing with them so promptly and efficiently. Members will have noticed that, unlike in previous years, there have been no officers sitting alongside me and I have not had to sit at the back of the room. The officers have in fact been sitting in a back room, just in case they were required, and I would just like to thank them for their services and I am grateful that they particularly were not required very much. **[Approbation]** This Budget does take a tremendous amount of officer time and I do, and think we all should, appreciate the way in which they have done that, put this together, including the Economic Adviser’s survey, which enables us to make an informed decision today. To them, and to all Members, I offer my thanks.

Senator F.H. Walker:

Before we finally leave the budget could I just express, on behalf of the House I am sure, our thanks and congratulations to Senator Le Sueur, firstly for getting through the budget debate in a day; which is unusual. Although I know it is a different format it is highly unusual of late. Secondly, for maintaining his flow while obviously being prescribed the wrong type of cough sweets, and thirdly, not least, for I think by general acclaim an excellent budget and very skilfully steered through the House. Sir, I think on all 3 counts he deserves our thanks. **[Approbation]** Sir, would it help if I formally propose the adjournment?

The Bailiff:

Thank you, Senator. Before the Assembly adjourns may I just notify Members that the Deputy of St. Martin will wish to nominate a replacement for Deputy Martin to his Scrutiny Panel tomorrow morning. The States stands adjourned until 9.30 a.m.

ADJOURNMENT