

# STATES OF JERSEY

## OFFICIAL REPORT

**TUESDAY, 8th NOVEMBER 2011**

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[9:30]

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

**STATEMENT ON A MATTER OF OFFICIAL RESPONSIBILITY**

**1. The Chairman of the Privileges and Procedures Committee will make a statement about the Education and Home Affairs sub-panel review ‘Issues surrounding the Review of Financial Management of Operation Rectangle’**

**1.1 Connétable J. Gallichan of St. Mary (Chairman, Privileges and Procedures Committee)**

The Privileges and Procedures Committee has recently been approached by BDO Alto (“the firm”) which has asked the committee to investigate their concerns about the manner in which the Education and Home Affairs Scrutiny Sub-Panel’s review into issues surrounding the Review of Financial Management of Operation Rectangle has been conducted. To avoid any perception of a potential conflict of interest, Senator Ferguson as president of the Chairmen’s Committee, Senator Le Marquand as Minister for Home Affairs and Deputy Trevor Pitman as chairman of the sub-panel, did not participate in the consideration of this matter which was therefore considered by the remaining 4 P.P.C. (Privileges and Procedures) members. In making this statement I wish to make it clear that, notwithstanding the ongoing concerns expressed to us, P.P.C. is not questioning the Chairmen’s Committee original decision to allow the sub-panel’s review to go ahead. Neither is it questioning the choice by the Education and Home Affairs panel of this particular review topic. P.P.C.’s concerns therefore relate solely to the manner in which the sub-panel and the Chairmen’s Committee have acted in this matter. P.P.C. further wishes to make it clear that its involvement in this matter comes not in the usual manner from a complaint under the Code of Conduct for States Members but rather from paragraph 4.25 of the Code of Practice for Scrutiny Panels and the P.A.C. (Public Accounts Committee), R.30/2008. This states that: “Questions about a potential conflict of interest on the part of a member of a panel should be referred in the first instance to the Chairmen’s Committee for consideration who will refer the matter to the Privileges and Procedures Committee if a satisfactory resolution cannot be achieved.” Although in this case there was a resolution put forward by the Chairmen’s Committee the complainant did not feel that the terms of that resolution had been adhered to. P.P.C. has also considered this matter in accordance with its duty under Standing Orders to “promote high standards among members of the States”. The committee’s investigations have shown that the firm first approached the Chairmen’s Committee at the outset of the review because it was concerned about the perceived lack of impartiality of the sub-panel chairman, Deputy Trevor Pitman. At that stage the Chairmen’s Committee considered the concerns raised but concluded that it saw no reason to prevent the review going ahead. Before making this decision the Chairmen’s Committee had received correspondence from the chairman of the Education and Home Affairs Scrutiny Panel which included an undertaking that: “The review will be conducted rigorously and fairly and that all matters will be dealt with on an evidential basis.” When responding to the firm on 1st July the Chairmen’s Committee wrote: “The chairman of the sub-panel and the chairman of the main panel were quite clear that they were determined to focus the review on evidence from a full range of witnesses and to consider their findings in a fully objective fashion. They gave an undertaking that there would be no further public comments by members of the sub-panel on issues connected with the review until the review had been completed.” In contacting P.P.C. recently the firm remained concerned that its initial concerns about conflict of interest had not been properly addressed but they also raised additional concerns that the undertakings about “no further public comments” had not been complied with. The firm drew P.P.C.’s attention to entries on Deputy Trevor Pitman’s own blog about the review, to a Channel Television interview he had given and to 2 video interviews about the review given by Deputy Pitman to the Voice for Children blog. P.P.C. considered the content of the blogs and received transcripts of these video interviews. P.P.C. was extremely concerned about the tone and content of the 2 video interviews by the sub-panel chairman which were critical of the actions of BDO Alto, and which comment on a wide range of other issues relating to the ongoing review.

Having identified these matters P.P.C. wrote to the Chairmen's Committee to inquire what action, if any, the committee had taken to enforce the undertaking given at the outset that the members of the sub-panel would not make public comment during the course of the review. It was clear from the response received that no action at all had been taken by the Chairmen's Committee even though the president wrote in her reply that: "The Chairmen's Committee does indeed stand by its decision that it is inappropriate for any comments to be made on personal sites during any Scrutiny Review." Prior to the final preparation of this statement, P.P.C. met with the president of the Chairmen's Committee, Senator Ferguson, who confirmed that no specific measures were put in place by the Chairmen's Committee to monitor adherence to the undertaking given by the sub-panel. The Senator opined that this matter was effectively delegated to the chairman of the main Education and Home Affairs Scrutiny Panel and indeed her letter to P.P.C. dated 11th October 2011 included the comment: "However, the Chairmen's Committee has also been made aware that reminders to the sub-panel chairman in respect of his undertaking not to make blog entries have been given by the main panel chairman." P.P.C. subsequently also met with Deputy Le Hérisier, chairman of the main Education and Home Affairs Scrutiny Panel, and Deputy Trevor Pitman, chairman of the sub-panel. During that meeting it became apparent that Deputy Pitman disputed that he had given an undertaking not to make further public comment on issues connected with the review prior to its completion. He commented that he would not allow himself to be constrained in such a way and that he would respond to media inquiries, including those from citizens' media as he felt appropriate. He was asked if he had seen the letter of 1st July in which the undertaking was given and he said he could not be sure, although Deputy Le Hérisier reminded him that he had seen it. Deputy Le Hérisier said he had reminded Deputy T. Pitman about the undertaking but had believed that the blog entries had tailed off very soon after the letter of 1st July was sent. It is clear from these 2 meetings that there was confusion between the Chairmen's Committee and Deputy T. Pitman about the precise nature of the undertaking given to the firm. The Chairmen's Committee was not monitoring the situation and Deputy Pitman did not advise them that he disagreed with the undertaking set out in their letter to the firm. The chairman of the Education and Home Affairs Scrutiny Panel did not feel that he had been specifically tasked with monitoring the situation as he felt he had been involved in the early discussions about a potential conflict more as a witness than as a member of the Chairmen's Committee. The correspondence that P.P.C. has seen makes it clear that the sub-panel chairman was well aware at the outset of this review that concerns had already been raised about a perceived lack of impartiality on his part. P.P.C.'s view is that when the Chairmen's Committee nevertheless agreed that the review could proceed he should have been scrupulous to ensure that the review was conducted in accordance with the undertakings given to that committee. P.P.C. does not know what conclusions or recommendations will be in the sub-panel's report when it is published in the coming days, but is concerned that whatever the outcome, the review may be overshadowed by a perception that a conflict of interest did exist despite assurances to the contrary given by the Chairmen's Committee. P.P.C. would consider it to be regrettable if because of this perception, the review was seen by some to be of limited value. P.P.C. is equally concerned that the Chairmen's Committee, having allowed this review to go ahead on the basis of certain undertakings, took no action as soon as the committee became aware that those undertakings had not been complied with. P.P.C. would suggest that the next Chairmen's Committee take on board the following: 1. If a commitment has been made then it must be communicated to all parties; 2. Any commitment must identify who is responsible for maintaining compliance; 3. Compliance with a commitment must be monitored; 4. Members must be scrupulous to ensure that their actions do not reinforce any perceived conflict; 5. Scrutiny members must recognise that the successful outcome of a review is their paramount concern. Recommendation 4 in the recent review of the last 3 years of Scrutiny undertaken by the Chairmen's Committee, R.118/2011, is that: "All members and officials must ensure adherence to Standing Orders, Codes of Practice, Protocols and Guidelines".

[9:45]

The new Assembly will shortly be sworn in and this is the ideal opportunity to review the lessons learned from recent reviews and to ensure that members undertaking the vital role of Scrutiny in future are adequately supported. P.P.C. believes that if Scrutiny is to be taken seriously in the new Assembly the new Chairmen's Committee must be prepared to take steps to ensure that Scrutiny Panels act in a professional way and the committee must be willing to take firm action if panels do not follow agreed procedures.

**The Deputy Bailiff:**

The statement having been made the matter is then open to questions.

**1.1.1 Senator S.C. Ferguson:**

I have not yet received an explanation as to why I was excluded from the discussions as being conflicted. Perhaps the chairman would explain to the Assembly.

**The Connétable of St. Mary:**

Indeed I did give an explanation of this to Senator Ferguson when she attended on the P.P.C. last week. The explanation being that as President of the Chairmen's Committee and that being the organisation being directly looked into by the P.P.C, there was obviously need to consider whether she would be conflicted. An initial meeting was held by P.P.C. to discuss this with the 4 members who clearly were not conflicted and it was unanimously agreed that this was the right course of action.

**1.1.2 Senator S.C. Ferguson:**

Supplementary? Would the chairman also explain what P.P.C. intends to do or to recommend to the new P.P.C. regarding blogging by all Members of the Assembly when they are involved with Scrutiny reviews?

**The Connétable of St. Mary:**

I would like to be quite clear; the purpose of our investigation has been to deal with the perceived conflict of interest by the Scrutiny Panel itself. Matters of other members blogging, witnesses for example, may be something that needs to be considered but did not form part of this discussion.

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

Notwithstanding the confusion that may have arisen, would the chairman acknowledge that a letter was sent to P.P.C. on 27th September from the major witness who was cited in this report? The contents were never shared with ourselves or with the Chairmen's Committee. I and the sub-panel chairman were summoned to meet P.P.C. with 2 days' notice with no explanation given of what the charges were or what the circumstances were. Would she confirm that those were the circumstances and to this date we have not seen that letter and until that letter is replied the witness will not verify their evidence to the Scrutiny Panel?

**The Connétable of St. Mary:**

Deputy Le Hérissier is well aware of the reasons why P.P.C. was undertaking this investigation. The letter sent to P.P.C. was requested specifically because of perceived conflicts of interest of members of P.P.C. to be dealt with exclusively by the remaining panel, but Deputy Le Hérissier was advised of the nature and the specifically tight nature of the matter we were investigating, which was simply the perceived conflict of interest. As for whether or not the witness will reply to the report, whatever Deputy Le Hérissier mentioned, P.P.C. has been specific to advise the witness that any replies it needs to make to the Scrutiny Report should not be held up as a result of this statement.

**1.1.4 Deputy R.G. Le Hérissier:**

Can I ask a supplementary? Does the chairman - I repeat the question - think it is right to accuse people of things in total darkness and in a covert manner? We were not informed. The company mentions legitimate and numerous concerns. That is what is on the letter to us and to the chairman. Why were we not informed of those concerns and not given an opportunity to reply to them?

**The Connétable of St. Mary:**

As I said, Deputy Le Hérissier was informed of the precise tight nature of this inquiry. The numerous concerns mentioned are all concerns of perceived conflict of interest that are raised in the blog entries, but they all stem from the same direct concern.

**1.1.5 Connétable D.W. Mezbourian of St. Lawrence:**

A bit more general; in the final paragraph we are told that: "P.P.C. believes that if Scrutiny is to be taken seriously in the new Assembly ..." This is a question addressed to the chairman of P.P.C., I would like her to tell the House of her view as to how Scrutiny has been viewed in this Assembly?

**The Connétable of St. Mary:**

I do not purport to speak for the Assembly but I would say that there have been numerous instances where Scrutiny members say they do not think their work has been valued, therefore I think it is entirely appropriate to mention when Scrutiny members themselves seem to be the cause of their undervaluing.

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

Can I just say that as I believe the chairman is misleading the House, I will be seeking to make a statement tomorrow and I will be putting it on my blog. Will the chairman just confirm that we were denied any access to these allegations and it is completely untrue to say that we were informed about the details because we were not, and if the chairman cannot confirm that I will have to say that she is telling the House an untruth?

**The Connétable of St. Mary:**

All the other parties were informed that we were investigating a perceived conflict of interest. Any details stemming from that stem from the entries in the blogs themselves. There is no intention to mislead the House. I have said exactly what has transpired but the content of the letter to P.P.C. is kept confidential as has been requested.

**1.1.7 Deputy T.M. Pitman:**

Supplementary? Again that is not correct that we have been informed of these alleged conflicts, which were of course thrown out by the Chairmen's Committee. Does the chairman think it is not right? The actual thing she is referring to is my revelation that this company was attempting to charge the taxpayer and Scrutiny £14,000, discounted from £26,000, for attending a 2-hour scrutiny hearing and have been obstructive right from the very start.

**The Connétable of St. Mary:**

There are those who may think that this was a reluctant witness right from the start, but any investigation of the chronology of events leading up to this review would at least give some explanation as to why that perception might exist. P.P.C. understands that the review was initiated by approach from 2 local bloggers, one of whom had published a highly critical series of reports about this particular company which of course, as with any other company, needs to defend its professional image. On 12th June, that blog announced that the review would take place some 2 full days before the Education and Home Affairs Scrutiny Panel had met to decide that that would happen. Not only was it announced 2 days before the panel had agreed to undertake it on the blogger's site, but it was also referred to on that same day by Deputy Pitman, on his own blog. Therefore I think we have some understanding of how concerns of preconceptions have already started to appear in the minds of that company. As regards a fee note, which is obviously a

confidential matter sent to the panel, which was broadcast widely by Deputy Pitman and others, my understanding is that was the result of a misunderstanding between the company and the department, and the company was advised quite firmly that Scrutiny does not, has not and will not pay for evidential evidence, although I would stress that this is not by any means the only time when a fee note has been raised in error and having been advised of the fact the company has not sought any payment thereafter, to the best of my knowledge.

**Deputy T.M. Pitman:**

The chairman is misleading the House; the company are still seeking that money.

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

First of all may I congratulate the chairman in her part that she is playing in this highly predictable set piece, which is to discredit the report of the Scrutiny Panel even before it comes out. The question is, why is P.P.C., and the chairman in particular, so quick to jump on a perceived conflict due to the separation of roles from a Back-Bench Member when it does nothing and has done nothing to address the conflicts of interest with the Constables, the Jurats, the Solicitor Generals, the Attorney Generals, and the Bailiff who also have dual roles, which is a much more important conflict of interest than a Back-Bencher. I would ask also why P.P.C. does not take the plank out of its own eye before trying to remove the speck from one of its Back-Benchers who is trying to do a job to uncover a very important issue for the public of Jersey, which has already been discredited, probably successfully, by P.P.C?

**The Connétable of St. Mary:**

Firstly I regret the fact that Deputy Tadier seems to try to import motives to me that simply do not exist. Secondly, I am specific that this investigation is simply into a perceived conflict of interest, which has already been adjudicated on by the Chairmen's Committee for which undertakings were given and then, blatantly, these undertakings were not complied with. That is no fault of P.P.C. and it is not a question of a dual role. It is one of States Members absolutely actively deciding to take one course of action, which may or may not be to the detriment of the final report. P.P.C. has, quite clearly from my statement, taken no issue with the subject of the report or even issue with the way the Chairmen's Committee adjudicated initially on the conflict of interest. So Deputy Tadier must understand and listen to the content of the statement rather than making his own ill-conceived judgments.

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

I may have misheard the chairman, but did she say that some information was not passed to the people who were accused of having a perceived conflict of interest because the person who had written said the matter was confidential? If that is the case, does she think she has followed the principles of natural justice by revealing all the allegations and all the information to the people who have been accused of this conflict?

**The Connétable of St. Mary:**

As I have said repeatedly, what P.P.C. has investigated is a very narrow point arising out of a letter. The point we are investigating is a perceived conflict of interest in the way the review has been carried out - nothing more, nothing less - relating specifically to blog entries and media statements given by the chairman of the sub-panel. To that extent everybody has been informed as to what P.P.C. has been looking into.

**1.1.10 Deputy M.R. Higgins:**

Supplementary? Can the chairman just confirm was all the information that she was given passed on to the people who were accused of this perceived conflict of interest?



**The Connétable of St. Mary:**

All the information I have ever been given about anything? No. What has been passed on is the information relevant to the investigation that P.P.C. has undertaken.

**The Deputy Bailiff:**

The 10 minutes has now expired and therefore questions are at an end.

**PUBLIC BUSINESS**

**Deputy G.P. Southern:**

If I may, could I inform Members that I wish to withdraw P.168 on nurses pay. The comments that arrived yesterday change the circumstances of that proposition and I need to withdraw it in order to work further on it. But I only got the comments last night, so I apologise to Members for the late notice.

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

I apologise for the late arrival of those comments but I welcome and thank the Deputy for his action this morning.

**2. Draft Budget 2012 (P.159/2011)**

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

May I make a request? I am minded not to take part in the Budget debate and I have a number of reasons for this. I feel, and I have felt, and I have expressed my views to Senator Ozouf, that the Assembly should not have taken part in any further business after the decision to run the election. In that case, on 19th October 4 new Constables, 2 new Senators and 10 Deputies were elected which will represent 31 per cent of the 51-seat Assembly. In my view, having spoken to 3 of them, these Members feel they are disenfranchised in a major piece of work, which is the 2012 Budget. Therefore, I will not take part in this debate and I will withdraw and I urge other Members to consider their position. This is nothing to do with my respect for the Minister for Treasury and Resources or his work. It is simply that we should not be debating this.

**The Deputy Bailiff:**

Very well, if you are going to withdraw, you can withdraw. I therefore call on the Greffier to read the proposition P.159.

**The Greffier of the States:**

The States are asked to decide whether of opinion to approve the estimate of total taxation revenue in 2012 of £574,778,000 as set out in summary table A on page 48 of the Budget Statement, with the sum to be raised through existing taxation measures and the proposed changes to income tax, goods and services tax, impôts duty, and land transaction tax and stamp duty court fees for 2012 as set out in the Budget Statement.

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

Today's debate is taking place at a critical time for the world economy and for Jersey. The Governor of the Bank of England has said: "This is the most serious financial crisis seen since the 1930s, if not ever." Add it to the President of the World Bank's comments last Friday that the world economy is still wobbling on the edge and could tip very quickly, that the integrity of the European single market is also under threat.

[10:00]

Economic growth in the G7 economies is forecast to be less than 1 per cent in the second part of 2011. Business and consumer confidence in the United States continues to fall as Governments run out of options to stimulate growth. Closer to home, the U.K. (United Kingdom) is in the process of

rebalancing its economy and the Bank of England has injected a further £75 billion in a round of new quantitative easing to buy time and address the underlying problems of excessive debt and over-leveraged balance sheets. In the past, market determined exchange rates helped balance trade surpluses and deficits between countries facing economic difficulties; however, now that many European countries have fixed their exchange rates we cannot expect a swift resolution to the current European sovereign debt crisis. With regard to our own position, in October 2011 the report from Jersey's Fiscal Policy Panel said that future expectations for global economic growth have been revised downwards and the speed and the extent of the global recovery is now much more uncertain than before. This was likely to hold back Jersey's recovery although it is hard to quantify the effects. The Fiscal Policy Panel has now revised its central estimates for economic growth next year to between minus and plus 2 per cent. The F.P.P.'s (Fiscal Policy Panel) advice on what we should do is clear. We should be ready to support economic activity without weakening States finances. This is what we have been doing and this is what this Budget will continue to do. Before addressing the specific measures in this year's Budget, I would like to reflect for a few moments on the last 3 years, our current position and the journey that has brought us here. In 2009 I had the difficult job of reporting to this Assembly a forecast recurring deficit of up to £100 million by 2013. It is worth recalling that this deficit was calculated to include not only the effect of the global downturn but also restoring appropriate contingencies for unforeseen expenditure and setting reasonable spending estimates. This meant our public finances were, however, in danger of being destabilised. Unlike certain Governments who are now in serious difficulties, we did not take the easy path. We were transparent, we identified the problems, we took proper independent advice and we faced up to dealing with our deficit. Together we resolved to tackle it with a 3-part plan: reducing spending by £65 million over 3 years, boosting economic growth through a fiscal stimulus package and raising taxes by £35 million to close the remaining gap. What progress have we made against our plan? Firstly, on C.S.R. (Comprehensive Spending Review) savings. All departments are delivering and as a result we have collectively exceeded our targets for this year. The approval by the Assembly of the 2012 Business Plan means that we are also on course to achieve our target of £33 million of savings in 2012. Savings of a further £32 million are planned for 2013. I want to repeat my thanks to the independent reviewers who gave up their time and experience to serve the Island. I also want to recognise the Corporate Affairs Scrutiny Panel's role in assisting with the Comprehensive Spending Review. Their latest report has some constructive observations that the C.S.R. is more than just about efficiencies. It is a key part of the fundamental reform of the public sector that we have begun in this administration and must continue in the next. Secondly, boosting the economy. Members approved the plan to stimulate the economy with the targeted use of £44 million of fiscal stimulus cash. It is encouraging that through Advance to Work 200 young people have found employment. Young people are now in States apprenticeships and long-term unemployed people are being brought back to work through Advance Plus programme and Work Zone. Fiscal stimulus has kept Jersey going. More than that, Jersey Hospice, Durrell, the Shelter, the Opera House and other third sector bodies have benefited from the new investment to assist them in their outstanding work. I think Members should be proud of the lasting legacy of all of these projects and housing and infrastructure improvements. Thirdly, tax. In last year's Budget Statement I promised that we would develop new tax policy in a number of areas and I am pleased to report that significant progress has been made. The new Tax Policy Unit issued its report on the outcome of business tax in September. It came, of course, as no surprise that the consultation response was clear, that we should retain Zero/Ten. The Zero/Ten model provides fiscal neutrality that is fundamental to our financial services industry and while maintaining tax revenues at an internationally competitive rate. A review of alternative corporate tax regimes, including an economic analysis, concluded that moving to an alternative regime would in most cases reduce tax revenues and would damage Jersey's reputation for stability and fiscal independence. While it has sometimes been difficult, upon advice I have maintained the consistent view that Zero/Ten is absolutely fundamental to Jersey's positive economic future. The States has approved legislative amendments, which were intended to remove those elements of our tax

legislation that were considered harmful by the Code Group, and on 13th September the Code Group approved our Zero/Ten tax regime and confirmed that our rollback proposal would remove the harmful effect of our regime. This will be tabled formally at Ecofin next month and the fact that we have secured Zero/Ten, I believe, is excellent news for Jersey. Securing the future of Zero/Ten brings certainty and stability to the business community and give us a significant advantage over our competitors delivering reassurance and certainty to our industry and providing the foundation for growth. This Assembly also approved a new 1(1)(k) tax regime for incoming high net worth individuals. This regime was designed to attract new people and their wealth to Jersey. This will provide the opportunity to bring new entrepreneurship and new jobs to Jersey. Inward investment, particularly, creates valuable economic growth and employment, but I will continue to keep under review the equity and fairness of the current present arrangements. We have maintained an exceptionally strong balance sheet. Property, in its current use, is valued at over £1.7 billion, more if we consider development potential. Infrastructure, including roads, sewers, harbours and the airport are valued at a further £1 billion. Utility companies that are wholly or partly owned by the Assembly have a book value in excess of £250 million. More, if they were ever sold, too. The strength of our balance sheet extends to more than just fixed assets. Most countries meet pension costs from current revenues. Jersey in contrast has both a security reserve fund of £800 million to support the future costs of an ageing population and a health insurance fund with a balance of over £80 million in it today. In addition, the States has a pension fund for all its public sector workers that is fully invested to generate returns and reduce the cost to the taxpayer. Having said that, I do not underestimate the difficulty of providing for an ageing population. Nor, do I underestimate the difficulty of funding public sector pensions when people are living longer and investment returns are falling. There is much, I think, we can learn from the findings of the Hutton inquiry into U.K. public sector pensions, and officials in the Treasury and the Chief Minister's Department are working together with stakeholders to develop options to change that the new Council of Ministers and new States Employment Board will consider. We of course also have a safety net of nearly one year spending set aside in our strategic reserve but in addition we have other substantial cash balances and reserves now receiving more active management within the context of the new Treasury arrangements and the common investment fund. The balance on the consolidated fund, which has improved as a result of the 2010 outturn comfortably covers the deficit of £90 million expected for 2012 and with a return to balanced budgets in 2013 we will see the consolidated fund increase to the F.P.P. target of at least £20 million by 2014. We have retained the balance of over £10 million in the stabilisation fund, a much better position than I thought possible a year ago. This strong position brought about by past prudence and the measures that we have taken over the last 3 years are the reasons why Jersey is well placed to withstand the current global turbulence and maintain its resilience into the future. This has been perhaps the most difficult time the Island has faced, without exaggerating, since the Second World War. This has been a difficult time to be Minister for Treasury and a Treasury team to face. During the recent elections many Members have faced challenges from Islanders while canvassing. Members would quite understandably ask themselves whether the actions we have taken over the last 3 years were necessary and if there really is a prize for such prudence. We all know our fellow Islanders are finding the current climate difficult. For many local households, particularly those struggling with employment issues, I understand the strong talk of public finances does not mean much at the household level. Islanders, particularly those on fixed incomes, low and middle incomes, have faced a double squeeze. Firstly on their income from the necessary changes to our tax structure and, secondly, the effects from the global financial crisis. I understand that tax increases have had an impact on everybody. This has been a tough phase of fiscal tightening and this has been difficult. The Assembly supported the view that these were, however, the prudent decisions to take. Borrowing or spending from reserves on current expenditure would not have been sensible and many nations are now learning the harsh consequences of following such a path. I believe that future generations will look back on this period and on this Assembly and be grateful that we faced up to our responsibilities. We did

forecast the problems ahead and, unlike many other Governments around the world, we did something about it. In the not too distant future I am confident that Islanders will benefit from our prudence and I would like to add my own sincere personal thanks to all Islanders and Members for supporting me and accepting the difficult decisions and, I repeat, that the actions we have taken will play a significant long-term dividend for our Island community. Now we have taken these tough measures what are the challenges facing us in 2012 and beyond? If the weakening in the large economies continues future rises in interest rates will be delayed in the U.K. certainly until 2013. While low interest rates historically were a powerful economic stimulus they do have an effect on our banking profitability. Company tax revenues from the banking sector will therefore not recover until interest rates do. I understand that Jersey retailers are facing competition from internet sales and increasing competition, particularly in the grocery market, and we are all obviously concerned about the future of online retailing. However local retailers have already begun reshaping their businesses and I found it encouraging that the Statistics Unit reported that in the first 6 months of this year retail sales volumes were 4 per cent higher and footfall continues to increase. While unemployment has risen to over 1,300 people from the previous low levels our unemployment, as a proportion of the total job market, is still significantly lower than most jurisdictions. It was encouraging that the number of people in work in June stood at the highest level that we have ever seen recorded. It is also encouraging that inflation in Jersey is lower than that of the U.K. The latest forecasts from the Economics Unit suggest that underlying inflation for the coming year will be in the region of 3 to 3.5 per cent, but I cannot emphasise enough how important it is for high inflation not to be factored into wage and price decisions. This would damage the Island's competitiveness, our local economy and job prospects. The States is right to underline its own commitment to avoiding a wage price spiral. All Governments need to continue to work hard to maintain their economic position. We must be innovative and deliver diversification in the economy to provide the competitive position for all Island businesses in all sectors of the economy. Improving economic performance will secure well paid jobs for Islanders and I would like to explain how this can be achieved. Continuing to enhance our reputation internationally certainly helps. Three years ago we decided to focus our efforts on the emerging development markets in Asia/Pacific and the Middle East; the areas of the world that are going to be in future the engine of future growth. In the last 18 months I was privileged to lead trade delegations to Shanghai, Mumbai, Abu Dhabi, to create new relationships. These cities are the cities that are the fastest growing in the world and our new offices, partly funded by fiscal stimulus money are already winning new business, creating jobs and securing our economic future.

[10:15]

Ministerial colleagues also led delegations to Israel where there is huge potential for Jersey to create new business and build on existing business sectors. Latin America should be our next target market and we should intend to focus on developing new opportunities in this part of the world. We punch above our weight and Jersey continued this year to be ranked as one of the highest rated offshore international financial centres. We climbed into the top 10 locations in the world for wealth management and private banking services, and we now rank in the same group as major city centres like Zurich, Geneva and Frankfurt. For a small Island in financial services we really are a global player and our industry contributes directly or indirectly to a significant proportion of our tax revenue, and there is no comparable industry that can contribute so significantly to our G.D.P. (Gross Domestic Product) on a per capita basis. But Jersey is of course not a single economy. We are committed to encouraging diversification. All sectors of the economy matter: retail, construction, I.T. (information technology), tourism and agriculture. The Minister for Economic Development's new growth strategy is out for consultation and while placing new emphasis on the development of financial services products and markets places equal weight on supporting existing sectors and diversification. In difficult market conditions it is impressive that agriculture has developed a new sense of confidence. I was greatly encouraged yesterday to learn of the successful rural conference. This has been an example of an industry, a ministry, and scrutiny under the

Deputy of Grouville of working well together. I am optimistic that with appropriate Government support agriculture will continue to make a valuable contribution to the economic, social and environmental aspects of Jersey life. During my time at Treasury I thought it was important to concentrate on the balance sheet too and particularly strengthen the relationship with our utility companies for which I am responsible as shareholder. Each company over the last 3 years has made enormous strides to improve efficiency, and the working relationships are now excellent. I would like to recognise the boards of Jersey Water, Jersey Electricity, Jersey Post and J.T. (Jersey Telecom) for their efficient performance, sometimes in difficult trading conditions. Perhaps like our court, J.T. is an unsung hero of helping positioning Jersey for the world today. Yesterday Members heard of the exciting plans to invest in an ultra-high speed fibre optic broadband network. If we remain reliant on the copper wire network then the Island's infrastructure in communication and technology could be compromised and that could undermine future growth and our competitiveness. I carefully analysed the case for going further than simply speeding up copper and have concluded that without doubt fibre is the future. Perhaps even more exciting are the potential economic spin-offs in a whole host of areas that could mean that Jersey is one of the first truly gigabit economies. Lighting up Islanders lives, quite literally, with fibre optic could create a cluster of world class I.C.T. (information and communication technology) businesses that will come to Jersey because of our legal framework, tax benefits, expertise, skills and lifestyle. It is a chance to potentially create hundreds of new jobs that will directly support businesses in Jersey in the future. Ultra-fast broadband could literally revolutionise also the way that public services are provided. From healthcare to education it can also energise the future phases of the Comprehensive Spending Review as we reform the public sector. Connecting every home in the Island is also socially inclusive. Every household, including low income families, will be able to connect to the fibre optic network at affordable prices. An investment in infrastructure is and could be the beginning of a Jersey new I.C.T. strategy but to do this we must move and we must move quickly. I would like to see the funding for an independent I.C.T. representative body which will provide consultation, industry representation and promotion in a similar way that Jersey Finance does for that sector. While investment in I.C.T. and continued investment in the finance industry will provide stability and diversification there is a need to provide further support for tourism too. I can say that I have released, with the Council of Ministers endorsement, the additional money for the tourism development fund from the contingency but I believe that we can do more. Event led and cultural tourism has been the success story of recent years. Events such as the marathon, Jersey Live, Branchage Film Festival demonstrate the scope of what can be achieved. At a time when other jurisdictions do not have the benefit of Jersey's financial position and they are being forced to reduce their spending on sport, culture and the creative arts it creates an opportunity for Jersey working with these sectors to attract further visitors to Jersey. Over the years tourism has been a vital part of our economy. Today it provides jobs and a whole range of benefits to the Island, including some of the finest hotels and restaurants, vitality in our shops, and it sustains our air and sea links. We should send out a clear message that we believe in its future and will do everything possible to provide more support. States Members will, I hope, appreciate that this has been an exceptional year with only a short matter of weeks between this Budget and the 2012 Business Plan. A review of all forecasts of States income suggests that there are no material changes necessary, even with the more depressed outlook for interest rates. As we have seen capital and infrastructure spending is one powerful way to continue to boost the local economy. We are currently making sure that the £37.5 million of new capital in 2012 is spent next year. Spending includes for the next 12 months: £3 million for the new Gorey pier head; £2 million for Elizabeth Harbour remediation; over £5 million for the Philip Street shaft; £11 million on sewers, roads and sea defences; £5 million for Pomme d'Or Farm and £2.6 million for Clinique Pinel and a further £8 million for the General Hospital. However, money sitting in States bank accounts does not benefit the economy and there have been a number of capital allocations from previous years that have been unspent. For this reason I am determined that both the £21 million for the new police headquarters and the new Ann Court car park fund of £9 million are injected into the economy next

year as soon as possible. But more than that there is also now a pipeline of additional work that could be commenced by the Minister for Housing, Property Holdings and S.o.J.D.C. (States of Jersey Development Company) who are working constructively together, and with the revised investment strategy I published last week we have created a new sustainable method for funding future investments in infrastructure from our own resources. Taken together, our plans on capital and infrastructure spending represent a further significant stimulus for the Jersey economy next year. Getting the money we have working, keeping the economy moving, keeping people in jobs, delivering the dreams of home ownership, improving our infrastructure, getting value for money and investing in our future, all funded from our existing resources. I understand Members continued concern over the issue of non finance, non locally-owned businesses. As I have said, I am confident that the December meeting of Ecofin will confirm that following the repeal of the deemed distribution provisions our Zero/Ten regime is not harmful. Nevertheless we need to be careful not to raise any doubts in the minds of the Code Group membership by proposing changes to our business tax regime that could compromise that. In the new year, after confirmation from Ecofin we will be in a position to engage with businesses to review options, which meet the principles set out in the business tax review. Whatever the option we choose Members will be aware that we are not able to discriminate between locally-owned and foreign-owned companies. I do understand Members' concern and reconfirm my absolute commitment and that of the Council of Ministers to finding a proper and fair solution. It is however worth noting the measures that we have already taken to bring other companies into the scope of tax. Oil and extraction companies now pay tax at 20 per cent and property development companies, whether locally-owned or foreign-owned all pay tax at 20 per cent on their profits, their development profits, and more is being done to ensure that our tax system is not abused through inappropriate tax planning. Last year's Budget was extremely challenging. We needed to secure the Island's economic stability to ensure that we could continue to balance our books. I am delighted to say that today while we must still be responsible we do not need to raise more taxes from most Islanders. In fact we are in a position of being able to give something back to those who need it. This Budget is designed to start the process of unifying the Island and provide further stimulus. Last year I committed to increase revenues raised from international service entities and I propose in this Budget to increase the fees paid from banks from £30,000 to £50,000. This measure should raise £600,000. I have also considered ways of raising revenues from very high earners. Relief from pension contributions will therefore be restricted to those earning over £150,000 per year. This will mean £1.2 million is raised and will mean that also 20 means 20 really does apply to the very highest earners. Since lodging the Budget I have received representations from the industry who were concerned that these measures could lead to Islanders not planning for their futures. I have listened carefully and studied the data but I do not believe the measures will have the effect that I was represented. I propose restricting the tax free element of termination payments to £50,000 except in the case of death, injury and disability where the payments will remain fully exempt. This measure will raise in the region of £500,000. Turning to impôts. Over the last 3 years we have managed broadly to maintain the level of impôt duties despite the falling trend in importation and consumption of alcohol and tobacco. In previous years this Assembly has raised fuel duty. Sensitive to incomes being squeezed I am pleased to propose that there will be no increase in fuel duty in 2012; however I do propose the following increases, which are around 5 per cent alcohol and 10 per cent on cigarettes. This will mean 35 pence on a packet of cigarettes; 50 pence on a bottle of a whiskey, 6 pence on a bottle of wine, 1 pence on a pint of beer but 2 pence on a pint of strong beer. These increases are in line with the policies of my colleagues, the Minister for Health and Minister for Home Affairs and are supported by the Council of Ministers. The States approved a new vehicles emission duty in the 2010 Budget. Earlier this year there was consultation on changes to emissions duty and it has been accepted that further changes to V.E.D. (Vehicles Emission Duty) would not assist new car sales. For this reason I am proposing to increase just by 5 per cent all the categories for V.E.D. This will mean an extra only £2 on the cost of a Ford Focus and this modest increase in impôts and V.E.D. should, in total, raise in the region of £2 million. As part of the C.S.R. process I

committed to review court service charges and the Budget proposes a whole range of changes to court fees in order to cover the costs of providing these services to users. However, following representations from the Citizens Advice Bureau and other concerned bodies I do not now propose to increase the £7 charge for small debts pursued through the Petty Debts Court. While the measure was not material, it was going to raise about £2,000, I do not want to create any difficulty in the collection of small claims. But now for the best news. Conscious that families are feeling the pinch, this Budget provides substantial additional support to those families with young children. During the consultation on the F.S.R. (Fiscal Stimulus Review) we identified that working parents were paying up to £16,000 a year for childcare whereas the tax relief was only on the first £6,150. This Budget proposes to almost double childcare from £6,150 to £12,000 for preschool children. This measure benefits families by up to £1,580 a year for every preschool child that is in childcare. As an added bonus I am proposing that it should apply immediately to 2011 assessments. **[Approbation]** This helps middle income families the most. I believe this is the single biggest targeted improvement in taxation for families for young children that has ever been proposed and the Council of Ministers needed no persuading that this was a good thing to do.

[10:30]

Families will benefit by around £1 million, which is being paid for by the earlier measures compared to last year. This substantial benefit will not only help families to meet the cost of childcare but go some way to helping the Island attract and retain essential workers, particularly in the nursing field. In addition, after consultation with the Minister for Education, I am pleased to propose the extension of tax relief for childcare States run nurseries as well as private nurseries. In the last few years we have done a great deal for those on income support and now pensioner households can look forward to a new secure future with the long-term care scheme coming into force next year. I am, however, conscious that the effects the recession have had on middle income families and I therefore propose increasing exemption limits for this year in line with average earnings at 2.5 per cent but by the full rate of inflation published earlier at 4.5 per cent. This £7 million of benefit is designed to help middle income households. I will give Members an example. If we take a married couple where both parents work and have a household income of £55,000 with 2 children, one of which is under the age of 3 and that they pay £12,000 nursery fees and have a mortgage of £275,000, these measures will mean that their income tax liability will be £1,830 lower this year than it was last. Since launching this Budget I have considered if there were any additional measures that I could come forward with. Many Members believe that home ownership is important, and we agree. Currently first-time buyers only benefit from full relief on properties on the first £300,000 but there is no relief for stamp duty on any of the costs of buying a home beyond £400,000. This does not make sense when an average first time buyer 3-bedroom house and home buy units are valued above this level which is applicable for relief. For this reason I have considered and lodged an additional measure that extends first-time stamp duty relief on properties up to £450,000. First-time home buyers will benefit from this relief and first-time buyers on low incomes also I think need consideration of more help to particularly finance their deposits. For that reason I will be recommending to the new Council of Ministers that consideration is given to the creation of a scheme to support first-time buyers on low incomes with loans for deposits at low interest rates. Currently the dwelling house loan fund and the housing development fund have substantial unallocated balances that could be used for such a scheme. Allocating £2.5 million could help more than 50 low income households achieve the dream of homeownership and provide a much needed boost to the residential housing market. Over the last year there has been much debate about the best ways to target tax relief. Many proposals, including G.S.T. (Goods and Services Tax) food exemptions, have been suggested and debated by this Assembly. I understand that the intention behind these proposals is to help families. The problem has been complexity and administrative cost, which makes the measures that were proposed inefficient. This Budget measure I am proposing is affordable, targeted and will leave more money in the hardworking family's pocket, maintaining efficiency and will create no additional administrative cost. As I said

at the beginning of this Assembly, this is a budget of consolidation with no unpleasant prescriptions, given to those that need it and preparing for investing in our future. Looking to the future, some important advances in tax policy with Zero/Ten and 1(1)(k) have been described but there is more to do in the area of tax policy. It is important that our tax system continues to support all those who live here and do business here. Our key priorities remain to ensure Jersey stays internationally competitive and delivering a tax regime that works for Jersey's individual and businesses. However, specific focus over the lifetime of the next Assembly should include considering whether a move to independent taxation and current year assessment for all individuals is feasible and how might this be achieved. Also seeking to replace the 27 per cent marginal rate, which is still not very well understood, for personal income taxpayers with a simpler regime which retains the low effective tax rates that are enjoyed by very many Island residents. We should also review opportunities to go further as this Budget announces today with 20 means 20 for those on the very highest incomes, particularly with a target of those incomes over £150,000. There is also more work to be done on property development returns. When tax relief for interest payments was reinstated it did have some unintended consequences a few years ago and we should review the rules to make them easier to apply and comply with. As well as having a clearly understood tax policy that sustains the Island's economic competitive we need to ensure that taxes collected are done so efficiently and fairly. We will need to make it easier to file tax returns for Islanders and pay their return electronically. The tax office will make more use, in future, of its investigative and penalty powers so as to ensure that everybody pays the tax that is rightly due. Last year I asked the Assembly to put more money into tax collection. This has proved to be a wise investment as the additional tax collectors have more than paid for themselves and I can report to the Assembly that the additional tax collectors recovered over £2 million over the last 12 months. Our tax transformation project could achieve further annual increases in tax revenues of up to £10 million per annum. Simplification of the personal tax system and self-assessment for business and personal taxes will be achieved and this will also save on administrative costs. Greater use will be made of data sharing between income tax and social security. We have a robust and respected regularly framework for our financial services and Members will recall the importance that we have attached to the tax information exchange agreement network and double tax agreements. Treasury officials have effective working relations with a growing number of jurisdictions and, as a result, we now have 25 tax information exchange agreements in place and here is another area where we lead the world. I am pleased to report that since lodging the Budget, after months of hard work, I signed the T.I.E.A. (Tax Information Exchange Agreement) with the Indian High Commissioner for the Indian Union in London last Thursday. The signing of this agreement will open up this significant new market for the Island. We will continue to pursue reciprocal agreements with other responsible jurisdictions. So this is the last sitting where my predecessor as Minister for Treasury and Resources, Senator Le Sueur, will be in this Assembly and I would like to recognise his extraordinary diligence, far-sightedness and patient endeavour in financial matters. **[Approbation]** His longstanding commitment to financial prudence and stability has served the Island extremely well. He has played a significant part in creating the legacy that I described earlier. It has been a privilege for those of us who have worked with him and I, for one, will miss his wise, calm and always thoughtful guidance. I would also like to thank most warmly and sincerely my colleagues on the Council of Ministers and particularly my 2 Assistant Ministers, but also the Treasurer of the States and all the hardworking Treasury staff in the Resources Department as well. **[Approbation]** This has not been an easy time. Despite being an enormously difficult 3 years, a tremendous amount has been achieved. We have a new respected Treasurer of the States and an almost completely reorganised Treasury and Resources Department. We have a new financial planning framework and a C.S.R. that will change forever the way we manage spending. We have a new more active management of the balance sheet and we now have certainty on tax and a huge reform of tax policy already paying dividends. This debate marks the end of a tough 3 year plan and while today we are considering 2012 it will be for the new Assembly to continue to safeguard our future. While we have dealt with the serious matter of the deficit there is, of course, always more to do.



The new Council will need to set a new target for annual savings for the C.S.R., it will need to restore the stabilisation fund, identify the future funding for health and social care, plan for falling pupil numbers in secondary schools and confirm the ways of funding long-term infrastructure particularly in the area of housing and liquid waste. Last year we committed to the difficult decisions needing to close the fiscal gap and return to balance budgets. This year we are able to benefit from those measures and give money back to Islanders and their families. With this Budget I am continuing to get money into the economy with significant infrastructure and capital spending. Getting people back to work, creating jobs and training for the unemployed, increasing tax relief for families with young children, raising exemption limits to the benefit of most taxpayers, boosting home ownership and leaving more money in the pockets of Islanders. While other jurisdictions may have been financially reckless resulting in the financial crisis in the world today, over the last 3 years Jersey has put in place measures to preserve our hard-earned financial security and taken the difficult decisions in the interests of security sustainability for future generations. I am an optimist. Winter always turns to spring, economies run in cycles and a worldwide recovery will surely emerge. The measures that we have taken position Jersey extraordinarily well to capitalise on the recovery when it comes. From a sound and well-managed base secured through foresightedness of this Assembly the next Assembly can go on to deliver prosperity for the Island that this Assembly serves. I commend this Budget to the Assembly. **[Approbation]**

**The Deputy Bailiff:**

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

**2.2 Draft Budget 2012 (P.159/2011): amendment (P.159/2011 Amd.)**

**The Deputy Bailiff:**

Very well, we now come on to the first of the amendments, which is P.159 in the name of Deputy Southern. I ask the Greffier to read the amendment.

**The Greffier of the States:**

Page 2, after the words “as set out in the Budget Statement” insert the words “except that estimate from ‘New Company Fees via Financial Services Commission’ shall be increased by £3,700,000 by increasing the additional charge payable to the States from the annual company registration fee from £115 to £230 and the estimate of income tax from employees shall be decreased by £3,700,000 by increasing income tax exemption thresholds by 6.85 per cent and not by 4.5 per cent as proposed in the Budget Statement”.

**2.2.1 Deputy G.P. Southern:**

I would be churlish not to give due praise and credit to the Minister for Treasury and Resources for the thoroughly uplifting speech he has just given on the Budget and for, indeed, many of the measures included in the Budget. I point out, while doing so, that what I propose by way of each of my amendments is a very small, modest - I call them moderate - tweak to the budget plans of the Minister for Treasury and Resources. While he was talking I was thinking about when he came to the bit on telecoms he was talking about this new initiative and I realised I had missed the meeting yesterday and I was thinking: “What was I doing while I missed that meeting?” because I intended to go and see what the development was about and how it was going to be funded. I realised that after 6 weeks of campaigning I was back on the slog of dealing with individual constituents and their problems and I was dealing with the reality of what all these fine words were about and the end result of where we find ourselves in the economy. I was talking to one parent whose son, 17, is on the Advance to Work programme and had been receiving £35 a week and feeling really good about himself because he could see himself developing into a career and unfortunately he has lost his 3 month placement. He has not been re-engaged, with the result that since his mother is just over the income support threshold there is no money coming into the house for him or by him and he feels thoroughly disillusioned and disappointed and he has lost sight of where he is going. He is

demotivated completely. Now, for that individual and for that family more is needed. I was also, yesterday dealing with a single mother who has gone out to work since September, got herself a part-time job despite having 2 children, one of which is under 5.

[10:45]

She only qualifies to get funding support for her childcare that she needs in order to work for one of those children, because she does not earn enough to cover paying for both children, one of whom is at school and needs extra care to get through to 5.00 p.m., 5.30 p.m., 6.00 p.m. when she can be picked up. So while it is very good that we have got some serious measures in the Budget for those who are income tax payers with childcare and that the thresholds have been indexed, the reality comes lower down the scale. For many people, they are struggling to survive in today's Jersey. So my amendments, both this one and the next one, are to do something more to improve the lot of those who live here. I want to start with pages 9 and 10 of the Budget, the full document that is 50 pages. If Members will turn to it they will see a chart, the O.E.C.D. (Organisation for Economic Co-operation and Development) report that confidence in the global economy has weakened and if they look at it they will see a pair of lines business confidence going downwards, negative, consumer confidence going downwards, negative, and substantially negative. If they turn the page they will see another chart. "This weakness is expected to continue for the next 2 quarters in most major economies" and it is. It is. You will notice on those for Euro 3, Germany, France and Italy, the chart has gone negative for the first time in 2 years. So we are in for a serious time and I believe we have to do more than just a budget which is neutral, which is what I believe the Senator's Budget is. So he says: "Despite this global uncertainty there are positive signs in the Jersey economy, in summer responses from finance companies to the business tendency survey showed higher business activity and an improvement in profitability. The States also saw a significant improvement in G.S.T. forecasts between June and July." If Members will turn to the sheet I circulated earlier, I think they might see otherwise than things are looking better. Because the reality in the 6 months since this was drafted, this Budget, until now, or in the few months since it was drafted, things have got substantially worse. If Members look on the second side with the bar graphs, they will see what is happening in financial services, business tendency, business activity on its way down. Business optimism on its way down and gone negative. New business on its way down and gone negative. When the Senator talks about new areas we are expanding, still new business going down. Profitability substantially has gone down. That is the reality. Attached to that, no matter what we might say, at the bottom of that, figure 1.7, changes in unemployment eternally and, it seems to me, inevitably rising. That is the reality we face. Just to drive that home, perhaps, on page 12 of the Budget report it talks about future tax revenues are difficult to predict and are forecast within a range, that range is going upwards through 2010 into 2014. The reality on which those increased revenues are based is on this graph I have just put in front of Members where it says: "Circulated by Deputy Southern" and you can see the Fiscal Policy Panel's predictions over time. The top one is in October 2010 all upwards. By July 2011 we have got a prediction which is flattening out, has a wider spread, is flattening out, by the most recent one it has gone negative. The downside is here. All the way through the last year the Fiscal Policy Panel has been advising us that things are getting worse and they are. That is the reality. So I suggest we should be doing more than what is proposed. The context is, as Members will note, given in my paper, in my proposition, in the report on page 3 that company tax has been going down over the past decade substantially while personal tax has been going up. If we examine just a small area from 2003 we will see that business tax has gone down by £140 million while personal tax has gone up by over £200. I start at 2003 because annual return, the charge on annual return for companies, has not altered since 2003. So when it comes to changing the annual charge, return fee, on companies, bear in mind that company tax has gone down by £140 million since the annual return fee last went up. Personal tax has gone up by £200 million. So the £3.7 million I am asking Members to support from an increase in company tax is (a) a modest, moderate amount and (b) in the interval since it last moved company tax has gone down by £140 million. We are talking today,

in this amendment, about an addition of £3.7 million, a tiny drop. So let us not hear great squeals about companies suffering this enormous change when in fact the reality is it is not, and over the past 8 years they have been doing very well. The Minister also said - I will get the quote right - "I do not need to raise more taxes." I do not need to raise more taxes and yet if we look back to page 3, at the bottom chart, we shall see that in fact employees tax in 2012, income tax alone, has gone up from £274 million to £296 million, a rise of £22 million, while company tax between 2011 and 2012 has gone up by £2 million. So in fact although the Minister says: "I do not have to raise taxes" and has put some measures in which reduce the tax bill, the indexation of exemptions and the allowances for childcare, which is all to the good, nonetheless income tax bill for individuals has gone up significantly. So he does not need to but in this package he has done so. What my amendment says is that that rise in taxation should be ameliorated by - it is only a small sum - £3.7 million. But, as we say, it is a transfer from business tax to individuals and their personal tax bill. Now, I, as Members will be aware, have spent some time this year questioning the Minister for Treasury and Resources as to how he is going to charge companies that are non local and non finance in order to get some revenue from them and equalise, create a level playing field in our income tax. Time and time again he has said: "I will bring something in the Budget." For example, on 18th January Senator Ozouf said: "Let me just be clear that Deputy Southern is not going to write my script in terms of saying that I will not find a solution to non local, non finance companies paying zero tax." I must have been arguing that he did not have a solution at the time. As a result of the Deputy of Grouville's amendment to the Budget, which was accepted: "I will be working on trying to find ways of raising revenue from these entities in Jersey." So a commitment on 18th January this year which firmed up on 1st March. Will the Minister inform Members what mechanisms he has under consideration to replace the income tax revenue from non finance companies lost through the replacement of the 20 per cent rate by the zero rate? His answer was: "Statements on taxation matters happen at the Budget. I have said that in the Assembly before and I will say it again now, it is a matter that will be brought forward in the Budget." Where is it? There is no measure in this Budget to raise any fee or charge from non local, non finance companies. It simply has not happened. I will not argue today about whether and how it can happen, the fact is the Minister for Treasury and Resources has failed to do what he was committing to and what has been an issue throughout the entire year, and a burning issue out there among votes that non local, non finance companies are paying zero tax in Jersey. My measure at least raises tax on those companies along with many others. But it is a level playing field and it is, I believe, appropriate certainly to make those companies pay some tax. Now, we are told we have already had a consultation on company tax and I was just about to go to responses but what I need first is the comments. I turn to the comments of the Minister for Treasury and Resources about why we should not do what I am proposing. He starts on page 2 of comments, if Members would like to turn to it: "The Minister for Treasury and Resources opposes this amendment for the following reasons. Consultation on increasing the annual company return fee was undertaken in autumn 2010. That is true. The overwhelming response was that increasing costs for local companies was not desirable in the current economic climate. The overwhelming response. Let us turn to the responses, annual company fees, summary of responses. Questions 1 and 2 on raising fees: what is the likely impact on Jersey as a place to do business of an increase in the level of annual company fees? Listen to this overwhelming response. "Overall the views seemed somewhat neutral as to the impact on business of an increase. One respondent thought that the impact would be hard to measure but considered that any increases would tend to make Jersey less favourable as a jurisdiction and would not necessarily attract business. Another thought it would be difficult to justify to clients and a third considered it would have no impact on Jersey as a place to do business." Is that overwhelming rejection? It is not. Then what is the likely internationally competitive impact on an increase in the total level of Jersey annual statutory fees?

[11:00]

The response, again, overwhelming? The responses were relatively neutral but there were concerns expressed about remaining competitive in relation to jurisdictions which offer the same services. Now in the comments this leads on to this response, this overwhelming response which was quite neutral. In response the basic I.S.E. (International Service Entities) fee was increased instead of the annual company return fee and this allowed increased revenues to be raised from foreign-owned companies while protecting locally-owned companies is what the comments say. The reality of that is who pays the I.S.E. fees, by and large, I.S.E. fees, what are they? They are the payment that is made by companies to avoid having to deal with G.S.T. largely by people who export services, i.e. who pays them? The financial services industry. So it is not necessarily foreign versus local it is I.S.E. is paid by the finance sector by and large. Then there is another question on this which says: “Do respondents agree that the company annual fee should not exceed the base fee for non financial service company charged by Guernsey which is currently up to £250. If Members will turn to the comments page you will see a chart there showing the relative fees for company fees with Jersey somewhere in the middle-ish at £350 currently with £150 for the annual return fee and £200 for the I.S.E. fee which has just been raised last year. It says here, those respondents who specifically addressed this question were in unanimous agreement that the annual company fee should not exceed the base fee for non financial services, companies, charged by Guernsey. Several respondents felt that an increase to £250 could not be justified on the basis of increased administration. £250 we are told is the comparative mark for Guernsey. But the reality is that in Guernsey the equivalent charge for this I.S.E. fee is £500. Finance companies in Guernsey we are saying here would be the £200 on top of the £150 actually pay £500. So increasing the fee does not make us uncompetitive with Guernsey at all. The comments I can only suggest are misleading because the fee in Guernsey is not £250 for finance companies, it is £500. The overwhelming response is singly not there. No one is then saying that this will result in an enormous loss of business. So we then move on. The overall response to the consultation on company fees was: “While it was not a specific recommendation of the Green Paper the Minister feels that the direction of those received responses points towards holding annual company fees at the current level for another year [that year has now passed] and that consideration is given instead to a modest increase in the I.S.C. fee by way of alternative” and that is what came to pass last year. But hold the annual company fee for another year. That year has passed, the decision time is now. What I am proposing is that the fee is doubled from £115 to £230 with the fee that goes to the J.F.S.C. (Jersey Financial Services Commission) for registration remaining the same. Why do I want to do this? As I say, we have had a promise to get some taxation, some revenue from these particular companies, that has not been done and I wish to transfer that revenue to the benefit of each and every taxpayer on the Island. It is only a small amount but nonetheless does make a meaningful difference, I hope, in that we have indexed the exemptions at 4.5 per cent. The reality for most families is they are between 7 and 9 per cent worse off over the last few years in terms of coping with inflation at a time when pay rises have been low. All families are suffering. The 4.5 indexation misses the mark because we know we have just hit 5.4 per cent in terms of the R.P.I. (Retail Price Index) so it is already almost 1 per cent behind the mark, even with 4.5 per cent families are worse off. This small rise of an extra £3.7 million will mean that some families may feel that life is not as bad as it was and that they can afford a little more to live in Jersey than previously they could. What will inevitably happen is that £3.7 million will find its way back into the economy because by and large will spend it. So it is a small slight but perhaps significant attempt to boost the economy. As I say, with company taxes having come down by £140 million since 2003 I think £3.7 million transferred from companies to people’s pockets is worthwhile. I maintain the proposition.

**The Deputy Bailiff:**

Is the amendment seconded? **[Seconded]** Before I open it to the floor can I say that the Budget debate is one of the important debates in this Assembly in the year and it is very disappointing to see that we have, in the course of the last speech, been proceeding with only 27 Members in the Assembly. That is a discourtesy to the proposer of the amendment and it is a discourtesy to all the Members who remain in the Assembly because it may be that one of them for legitimate and urgent personal reasons may need to leave at some point. So can I ask those who are no doubt listening to the debate outside to return to the Chamber in order that we may have a better number in the Assembly. **[Applauding]**

**Deputy G.P. Southern:**

We would soon get them back if we went to vote first.

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

I do understand what you are saying, there is also an enormous amount of work that goes into preparing for this Budget debate from proposers of amendments as well as Treasury. I was grateful for Deputy Southern's kind words when he started. That does mean a lot to me because we do not always see eye to eye, but I certainly understand the sentiment behind his proposition and, indeed, many of the propositions that he brings to this Assembly in terms of trying to give something back to Islanders. My proposal in the Budget Statement is to increase exemption thresholds in line with the inflation that was published earlier, which is worth about £7 million. If I could have done more without jeopardising the Island's finances, then I certainly would have done. As Minister for Treasury and Resources I do need to be concerned about the wellbeing of the overall situation of the public finances, the economy, as that ultimately affects all of us. If I may say, while increasing company fees it might seem an easy option, almost a free option to put money in Island's pockets, we do have to be aware in debating such measures the knock-on effects that any increases in company fees have. If we increase fees to a level that hurts local businesses and that that damages our competitiveness, then overall we do not achieve our objective. We damage the economy. If profits fall and jobs are lost it will be the residents of Jersey who will have to find the reduction in that loss of business. So I apologise for repeating constantly the issue of competitiveness but it is absolutely vital. We reviewed the level of company return fees in 2010 and during that review we identified that there was scope to increase the fees by £100. This make us slightly more expensive than Guernsey and slightly less expensive to the Isle of Man. I know Deputy Southern mentioned the £500 in Guernsey and that is not I.S.E. fee. Technically there is a fee that some financial services companies pay but it is subject to interpretation and our research - and we have done an awful lot of work on this - is that very few companies pay it. So it is not the important benchmark that he says. I know that is complicated because we have had to look at that and we have had to look at the schedule of charges. They may well be in the schedule but the reality is that companies are not paying it because of the discretionary nature of the way that the system works. We consulted on company fees and the overwhelming feedback from the Chamber of Commerce and other organisations was that businesses in Jersey were already - when we reviewed this last year - carrying a pretty heavy financial burden, particularly in the current economic situation. We did not want to contribute to the financial difficulties of particularly local businesses. As a result of the feedback we decided to increase the basic the I.S.E. fee instead of the annual company return fee. There is a really important difference. This raises an amount similar in terms of revenue but it was primarily raised from clients in the financial services industry. In other words outside businesses that are owned and controlled by outside of the Island, not from locally-owned businesses. Although Jersey is well placed to weather the current financial difficulties, as I have explained, we should be under no illusion that trading conditions are still very difficult. I have not heard from Deputy Southern any evidence to suggest that the owners of Jersey businesses are better able to bear an increase in costs that they were when we had the debate a year ago. We must remember that Jersey companies are used by people who need them for ordinary business purposes, for example, share transfer properties that are held through companies, perfectly legitimately. These

companies exist to allow properties, generally blocks of apartments, to be held in common by Jersey residents that live here. They often have quite minimal activity. There is no large profits going through these companies and they have very little income. Their costs are borne by resident shareholders, the people who live and work in those properties. I would ask Members, can we really justify doubling the fees that these companies pay, particularly when it is individuals that ultimately will pay these fees for those I have just described. We should be making it easier, I think, for Jersey people to buy properties, not harder, and I cannot see any justification that the Deputy has convinced me for this increase. Turning to the clients of the finance industry who, of course, are responsible for many companies incorporated in Jersey. The Island is one of a number of very similar jurisdictions that provides international service companies. Of course we take pride that we have a high level of service and quality, and we have high standards. Our courts, our legal system, our regulatory regime, are without question I think we can say, some of the most robust in the world. However, it is a competitive industry and we must be very careful not to price ourselves out of the financial services market for the creation of companies and the holding of companies within Jersey. It is at the heart of a lot of the economic activity within the finance industry. I understand that an increase of £115 may seem like a small amount but we have to put this into context. I said earlier that precisely the companies already in Jersey have seen £100 increase in fees as a result of the earlier proposals. We really carefully researched this issue and we benchmarked Jersey against competitor jurisdictions.

[11:15]

The conclusion was that we were already one of the most expensive territories in the category. It is really important that we do not make business more expensive and that by doing a well-intentioned measure we drive business away and drive business up. Deputy Southern says that there is no evidence that companies will leave Jersey if the fees go up. To a certain extent, I do agree, it is unlikely that a significant number of companies that are already structured in Jersey from around the world would leave if this amendment was successful. The cost of relocating a business is, of course, greater than the cost. But we must not forget that in 2009 over 5,000 were wound up and this was for a number of reasons. In many cases the company would have been created for a specific purpose and that purpose is no longer required. The normal cycle of business creation and winding up. Large groups of companies have been rationalising their structures and they have been winding up unnecessary holding and financing companies in order to cut their costs. It is, of course, the very nature of private wealth management industry, the core of our finance industry, that the needs of individuals and organisations change. Nevertheless 5,000 companies to leave in the period of 2 years does have a relatively serious effect on both States revenues and on the health of our finance industry. Happily we created 4,800 new companies but we need to continue to attract new companies and we should not be doing anything which inhibits the growth of the creation of new companies. We have got to remain competitive. There was a net between the inflow and the outflow of 200 and that is really important that we maintain that flow of new companies because the States receives income directly but most importantly indirectly the incorporation and setting up of Jersey companies and the organisation of the structures is at the core of providing a lot of work for legal and accounting companies in Jersey and, thirdly, the ongoing administration of those companies is done by many respected members of the Jersey Trust industry and fund administrations, all of whom are vital employees of the Island. The financial viability, the wellbeing of the Island, relies on the ability to having effective and competitive financial services structuring businesses. We are already an expensive jurisdiction and we must really careful to avoid anything that deals with this unbalanced issue of competitiveness. Damaging competitiveness would damage jobs, not just in terms of the companies that I have described and Deputy Southern represents but in a much wider contributory way in these other sectors of the economy. I also accept that the last few years, if I can turn now to the issue of personal tax, which is the offsetting arrangement, or rather the boosting effect, so I do understand that the last 2 or 3 years have been very difficult. We have all seen wages with friends, ourselves, family members

that have been frozen. Taxes have been increased because of the ways that I have described in the Budget and for the reasons and we have been, in this Budget, able to at least do something in terms of helping middle Jersey. We look after generously the people on low income support and rightly so. The 4.5 per cent increase in exemption limits was, I thought, a fairly bold move in terms of those original budget measures. We are, however, not out of the financial woods yet, and while I am wanting to be confident and wanting to go as far as we can, I think that it would be unwise to go much further in the way that Deputy Southern is suggesting. We have got to continue to be prudent and I know that I sound like a broken record but I just ask Members to consider how strong we are in Jersey, in this Assembly, in this Budget debate, because we have been prudent. We have got to continue that prudence, we must not let our guard down. An ill-judged extension of exemption limits, I think, is a step too far. The 4.5 per cent was a bold move already. It was a bold move designed to help families in 2013, which is when the majority of people get that benefit. I would very much like to say that we could give a really inflation busting increase of 3.85 per cent but it is not the right thing to do. This Assembly has had to repair some of the earlier, if I may say, exuberant decisions of income tax changes that were made in good times and it is this Assembly and its predecessor that has had to undo some of that and slow the pace of that. So let us make a reform, let us make a move that is affordable but not one that is imprudent and not do anything to compromise the very carefully judged balance of giving something back and remaining to fiscally prudent. I do understand the intentions of Deputy Southern. I would say that I have gone quite a far way to looking at company tax and looking at the costs of business, particularly by increasing fees and exemption limits and I would respectfully urge the Assembly not to support the additional move that Deputy Southern is proposing while understanding that it is well intentioned.

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

Does any other Member wish to speak? If no other Member wishes to speak, then I call on Deputy Southern to reply.

#### **2.2.3 Deputy G.P. Southern:**

I am just looking around at Members who have in the past made lengthy speeches about matters which are relatively insignificant and the fact that nobody can make a contribution to a fundamental debate about how and who we tax in this Island in the year 2012 I find, quite frankly, disgusting. I am disgusted that no one has a contribution to make to this serious debate about a tax issue, which fundamentally will affect every household on this Island. I am ashamed to be in this Chamber today when that happened. Having said that, I will reply to Senator Ozouf. He says very carefully that we must maintain our prudent approach. The last person I know who used the word “prudence” more often than the Minister is no longer in power. He pointed to the fact, he said the fact is that most companies in Guernsey in the financial sector do not pay £500 but pay something else, £250, whereas the documentary evidence on 17th August 2010 in our R.114 presented to this House says: “The fee in Guernsey for companies within the financial services sector and are administered financial services entities is £500 per annum with limited exceptions.” That is what it says in writing in a paper from the Minister for Economic Development, which is barely a year old. But nonetheless the Minister for Treasury and Resources can confidently state to the House that most finance companies in Guernsey do not pay £500. I want to see the evidence for that and I will be asking the Minister to produce that evidence in due course because I do not believe that it coheres with the known statement from the Minister for Economic Development. He then says: “Of course, if we increase the fees by £115 that many companies will not come here because we are not competitive.” But of course we are competitive if one accepts the figures given by the Minister himself when we look at Bermuda fees, £1,300; Cayman, £485; British Virgin Islands, £400 plus; Guernsey, £500, we remain in the same ballpark and as our services and the facilities that we have are so much better than many other places, of course people will continue to come here to form their businesses. The question still must be asked ... he says this is not the way forward but what alternative does he have. Has he brought to this House any alternative for charging non local, non

finance companies? Has he brought any measures to increase tax from companies and take the burden off personal tax in any way, shape or form? He has not. Where is his alternative? What alternative does he have that will somehow magic away ... we will get some more money from companies but it will not frighten them away, whereas this measure, which is a tiny little £3.7 million, this measure will. I am sorry but I simply do not believe the Minister and I will not until he comes to this House with a measure that is level playing field that makes sure that we get some fees, some revenue, from companies, who quite frankly come here and trade for free. We still have not seen it. Quite frankly, I do not believe him until I do see it. Where is this magic wand? This magic measure that is so different to what I am proposing that it will not frighten all the companies away. When talking about not leaving this money, £3.7 million, in the pockets of ordinary families to spend on the economy, therefore potentially giving a boost to the economy, he fails to mention that while he has indexed to 4.5 per cent this year, there is no commitment next year or the year after, or the year after, and the effect of not indexing can very quickly be wiped out. Fiscal drag, by simply leaving things where they are, could eliminate this next year, the year after, the year after that. While it sounds generous, 4.5 per cent indexation, actually it is nice and flexible and could be removed within the year. He says this is a bold move. Given the hardship that families in Jersey have endured over the last 2 years with wage freezes, with wages still and prices going through the roof, 4.5 per cent is not bold. It is the minimum one can do. It does not make things ... actually it does, even at 4.5 per cent, as I said earlier, it is insufficient to stop the rot from many people, it does not adequately make things better at all. Indeed the addition of £3.7 million just might give a little bit of relief to some. So with that appeal to Members' better natures that this money is far better off in the pockets of householders in Jersey and being spent, which may just give a little relief (a) to the economy and (b) to those Members who live here, better off in their pockets than in the pockets of companies. I maintain the proposition and call for the appel.

**The Deputy Bailiff:**

The appel is called for. I invite Members to return to their seats, the vote is on whether to adopt the amendment P.159 of Deputy Southern, and I ask the Greffier to open the voting.

<b>POUR: 10</b>		<b>CONTRE: 32</b>		<b>ABSTAIN: 0</b>
Senator A. Breckon		Senator T.A. Le Sueur		
Deputy of St. Martin		Senator P.F. Routier		
Deputy R.G. Le Hérisier (S)		Senator P.F.C. Ozouf		
Deputy G.P. Southern (H)		Senator T.J. Le Main		
Deputy of Grouville		Senator B.E. Shenton		
Deputy S. Pitman (H)		Senator F.E. Cohen		
Deputy M. Tadier (B)		Senator J.L. Perchard		
Deputy M.R. Higgins (H)		Senator S.C. Ferguson		
Deputy D.J. De Sousa (H)		Senator A.J.H. Maclean		
Deputy J.M. Maçon (S)		Senator B.I. Le Marquand		
		Senator F.du H. Le Gresley		
		Connétable of St. Ouen		
		Connétable of Trinity		
		Connétable of Grouville		
		Connétable of St. Brelade		
		Connétable of St. Saviour		
		Connétable of St. Peter		
		Connétable of St. Lawrence		
		Connétable of St. Mary		
		Deputy R.C. Duhamel (S)		
		Deputy J.B. Fox (H)		
		Deputy of St. Ouen		



		Deputy of St. Peter		
		Deputy J.A. Hilton (H)		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy K.C. Lewis (S)		
		Deputy of St. John		
		Deputy A.E. Jeune (B)		
		Deputy A.T. Dupré (C)		
		Deputy E.J. Noel (L)		
		Deputy A.K.F. Green (H)		

[11:30]

### **2.3 Draft Budget 2012 (P.159/2011): fourth amendment (P.159/2011 Amd.(4))**

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

Very well, we now come to amendment 4, which is in the name of the Minister for Treasury and Resources but, Minister, you first need to seek the agreement of the States to proceed with this amendment as you have not lodged it for the requisite period.

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

I brought this to Members' attention a week ago and I explained in my opening remarks that I had given further consideration to 2 matters; one which was as a result of representations from people in the Citizens Advice and, secondly, a small but, nevertheless, worthwhile measure on stamp duty. I am permitted to bring forward amendments late, with the Assembly's leave, and I would ask Members to give me that leave in order that we may discuss the amendment.

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

Seconded? **[Seconded]** Do Members agree to take this amendment? Very well. I will ask the Greffier to read the amendment.

#### **The Deputy Greffier of the States:**

On page 2 after the words "as set out in the Budget Statement" insert the words -"except that the estimate from stamp duty, which includes land transaction tax, shall be decreased by £200,000 by increasing the ceiling up to which first-time buyers are eligible for relief from stamp duty and land transaction tax from £400,000 to £450,000" and the second part on page 2 after the words "as set out in the Budget Statement" insert the words -"except that the estimate from stamp duty court fees shall be decreased by £2,000 while maintaining the fee for actions in the Petty Debts Courts where the claim does not exceed £100, at £7 rather than increasing it to £15".

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

Some of the Budget in the way that we do things loses any dramatic in terms of announcements, in terms of a budget speech but I have tried to do what I can to reflect the emerging economic difficulties that we have seen, even since lodging the Budget. I did consider just making an announcement in relation to stamp duty and then tabling or asking whoever would be Minister for Treasury and Resources in a few weeks to do it but I was persuaded that the issue was something that we could get on with straightaway. The amendment is in 2 parts and I would like to obviously take them together. They both relate to stamp duty: the first in relation to first-time buyers and the second, a minor issue in relation to court service fees. Part 1 is a measure which is intended to help specifically first-time buyers get on to the housing ladder and in doing so provide at least some stimulus to the housing market and the broader economy. Members will know that stamp duty is payable on all freehold transactions, both stamp duty and land transaction tax, following its

introduction in 2009. The taxes are mirrored in terms of their rates, stamp duty and L.T.T. (Land Transaction Tax) has the same rates. Members will know that first-time buyers have been finding it increasingly difficult in Jersey, and indeed across the developed world, to get on to the property ladder. There are concerns about job security, as we have heard impact of wage freezes and lower bonuses. All these things, together with significant tightening of credit, has affected the opportunity for people to buy homes. Banks who were previously offering, perhaps unwisely, 100 per cent mortgages are requiring a deposit of up to 15 per cent, much higher than in previous years and this is a move designed to help to reduce at least one element of the cost incurred in buying a property, that first-time buyers have to find the cash for stamp duty. But I identified that there was a particular class of first-time buyers that were not getting the relief that I think that we should give them and was available to another class of buyers. Properties that cost between £300,000 and £400,000 pay 1 per cent on the difference between the £300,000 and £400,000, plus a basic fee of £60; they get the first £300,000 for zero stamp duty. They of course do have to pay a small stamp duty rate on the availability of debt and that is something that I am also looking at. But for the cost of a £350,000 house there would be a stamp duty payable of just £560. However, the difficulty that I identified was that this relief was only able to be applicable to properties up to the cost of £400,000. Above this price stamp duty was payable at the full normal rates and this means the cost of buying a home for a first-time buyer was fairly dramatic, just when you compared the cost of a £399,000 property with a cost of a property of say £425,000. Property has increased over the last 10 years, even though the market has not slowed in the last couple of years; it has remained relatively buoyant, which has been a feature of the Jersey property market for some time. The average cost of a first-time buyer for a 3-bedroom house, what we would describe as being the sort of entry family-level home, is averaged at £431,000 and that meant that first-time buyers were not able to benefit from the relief. For that reason I am proposing that first-time buyers pay duty at 1 per cent above the £400,000 but only up to the £450,000, which is just above the average first-time buyer home. It will mean that first-time buyers will be able, for example, that are buying your house at about £330,000, they will pay £1,370 of stamp duty instead of £6,680. This represents a saving of about £5,000 and could really help with the difficult issue of deposits. I have said that I think that we should also be doing more deposits and that is something that Deputy Le Claire, Senator Le Main and Deputy Power have asked me to do and we are now going to, with the good officers of the Minister for Housing, be doing a scheme to focus on deposits for first-time buyers. We are not restarting the housing development fund and the dwelling house loan fund but we are going to use the balance that is in there to help deposits. That is not the matter of debate today; we are going to be working on that within the next couple of weeks. This is a targeted, an immediate benefit, that could help those buyers just at that price above £400,000. But particularly it is the issue of home-buying which, I have to say, I was extremely surprised that did not benefit from the stamp duty concession because of the way the stamp duty works. For example, the purchasers of Uplands might not have been able to take advantage of the concession on stamp duty and I did not think that that was sensible. This is a very small measure which is designed to stimulate a small section of the housing market that has been flat. Boosting the market will certainly mean, I hope, some more transactions. It will help removal firms, decorators, tradesmen, law firms, all who are saying that, as a result of the difficult economic climate, they are suffering. I do think that we need to be prudent and the number of transactions will be relatively modest and the costs of the foregone revenue, if we had of course got the revenue at all, which is of course is a big question but I have set out the cost of the associated loss and stamp duty revenue. It would be in the region of £150,000 to £200,000 but I am not sure that we would have got the revenue in any case. The F.P.P. have counselled us against taking steps to permanently reduce revenue and in accordance with their advice I hope that Members will understand that I am just making this proposal available for a period of 12 months, but I do think there is a general reform that is needed on stamp duty. I hope that we really do need to look at the issue of the small amount of stamp duty that is payable on debt and that is going to be one of the features of the review of stamp duty, which we have already done. I am proposing that this starts on 1st December, so it will not cause too much difficulty for

properties that may be going through at the moment. There is a short time to wait to get to the concession and of course it will be subject to this Assembly to consider whether or not, if it works, this small targeted improvement would continue into the future. It is a short term boost which, I hope, will help a number of families. The second part of the amendment is about the other court service charges. Members will be aware that as part of the Comprehensive Spending Review a number of departments did a great deal of really good work to look at whether or not users of services should be paying for the full cost of those services. I want to thank most sincerely the Judicial Greffe for the tremendous amount of work that is being done in reviewing court service charges; they do an excellent job. Our court service is efficient, it is well run and they have helped enormously in terms of looking at a new schedule of charges, which I think are good and sensible in terms of recovering the cost of court users to some extent; not to 100 per cent extent but those that could and can. However, there was one measure in the original proposals that increased the stamp duty fee on very small claims, less than £100. I was proposing to increase it to £15, from £7 to £15 and I received some representations, fairly long and late in the day, from both Senator Le Gresley, who obviously has longstanding connections with the Citizens Advice, and the Citizens Advice bureau manager and indeed one practitioner who operates in the debt-collection market. They have convinced me that the risk of trying to target £2,000 was not worth causing any difficulty with the collection of small claims. It is not a very big amount of money. It would raise about £2,000 but I have effectively reversed the original proposal by this amendment and am proposing to keep the small claim for £7 in existence as a result of this amendment. There is more work to be done on that area. There are some court service fees that are going to increase. Some debt collectors are not delighted with that but I do think it is an appropriate level of fees. But to keep the status quo on small debts I think it is important that people do and are encouraged to pay their debts when they are due and that we should not be doing anything to compromise the well-functioning of small debt-collection agencies and incurring any costs, so I am proposing to maintain the £7 fee. I move the amendments.

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

Are the amendments seconded? [**Seconded**] It is open for debate and I call on Senator Shenton.

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

The rationale behind this amendment seems to be quite plausible, helping out the first-time buyer but there are a couple of things that Members should perhaps consider. First of all, a first-time buyer price of £431,000 on average, when the average earnings of the people of the Island is just above £30,000-odd, is frankly quite ridiculous. What we have seen in recent months is quite a sharp decline in the housing market in the Island, especially at the higher end where properties have fallen quite substantially. Where they have not fallen quite so much is at the first-time buyer level. We have seen big movements in houses of £1 million plus but hardly any movement in the first-time buyer house prices. I wonder whether this amendment has got more to do with stimulating the housing market and keeping first-time buyer house prices artificially high than it does with helping the first-time buyer. I think that without this amendment you may well see first-time buyer houses fall below the £400,000 level for the first time in a number of years. There are a number of developments on hold. There are a number of developments that have had to be converted to homebuy because the developer has been in trouble and needs to get rid of the houses. On the face of it this looks like a good idea helping the first-time buyer but I would say that it would be much better to have lower house prices for the first-time buyer by keeping the stamp duty at a level which will force developers to drop prices below that level than it is to help the developer out by reducing the stamp duty to £450,000. By the Minister for Treasury and Resources' own admission the whole point of this is to stimulate the housing market and get the transactions moving. Transactions would move through the housing market if people could afford the houses and I believe that all this will do is keep house prices at a higher level than they would be if we left it as it is. I think this is a very good amendment for developers; I do not think it is a too good move for first-time buyers.

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

I was really only going to speak on part 2 but Senator Shenton sort of made me think whether he is right or wrong and I do not know the answer. I think we would be guessing and I think the Senator is guessing when he says that this will keep prices high, we just do not know. I think that Members should support the move by the Minister for Treasury and Resources to make it more affordable for people to enter the market. The savings are £6,500 on the actual stamp duty and £1,875 on any loans, so really while Senator Shenton may be correct in his assumptions I hope Members will support the first part of this amendment. I wanted to talk about it very briefly because the Minister has pointed out that I did bring this matter to his attention.

[11:45]

Unfortunately, with the election, I was too late to bring my own amendment and I am very appreciative that the Minister has accepted and brought his own amendment on this very small part of the changes to stamp duty which relates to debts under £100. This cropped up in the group that has been set up, as a result of Deputy Tadier's proposition, to look at a code of practice for debt collection and the debt collectors around the table expressed surprise that they had not had maximum consultation on the proposed changes in stamp duty in the Petty Debts Court. I was dealing with one debt collector in particular on this matter and it became quite clear to me that having an increase from £7 to £15 was a substantial increase when you are trying to collect a debt under £100. It was pointed out to me, quite rightly, that in this day and age people do struggle just to pay a doctor's bill and while many G.P.s (General Practitioners) are very kind and sometimes waive their bills when they know that people are struggling but in some cases they do instruct debt collectors to collect a debt of just £35. With all the court costs, stamp duty, et cetera, Viscount's fees, it can cost £77 currently to collect a debt of £35. The more we add to that the more it will either be that the people who struggle to pay these debts anyway will be paying a lot more or G.P.s and the like will just not bother to collect small debts, which is really not a good thing that we should be encouraging. I am grateful to the Minister for bringing this amendment, which I hope people will support. My other concern and one that was voiced by the industry who collect debts is that if we did make the cost of collecting small debts so great that creditors will decide not to use debt collectors in the normal way through the courts but encourage what is known as door-stepping, which is basically knocking on doors, trying to extract money from people at vulnerable times of the day or night. I do hope that Members will support part 2. Thank you.

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

I am sure it will come as no surprise that the Assistant Minister for Treasury and Resources is supporting both of these amendments. The only reason I stand to speak is just following my very good friend Senator Shenton's comments. I think the one thing that has been factored into his thoughts is that the expensive end of the market is a mobile market; they move, they move on and they re-establish elsewhere. The first-time buyer end of the market is very static, people cannot afford to move and any advantage we can give for first-time buyers or new buyers to get into that marketplace I think is wholly supportive of what most Members that stood for election have heard when they went around knocking on doors about how can we reduce the price for first-time buyers, and I believe the Minister for Treasury and Resources has responded to that call in helping to stimulate the first-time buyer market. Thank you.

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

This is an area in which I have some specialist knowledge going back to my days as Judicial Greffier. The first-time buyer reduced stamp duty was first brought in, I believe, in the 1980s to assist first-time buyers who were experiencing problems getting together the initial costs because in addition to the amount of the deposit a first-time buyer has to deal with legal fees, there was a reduced rate of legal fees then agreed with the Law Society and they also have to find the stamp duty. If the stamp duty is higher that makes it more difficult for them to find the deposit. Having

gone through an age in which banks and other organisations were lending higher percentages, which made it easier for people to find initial loans, we have now gone back into market conditions very similar to those which I experienced in the days when I was back in private practice, with banks only lending up to, shall we say, 80 per cent of mortgage costs and so on. That means that effectively the amounts of the deposit, which people have to produce, their initial costs have gone up again. This kind of piece of legislation is very important that it be reviewed. What happened was there was a period when the rates allowed got behind; they were frozen and they stuck at a level which was no longer really working. I can recall that, during the period when I was Judicial Greffier, the Finance and Economics Committee of the day decided to try to increase the rates up to a more realistic level. But there was always part of the concept of this that there would be a maximum price of property within which this would operate and that was because a person could be a first-time buyer and yet have substantial capital assets; they might have inherited a lot of money from their parents or whatever and therefore they could be buying into the market at a pretty high level. That is why there always was this upper limit to ensure that it was really fulfilling the purpose for which it was intended from the start, which was to assist people with getting the deposit together, without that being eaten into by the stamp duty costs. I, therefore, welcome this move because clearly we have now arrived at a point with other costs, and we have probably been there for some years in fact where the costs have been such and particularly with the change of mortgage conditions where we are back into the situation which was envisaged by the original proposals. People are really struggling to find the initial deposit, so I welcome this. Although I understand what Senator Shenton is saying, the fundamental issue is up to what level of value of house should people be able to get the benefit of this scheme? I support the amendment.

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

I just rise to advise Senator Shenton, if he is listening in the coffee room, that this amendment was partly driven by the 6 families acquiring their Uplands Homebuy properties because under the current scheme they would not benefit from the first-time buyer rates of stamp duty and the cost of getting them into those home-buy homes would have been circa around £5,000 extra than it needs to be. I welcome this. I am exceptionally pleased that the Minister was willing to make this effective from 1st December so those 6 families can participate. Thank you.

### **2.3.7 Deputy M. Tadier:**

I think it is good to have an impartial view, such as Senator Shenton, because I think even though sometimes I do not always agree with his policies he does provide a voice of reason sometimes and that sensible look, which I think will be missed. I suspect this is something we have to vote for because in the round I think it will have a positive effect on first-time buyers but I do think that there are 2 motives here. I think whether it is conscious or unconscious what it does do and what it will do in reality is, as Senator Ozouf said, hopefully regenerate the housing market, so this is whether it is done primarily or not for that purpose it can be seen as a sock to the housing market. I think, just to follow on from Senator Shenton's points, is that in reality it is not stamp duty which is preventing most people from buying their first houses. There are properties on the market for first-time buyers which can easily be accessed for less than £400,000, for example, flats or certain areas which of course not everyone will want to be buying but first-time buyers can already buy properties for much less than £400,000. One has to question whether this is sending out a slightly mixed message because it seems to be saying that £450,000 is an acceptable price for those in the real estate to be charging as first-time buyer houses where I think current debates in the States have shown that this is a very high price and houses can be produced, even in the open market but certainly with other schemes for affordable housing for much less than that amount. I think it is something that we have to support. We have to be mindful of the fact that there are 2 motives here and a message should be going out to real estate agents is that if there is stagnation in the market then maybe it is time to drop the house prices. The message has to go to sellers too; just because you bought your house and the value went up does not mean that it cannot come down a little bit

more, and those sellers should also be looking to be realistic and reasonable in what they are looking for for those house prices. To do with the second part is simply to reiterate the points that Senator Le Gresley has already made. We made fairly strong representations from the industry that the move from £7 to £15 is completely retrograde and I am glad that, on this occasion, the Minister for Treasury and Resources has seen fit to listen to those voices, hopefully, from the industry and retract this step. I think certainly the first part is something which has to be voted for with perhaps our noses being held. Hopefully it will have an impact on first-time buyers but certainly it will put money back into the pockets of real estate agents, which is a consequence which one will have to live with.

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

It is always easy in governmental circles to say that the user should pay and that is perfectly reasonable but it seems to me that without any competition in this area there is no incentive for Government departments to be efficient and while supporting the amendment I would urge the Minister to ensure that the public get good value for money and before putting up the fees just be sure that the charges are absolutely necessary. I would also ask the Minister to review the process of paying the fees whereby presently it is my understanding, and I stand to be corrected, that stamps have to be purchased at the Treasury and taken to the Judicial Greffe where they are applied to the document. I appreciate that much respected legal firms perform this service for clients but it seems to be an antiquated and inefficient system. Thank you.

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

Senator Shenton's logic is interesting but in the case of a falling house market I do not believe that his summary is correct or relevant. The key issue in the housing market at present is that there is a complete lack of access to funding both from the perspective of a house builder and the perspective of a house buyer. To give a further context to this there were, when I was Minister for Planning and Environment, in fact more than 1,500 homes approved that had not been yet commenced. Clearly they were not all in the A category but some were and the house builders were in a position where they were unable to gain access to funding and, in turn, the potential house buyers were also unable to gain access to the mortgage market. Lowering stamp duty is a vital element. It is a well-proven element in other jurisdictions to reinvigorate the housing market but it is most certainly only a part of a combined package. I must commend the Minister for Treasury and Resources on his wish now to look carefully at this issue and to find a mechanism to assist first-time buyers with the provision of deposits from some form of States fund. Thank you.

### **The Deputy Bailiff:**

Does any other Member wish to speak? I call on the Minister to reply.

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

I am going to miss, I am sorry he is not here, Senator Shenton's sometimes uncomfortable advice. He is sometimes right but we are not always right; sometimes we can agree to disagree on certain matters and I do not entirely agree with his conclusion. High house prices are a function of a whole load of reasons; supply, bank-lending, the instance of mortgage interest tax relief has meant that bank-lending in Jersey has a higher multiple of incomes in Jersey, compared to the United Kingdom. Fundamentally I think that we all believe that if possible certainly we should give certainty in terms of security of tenure for those people who cannot buy but we should be encouraging home ownership. It gives people a stake in society. It gives them certainty about their future and we should do everything that we can to facilitate home ownership. I commend Senator Cohen's work and Deputy Power's work and the previous Minister, Senator Le Main, on this whole issue of shared ownership. We have certainly got a plan to do more. We have had a first project and we can do more in terms of achieving the dream of home ownerships. But Senator Shenton is right, sometimes Governments intervening in markets do have unintended consequences and by

well-intentioned consequences there can be unintended consequences of things like shared ownership and shared equity if it is not done with the absolute best of advice. I am confident that we do have that advice and I am very confident that the Minister for Housing's team is now working. We are going to get, for example, a better gateway for the qualification for first-time buyers. Senator Le Marquand was right to say that we are trying to ensure that people who inherit a lot of money, who have never bought a home, really should they be qualifying for first-time buyer relief even at whatever levels? We need a much more sophisticated qualifying first-time buyer regime and that is something that is under consideration.

[12:00]

I am certainly prepared, in whatever position I end up in, if anything at all, to certainly loosen somewhat the rules that we have had in terms of investing in the housing field by, for example, the deposit scheme for homes but we should not be doing anything that effectively boosts house prices. The reality is the homeowner needs to find, unfortunately, and I have thought about how we could change this; stamp duty is paid by the buyer, it is not paid by the seller and it is that first-time buyer needing to find thousands of pounds for stamp duty, nowadays mortgage, set-up fees, quite apart from the relocation, the moving fees, insurance, all the rest of it. Stamp duty means when you are having to buy and I accept that £400,000 is a jolly expensive price, a function of our strong economic performance, for a young first-time buyer but finding £6,000 or £7,000 on top of the deposit means that people are not buying. I simply do not believe from the evidence, and I have spoken to a lot of people, that the non availability of stamp duty concessions over £400,000 means that the first-time buyer house price would fall. Unfortunately it does not simply work that way. I have been advised of a number of people that this will make a difference to and it will push them over the line in terms of securing a home for themselves and their families. It is a small measure but it will work. Also, if we can get some properties moving, if we can get some used first-time buyer homes sold that then has a commensurate effect in relation to the other impact of the market, whether it be the flat or the other lower end as the market churns. While it will have a benefit of effect, and of course second-time buyers do not get stamp duty, will create more activity and will create more income. I am pretty comfortable with what is being proposed. It is a small measure but more work needs to be done and I hope it will make a difference and I am grateful for Members' support. Just on the Judicial Greffe arrangements, I should have said that the overall fees that I am proposing are designed to raise £180,000. This will dent it by £2,000 and I accept all the comments and thank Members for their remarks in relation to small claims and the importance of that. Thanks again, Senator Le Marquand, for his representations. Sir, I move both amendments.

**The Deputy Bailiff:**

Do you wish to take a vote together or separately?

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

I will take them separately, just for good order sake, and ask for the appel.

**The Deputy Bailiff:**

Very well. The appel is called for and I invite Members to return to their seats. The first vote is on the amendment in relation to stamp duty for first-time buyers and I ask the Greffier to open the voting.

<b>POUR: 41</b>		<b>CONTRE: 0</b>		<b>ABSTAIN: 0</b>
Senator T.A. Le Sueur				
Senator P.F. Routier				
Senator P.F.C. Ozouf				
Senator T.J. Le Main				
Senator F.E. Cohen				

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

**The Deputy Bailiff:**

I will ask the Greffier to reset the system. The second vote is to be taken on the decrease in stamp duty court fees in the Petty Debts Court and I ask the Greffier to open the voting.

<b>POUR: 42</b>		<b>CONTRE: 0</b>		<b>ABSTAIN: 0</b>
Senator T.A. Le Sueur				
Senator P.F. Routier				
Senator P.F.C. Ozouf				
Senator T.J. Le Main				
Senator F.E. Cohen				
Senator J.L. Perchard				
Senator A. Breckon				
Senator S.C. Ferguson				



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

## **2.4 Draft Budget 2012 (P.159/2011): Second Amendment (P.159/2011 Amd.(2))**

### **The Deputy Bailiff:**

We now come to the second amendment lodged by Deputy Southern and I ask the Greffier to read the amendment.

### **The Deputy Greffier of the States:**

Page 2 - number the proposition as paragraph (a) and insert a new paragraph as follows - “(b) to request the Minister for Treasury and Resources to lodge a proposition in accordance with Article 4(3) of the Public Finances (Jersey) Law 2005 asking the States to agree to transfer £20 million from the interest on the strategic reserve fund to the consolidated fund so that the Minister for Treasury and Resources will have sufficient resources to maintain appropriate fiscal stimulus measures to support the economy through 2012.”.

#### **2.4.1 Deputy G.P. Southern:**

Members will be glad to know I am back to my normal urbane self but I do remain disappointed that the long tradition of giving me a good tongue lashing whenever I stand to propose something controversial has been abandoned by the House. I hope the new House gets its eye in soon and can bash me about a bit because I do miss being beaten up by the Assembly. I will try and be brief because it is clear to me today that Members do not really want to be here. **[Approbation]** One Member has already left and said it should be somebody else's job and maybe it should. The Minister for Treasury and Resources in his comments points out that we need to remain focused on phased fiscal consolidation and financial stability in the medium term and also that the Fiscal Policy Panel also recommends that the States should avoid making decisions in the 2012 Budget that permanently reduce revenue or increase expenditure permanently. This proposition fits those criteria. It is not rash, it is not even bold; it is a minor move. The Minister for Treasury and Resources points out that on 4 occasions I have attempted to do a similar thing for various initiatives and what I would do in response to that is claim consistency and warn Members that in the near future if we have not made arrangements for some sort of fiscal stimulus for the economy I do not believe we will see the year out without having to do something and in that case, when it does occur, it will be in a hurry. This measure, I believe, is not only moderate and modest, it is a mere £20 million, compared to the £44 million we allocated 2 years ago to fiscal stimulus and which were used and we are told by the Minister for Treasury and Resources were used successfully to maintain our economy. The fact is that we are not into recovery; the signs are getting worse and worse by the week, that we will not be into recovery come the end of 2012. If we are lucky, come the end of 2013, we might be seeing the first green shoots of recovery, is what I believe, as the Minister, in his own report, says: "However, with the global recovery stalling the prospects for the non finance sector may have weakened over the summer, as they are very dependent on the outlook for the finance sector." He goes on to talk about the finance sector and says: "One of the biggest impacts of the global recession on our finance industry has been the low interest rate environment and its impact on the profitability of our banking sector. If market expectations do not change and prove to be correct then this will hold back the expected improvement in banking profitability." He then, in his comments, produces a chart which shows the predicted recovery of interest rates over time and similar to what I showed before on my own, things are getting worse. If Members will turn to page 5 of my proposition, my report, then they will see 11th February one line and then lower May 2011, substantially lower August 2011 and I believe a fourth line should be on that chart because since August we have seen the European Central Bank reduce its rates further since then. In fact there is a fourth line on that chart which is even lower still and pushes the prospects of recovery even further back. There is no joy there and I believe we should be taking a precautionary measure now to make sure that we have some fiscal stimulus available to go into the economy to do exactly the things that we need to do. I would refer Members back to figure 1.7, which I circulated earlier, which talks about that critical element of unemployment and its inexorable rise and rise which is going on at the moment. Whether or not it continues to rise I believe if Members examine the age profile of who is unemployed they will see that we risk, if we allow the recovery to delay, if we do not go and stimulate the economy, we are likely to see one year, 2 years, 3 years down the line that rump of young people, the under-25s, growing as a proportion of where the unemployment is. That unemployment we risk having a set of young people who are completely disillusioned, have little experience of work and they could be the lost generation for this Island. It is already happening on the mainland. If we do not act soonest rather than later I believe that is the risk we run and that is a serious risk. The Minister himself says: "Employment in Jersey has remained close to the highest level for the last 15 years, nevertheless, unemployment in Jersey remains high, relative to past levels, young people are most affected and long term unemployment is increasing, so we need to continue to be vigilant." We need to continue to be vigilant. I can be a little vigilant meerkat, he can be a little vigilant meerkat for as long as he likes, but today I am shouting out the warning and as the meerkat does, he will say: "Watch out, there is a hawk about." Unless we act soon we may be in serious danger of continuing that unemployment level and affecting seriously our young people. We need more than

vigilance. We need to create jobs and opportunities for jobs. We need to create work for young people to get them into the habit of work and we need to do more. I do not believe it is enough for the Minister for Treasury and Resources to say: “The capital spend, already allocated; we are going to spend it and that is enough.” Again, I am saying it is not enough. There is a serious risk that it will not be enough and I do not think we should be running that risk. He then goes on to talk about fiscal stimulus; £44 million which we spent and kept the economy going. We mitigated the effects of the recession successfully. Why, oh, why then does the Minister for Treasury and Resources, despite the fact he can see no prospect of recovery for the next 2 years, say: “But we do not need fiscal stimulus anymore” or that the £10 million, the little tiny bit that we have in the pot, is enough. I do not believe it is. Why does he say we do not need it? Because he sells it very well. Fiscal stimulus monies that we have put into the economy have made a measurable difference. Young people have taken advantage of Advance to Work. Older age groups have been helped through Advance to Work Plus. We are continuing with their support in 2012 and 2013 with tiny amounts of money. We could put some more in the pot and do things properly. He talks about apprenticeships, he talks about Advance to Work, he talks about building developments; creating real created work. Fiscal stimulus has supported employment in the local construction industry, for example, Le Squez housing improvement, improvements to the hospice, creation of a new entrance for Durrell and fossil fuel heating systems replaced in 1,500 homes. Fiscal stimulus monies again, he says, have made a measurable difference. The recession is not over; recovery is distant. For the next 2 years we will need, I believe, to put some more fiscal stimulus into the economy. Let us vote for it today. It is safe to do so. It is moderate to do so and I think Members should vote for this proposition.

**The Deputy Bailiff:**

Is the amendment seconded? [**Seconded**] I call on the Minister for Treasury and Resources.

[12:15]

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

I am going to continue to be polite to Deputy Southern because that is the right thing to do but also I support at least half of what he is saying [**Members: Oh!**] but not half of the actual amendment and I will explain why. The Deputy is proposing to take £20 million from the Strategic Reserve and he is arguing that we should be maintaining and indeed going further in terms of fiscal stimulus. In my opening remarks to this debate I outlined a number of additional measures which we are working on, which are designed to deal with what Deputy Southern is asking. In fact, if he gets his calculator out he can tot up the total amount of additional stimulating of the economy that I have been working on with colleagues over the last few months and £20 million is fairly small in terms of what we are planning to do and I am going to explain that. I do acknowledge that there are some signs that the economy is moving out of recession but it needs more help and that is why I am proposing bringing forward capital schemes, using money that has been in the States bank account for schemes that have been allocated for things like the police station and stimulating the economy. I am not going to wind up my good friend, the Minister for Home Affairs, anymore but I will repeat that spending the £22 million on a police headquarters by doing a construction project is going to be a far more effective fiscal stimulus than handing £10 million or whatever it was to buy a piece of land. That is real economic stimulus and I think that that is going to work. I have been sweeping out with the Treasurer all of the unspent balances that are in the capital programme and we are determined to get that money to work in the economy. One of the many things that we have been doing at the Treasury is cleaning up issues like capital spending and looking at unspent balances. Only last week I was reminded of the Assembly’s commitment to spend £9 million on Ann Court car park and I am working with officials to see whether or not we can use that money, that £9 million next year, by swapping it with another capital project, either housing or car parking or infrastructure, mindful that we have got some further capital. I think that we can be much more innovative in the way that we are running capital and benefit the economy and stimulate the

economy. I am with Deputy Southern all the way of the importance of spending and we have got more than that, which I will also come to. Deputy Southern and I agree therefore; we do just differ on how we should fund the necessary further stimulus to the economy. I will just remind the Deputy that I think that he has taken 4 propositions to this Assembly to take money from the strategic reserve. One was withdrawn, one was narrowly defeated and one linked to the proposal to defer G.S.T., I think there were 2 of them, were soundly defeated. This Assembly has shown not a lot of appetite in dipping into the strategic reserve and I hope the Assembly is going to remain resolute in that determination that they have shown over the last 3 years. The strategic reserve was set up to prevent the Island having to deal with a catastrophic event by needing to borrow significant money, if that eventuality was to happen. I understand the global downturn and the effect on the Island. It has been, without question, becoming clear that the recession is the worst recession, perhaps even worse than that of the 1930s but I still do not believe that that passes the test of dipping into the strategic reserve. I think there are cases, and I would explain where we should be potentially looking at the strategic reserve. I would hope they do not happen but if we were to be faced with a big natural disaster - let us hope it never happens - if we were to be faced with a real shock in terms of one of our leading players in the finance industry leaving the Island. Those are the eventualities that we would need to look at the strategic reserve. I do not think that the prudence that this Assembly has shown in maintaining the strategic reserve and I hope Members did read the written answer that I gave to a question to show how their prudence has benefited not spending the interest over the period of this Assembly. The strategic reserve has increased in value from the end of 2008 of £510 million to a valuation of about £600 million and that is really important because while at the moment high inflation is certainly eroding the value of cash, we have done pretty well in terms of our investment advice. I understand the seductive arguments about just simply using the interest. It is very attractive; it is a persuasive debating tactic but interest rates are low and markets are nervous and we should do nothing to undermine the real value of the strategic reserve. It has been a feature of discussions within the Treasury of how we respond with our investment committee on a world in which we have assets but other countries have debts. Other countries want to devalue the value of money; we do not want to devalue the money because we have cash and therefore we are thinking about ways of maintaining the value of our investments. That is why Members will be interested, I hope to learn, of the significant progress that we are making and the new investment strategies that I lodged before the Assembly last week. The strategic reserve increased in value. It has done well over the lifetime of this Assembly. It only increased by £14 million in the first 6 months of this year; it was £37 million in the year previously. If I would have accepted Deputy Southern's logic about spending the interest then the strategic reserve would be £130 million less than it is today and I say that there is no ...

**Deputy G.P. Southern:**

Is it to imply that I am suggesting that we spend all of the interest is a nonsense? There is a figure put on my proposition. That is a ridiculous argument and quite frankly misleading.

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

I make the point because it is always the start of the slippery slope and when you start sometimes it is difficult to stop. I have resisted any moves in order to be encouraging the States to start using the interest because if I had accepted all Deputy Southern's arguments over the last few years we would be significantly less well-off and there is always another case. There would be a case for investing for one thing and if I would have accepted all of his arguments we would not be where we are today. I would like to support Deputy Southern but I hope that I have explained to Members the powerful stimulus that we are preparing and injecting in the Business Plan and in the further measures that I have announced: spending unspent capital; strengthening the procurement arrangements within housing; making the cash that S.o.J.D.C. has got to work, putting that to work to the economy; using the assets that we have that create a return to perhaps loosen very carefully and in a very carefully judged way the very strict borrowing we have, for example, on investment

of assets that produce a return. I think that we can do all the stimulus that the economy needs, and Deputy Southern is proposing, by all of these measures that I am proposing. I had a joke, it is not a joking matter, but I had a longstanding agreement that there were 2 keys for the strategic reserve; one was held by Senator Le Sueur and one was held by me because the only person that can bring forward ... of course I would accept the Assembly's decision. If the Assembly told me to do it I think that it would be a very bold Minister for Treasury and Resources not to accept the wishes of the Assembly but ultimately it is an important decision of the Minister for Treasury and Resources; that is the only person that can bring forward. Of course I have then bound ourselves further, only upon the advice of F.P.P., to take money from the strategic reserve. I hope the Chief Minister does not take that second key with him because we might need it some day. We will have to find perhaps some new holders of the key but the strategic reserve is not there to stimulate the economy in the manner in which Deputy Southern is proposing. I hope Members accept the alternative measures that I am proposing.

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

I suppose, given the politeness that is pervading our debates this morning, I should be polite to the Minister for Treasury and Resources but I would make the following comment; I notice the police station has gone up to £22 million from the original £19 million but be that as it may. The trouble is that the Minister for Treasury and Resources speaks so fast that things can get through before we can think. **[Laughter]** He talks about the seductive arguments regarding the rainy-day fund and I would suggest that he must be as rigorous in his thinking with regard to his new found piggy bank, the currency fund, a new slippery slope. But returning to the proposition, the first problem with fiscal stimuli is they can be inflationary and particularly when applied in the quantitative easing format and we will be having imported inflation from the U.K. because of our modes of trade. The second problem is that the multiplier in the economy is less than one and in our case probably nearer zero than one and that means that for every pound the Government puts in theoretically under a multiplier, you put money into the economy and you hope it is going to generate more than you have put in, so that you put a pound in and you hope it is going to be £1.50/£2 but in our case it is not going to produce that; the multiplier is nearer zero than one. The third problem is that we have not had an economic review or assessment on the effects of the fiscal stimulus. We have had a list of projects and that is all but what is the economic effect? We have not had it. The Deputy has also mentioned the underemployment of the young. One of the problems is that the minimum wage is getting to levels that employers are starting to evaluate the costs of taking on apprentices and the training involved. We do perhaps need to start considering in the new House whether we need youngsters and apprentice rates. I need hardly remind the Deputy that it is not for Government to create jobs but that Government should create the environment in which businesses should flourish. I shall not be supporting his amendment.

#### **2.4.4 Deputy M. Tadier:**

I think there is a fundamental problem here and it is highlighted by the previous speaker, which is namely I think many of us are uncomfortable with fiscal stimulus, even though I think last time it came up it was voted for unanimously; some of us did that perhaps slightly cautiously. There are 2 debates going on initially; first of all we have got the point of view which is coming across from Senator Ferguson which is saying that fiscal stimulus does not do what it says on the package, so we are saying that they are all factors to do with economic haemorrhage. We know that in Jersey a lot of the money that we inject with good faith into the economy, into various building projects, et cetera, because of the economic structure of some of the businesses; that money can leave the Island and it does not necessarily have the multiplying effect that we think it should have. That is the economic analysis but the reality of it is that we have all signed up to fiscal stimulus. We all think that fiscal stimulus is the way forward, that is why it was given the endorsement of the Assembly last time it came to the Assembly. We have a position whereby if Senator Ozouf, or whoever the next Minister for Treasury and Resources will be, proposes fiscal stimulus we will

endorse it. We are having fiscal stimulus being proposed by Deputy Southern here, an extra £20 million, that is the first point. We all agree that fiscal stimulus works and Deputy Southern wants an extra £20 million for fiscal stimulus, that is the first point. If an argument needs to be made that fiscal stimulus does not work that needs to be made now and we need to stop using fiscal stimulus but that point has not been made, so I think we can take ourselves to the next step that fiscal stimulus is an effective way or at least an agreed way from this Assembly to stimulate economic activity in a downturn. Really the only point that we are here to argue today is should we be taking £20 million out of the strategic reserve and putting it into the consolidated reserve to use to stimulate the economy. First of all, I think it is quite interesting that there is this mantra which has been around that the strategic reserve cannot be touched for anything apart from when the finance industry leaves. What a great message that is to send out to our Island. What is this money for? That is for when the finance industry leaves and we have an economic crisis or where the economy collapses.

[12:30]

That is great, is it not? What are we doing in the meantime? Oh, we are doing nothing, we are just going to sit back on our hands, not touch that money and wait for everything to go Pete Tong. Quite interestingly - I think I can mention his name, because he was a previous States Member and he is an esteemed constituent of mine and I think an esteemed former Member of the Assembly - Don Filleul asked a very pertinent question at the St. Brelade hustings, which is: "What shall we do with the strategic reserve?" The Deputies, including myself, said we should be looking to use the strategic reserve to invest to save and to invest to make money for the future. It is not simply satisfactory to sit back and say we have got this figure, roughly £600 million which is increasingly becoming less than one year's expenditure for the States of Jersey; just sit back on it and not use that, when we could be using some of it, part of it, or maybe a majority of it - I am not suggesting that - to bring forward things which would act as an insurance policy. Now an insurance policy is an interesting thing. If you want to get house insurance for your home which is, say, worth £1 million, you could stick £1 million in the bank alongside it so that if your house burns down you just build another house; you have got £1 million to build another house. But what insurance policies do is take a small amount of that money and set it aside and say: "In case something happens we have this here, and we have an alternative way forward, and that is covered." So why are we not taking small amounts of money or the needed required amounts of money out of the strategic reserve? These are just labels. They are different bank accounts that we own to invest in different industries. Why not invest in Fort Regent? Why not let us have that lift that goes right up to the top of Fort Regent so that we can create the exact environment that Senator Ferguson speaks of, for private and public-private partnerships to thrive in an area which could be thriving. That is exactly one way in which the States could be creating an environment, a very tangible environment, at the top of one of our hills, to be investing for the future so that if there is an economic decline, if there is some kind of economic flight of industries in Jersey, there is at least another industry or industries to take over. That is real joined-up thinking and forward planning and vision for the Island of Jersey, not simply sitting on a bank account which earlier interestingly Senator Ozouf, I think, says is not necessarily making us the money sitting in a bank, that it could be if we invested it sensibly. So what I would say is that of course I have concerns about fiscal stimulus; of course I have concerns that if this £20 million is voted for and if it is not invested in a sensible way we are going to see economic haemorrhaging. We are going to see the money going into the back pockets of people at the top, because that is the fundamental way that our economic model works. Does not matter how much money we pour into the private sector, it will always find its way up rather than down; so of course I have concerns about that. But we are in a position where we all agree that fiscal stimulus is a way forward. Deputy Southern is proposing something which is going to take us forward in a step that we want to, and it is only asking to use £20 million from the interest of the strategic reserve. It is not going into the fundamental funds that we have saved up; they are still there in the event that there is a crisis which I hope will never happen. But we really do need to

look at the fundamentals of how we are using these reserves, because basically if this was an individual's money, if it was my money, if it was a States Member's money sitting in the bank account we simply would not be using it in the way that we are predicating the States to use this money. So it does need a real think - a shake-up - and I hope that the next Chief Minister, whoever he or she might be, will look at this fundamental issue of using our savings to the best of their ability, not simply letting it waste away in a bank account.

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

I do not support Deputy Southern's proposal, but I would like to reassure him and congratulate him for raising the issue about the need for ongoing training initiatives and the maintenance of the currently very successful Advance to Work and career strengthening programmes that presently exist. The reassurance comes, and I would draw his attention and others to the 2012 Annual Business Plan where, in the executive summary on page 11, it clearly states with regards to spending limits for 2012 through to 2014 that: "The revenue expenditure proposals include a commitment to continue the investment in skills and training beyond the fiscal stimulus programme to get people back into work." On page 13 under the heading "Fiscal Stimulus" it again highlights the fact that: "Projects at Highlands College, Advance to Work, Advance to Work Plus, will continue until September 2012 from fiscal stimulus funding but [there is a "but" here] proposals in this Business Plan seek to provide ongoing funding for these initiatives based on a proposal of the Skills Board." In other words, further confirmation that this will be taken through and continued way past the, if you like, deadline of September 2012.

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

I am going to support this proposition because, unlike Senator Ozouf, I do not believe that we coming out of recession. I have seen absolutely no evidence to support what he is saying. I certainly also happen to believe that because there has always been a lag in the Jersey economy behind the U.K., and we have seen the U.K. come out of recession but bump along the bottom. If we look at every one of our major markets, all you can see are the economies again going into recession. The eurozone, for example, with all their sort of problems, and I might say it is very much ... many of these problems are caused by a lack of political leadership. It is politicians who are causing a lot of the problems of the present time in the sense that by not reaching decisions they are making the situation much worse. What I will say though is our major markets are all depressed. If we look at Europe, if we look at the United States, while the Minister for Treasury and Resources said we should be looking at the Far East. If we start looking at China, things are not as rosy as everybody believes about the Chinese economy or the Far Eastern economies. The Chinese have been very, very good at keeping a lot of their economic data massaged or secret and a lot of information is now starting to come out which shows even their economy is not as strong as people believed it was. So what I would say is that our major markets are depressed, and if this Island is going to come out of its own recession we need to see growth in those markets because we are not going to have home-grown demand, which is going to sort of get us out of this recession. So we have this ongoing situation where, until the rest of the world sorts itself out, there will not be the markets for the products that our finance industry is sort of generating. I also happen to believe that the biggest problem that we have in this Island at the present time is the unemployment problem. We have 1,300 people unemployed. On the 29th of this month when the Chancellor of the Exchequer in the U.K. gives his pronouncement about the fulfilment industry, we may have within 6 months anywhere between 1,500 and 2,000 people unemployed, depending how long the measures are going to take to come into effect. So we could have 2,000 or more people unemployed in 6 months to a year. Where are those jobs going to come from? Well, certainly they are not going to come from the finance industry with the state of its markets and I cannot see them coming from any other areas of tradition sort of work. Agriculture is not going to generate it. If our main markets are depressed there may not be the levels of tourism that we have seen in the past. I know that the Minister was talking about: "Oh, the jobs will come from construction", all the

capital projects that are going to come in. Personally I do not believe it. If we are going to be rebuilding the Quay at Gorey or if we are going to be digging shafts in Philip Street, if we are going to be building the new police station, how many jobs are going to be generated with those particular projects? You say: "Lots." Okay. He says: "A lot." How many of the 1,300 people who are unemployed have been engaged in construction in the past? Many of them were retail workers; some were finance workers; they may have been involved in hospitality. They will not necessarily be going straight into these construction projects. In addition to that, as Senator Fergusson has mentioned, the multiplier effect - we have next to no data about the multiplier effect of any money injected in the economy. Also how much of that money is going to leak out to the economy? For any of those measures to be successful the money has got to circulate around your own economy. It has got to be spent by the workers in the shops or buying products or obtaining services. How much of that money and the profits are going to be going out of this Island? We have not got data on that, so I am not as convinced as he is that we will deal with it. Though, as I say, I believe that unemployment is an evil, and I also believe, as does Deputy Southern, that we are in danger of creating a lost generation of people. There are many school leavers who will be unemployed for a year or more, and we all know very well that even when the economy recovers many employers will not want to use those people. Why? Because they have acquired bad habits in the meantime. They have probably got despondent because they have applied for jobs which they have not got. They wonder about: "Why should I bother getting up in the morning because I am not going to be able to do anything? I do not have any money. I am not ... I have got no real training prospects." There are all sorts of problems associated with unemployment. What we have got to do is to inject some money in the economy, whether it be in further training or in opportunities which will cause these people to be employed. So I happen to believe that we have got a major unemployment problem coming, and I do not believe that the construction projects put forward by the Minister are going to solve those problems. Now I would also say too, he mentioned the strategic reserve is to prevent a catastrophic impact on our economy. Well, there are major changes afoot at the present time which are impacting our major industry and that is the finance industry. For example, the G20 communiqué, although the overall conference was a failure, there were indications of further crackdowns on tax avoidance, on the transfer pricing by multinational companies, by changes affecting the shadow banking sector which includes the activities of hedge funds. Now these measures are probably going to have an impact on the financial services industry in Jersey and there are an awful lot of changes bubbling away below the surface. In the same way, there are various items of regulatory reform that are going to have an impact on the Island. At the present time we have had the Vickers report, the Independent Commission on Banking, and some of the changes there will have an impact on the Island. We also know at the present time in the world markets that there is a liquidity crisis in the money markets. Many banks will not lend to other banks. Why? Because they do not know how much they have got in the way of sovereign debt. They do not know whether they are going to get their money back. Because of this the Bank of England and the European Central Bank are having to inject vast quantities of liquidity into the markets. But there are structural changes planned in those markets as well to move away from the traditional banking model we have in Jersey, whereby funds are uplifted into the City of London to provide liquidity. That major part of our economy could be affected by changes that are taking place. So what I am trying to say is, yes, we have a strategic reserve which we should be using to help the Island if we do have a catastrophic failure. But the truth of the matter is incrementally, step by step, change is taking place, which will have an impact on our economy and what we need to be doing is starting to take steps now, not waiting until we have fallen off the cliff before we start trying to take actions to prevent us doing so. So I shall be supporting this proposition and I would strongly recommend that other Members do, because these changes are going to have an impact before you know it, especially the 29th and the fulfilment industry. Where will you be then if you did not vote for this, for additional money for training of people and trying to get people into new forms of work?



## LUNCHEON ADJOURNMENT PROPOSED

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

Following that thoroughly depressing speech, could I suggest the adjournment?

### The Deputy Bailiff:

The adjournment is proposed. Before we adjourn, may I just inform Members that the Greffe has received an email from the Deputy of St. Mary to say that he is *malade*. So I will pass that on to Members. If any Member wishes to make further inquiry over the luncheon adjournment then they will be in a position to swear the appropriate oath after lunch and maybe he can then be marked *malade*. We will now adjourn until 2.15 p.m.

## LUNCHEON ADJOURNMENT

### The Deputy Bailiff:

Very well. We now resume the debate on Deputy Southern's second amendment and I call on Deputy Le Hérissier to speak.

### 2.4.7 Deputy R.G. Le Hérissier:

This is one of those amendments which on the surface appears very seductive, to use the phrase of the Minister for Treasury and Resources. I think it has a lot going for it, but if I may raise a few points which have been very well covered already, partly by Deputy Tadier and partly by another speaker, whose name I cannot quite remember. I think back to where policies are already underway. I am not sure that Deputy Southern is fully informed about that fact, quite frankly, but I do take his points. I think the point has to be made which Senator Ozouf has never fully answered, that when construction is made the centrepiece of fiscal stimulus policy there is immense leakage from construction as a fiscal policy, and I think he has to answer much more clearly there. There has been too much fudging and smoke and mirrors in that regard. The main point I would say, though: I do agree with people who are saying rather than just sort of almost in a panic fashion put in money, I think it is much more important that we build the foundations of the economy; and there were 2 very interesting meetings took place yesterday. One was the one on Jersey Telecom's proposal which I thought was very well presented, although it is totally in contradiction to information we received a year or 2 ago, as I think Deputy Martin said at the meeting, about the state of our I.T. system vis-à-vis eGaming; but I thought in terms of building foundations and building a strong communication infrastructure, that was the kind of building of the economy I thought was excellent. The other one, which was very optimistic - contrary to the prophet of the dismal science, Deputy Higgins, whose words were sending us into deeper and deeper depression just before lunch - was the agricultural seminar where sadly there were very, very few States Members. But what was very interesting about it was the spirit of optimism, as Deputy Labey knows, that came I felt out of that seminar. People were really pleased with the dairy and the kind of doors that had been opened with its redevelopment. They were pleased - not all of them, I should add, because there is ongoing controversy about sheep farmers and what is a bona fide sheep farmer and so forth - about the development of small scale agriculture on the Island, and there was a lot of good talk about the convergence beyond what you might call the sandal-wearing approach of organic and non organic farming. It was very impressive to hear both sides speaking and starting to meet in the middle and there was a lot of optimism expressed there. There was an incredible speech, a very good speech but I sort of recoiled somewhat by the youngest participant who was from an agricultural college, and his father is a well-known farmer, about how the minimum wage was likely to destroy, if it kept going up, Jersey's agriculture, which was an interesting take. But it was very well presented. I thought there was a lot of optimism there, and it was another example of building the foundations of the economy. I just feel there is too much of a panic measure about what Deputy Southern is proposing, and it is being sprayed indiscriminately around the economy. Which brings me to my final sort of not random point - my final isolated point. I am very surprised

though, it has to be said, people are being asked to withstand all kinds of cutbacks. Programmes like summer activity programmes have been cut back, Ministers are being put under enormous pressure and yet the Minister for Treasury and Resources seems to have all these pots to which he can run in moments of need. I really feel, as I think Deputy Tadier said, I would like to get a much more overall picture of where the sources of financing are, why we are running this massive austerity programme; yet we are opening up the floodgates in certain areas it appears selected by the Minister for Treasury and Resources, some of which I think are excellent, like the J.T. initiative. I do not like the idea that it is all being done in a rather covert fashion, it is all being done on the say-so. Okay; people like the Finance Panel are being brought in, but it is all being done I feel in much too covert and certainly on the surface, although there may be a method in their madness so to speak ... it is all being done in a somewhat random way: "We need this; I will raid this fund." I find that very hard to get around. But I do feel to counter the kind of rather dismal science impression we got from Deputy Higgins before lunch, people ought to know that there are some very good initiatives going on, and I want to see more of them. I do not want to see a lost generation. I want to see a generation that believes in education, because if you have seen a bad economy you have not seen anything yet when the economic focus of the world moves as it is to the Far East and to countries like Brazil and so forth. The tectonic plates of the world are shifting and it is a real issue. With my little bit of doom and gloom, it is a real issue about whether the West can carry its current standards of living. It is as serious as that. Because when you look at what people in Greece and countries like that are being asked to do, they are being essentially asked to take a permanent reduction in their standard of living because the wherewithal in terms of manufacturing does not exist to get those economies going again. We have shifted too much to the Far East and so forth. So we have got to be much more ingenious, which is why I support foundation building and I would have liked a lot more flesh on the bones from Deputy Southern in terms of new programmes, new initiatives and how to build the economy in a more holistic sense.

**The Deputy Bailiff:**

Senator Perchard, as one of your last and perhaps profitable contributions to this Assembly, I wonder whether you have a confession to make.

**Senator J.L. Perchard:**

Yes, my telephone did very quietly tinkle there [**Laughter**] and I thought I needed to make a useful contribution to today, so I think I have probably succeeded.

**The Deputy Bailiff:**

I am very grateful. The Greffier will make a note.

**2.4.8 Senator B.I. Le Marquand:**

The current economic estimates for Jersey for this year and next year do not indicate that a further fiscal stimulus will be necessary. That is not just my opinion; that is the opinion of the Fiscal Policy Panel and that is why they did not recommend any such further fiscal stimulus. I am fully supportive of the current proposals to accelerate forward as far as we can the different capital projects and work on infrastructure into 2012. This is exactly what we should do. I am also supportive of the principle in relation to the Telecom project which has as a side effect, to provide additional work for people working in that area. I would caution Members in relation to the concept of the use of the interest or income on the strategic reserve. Although superficially that might give the impression that the reserve was being maintained at the same level, in reality it is not. With an inflation level currently at 5.4 per cent, 4.1 per cent if we discount G.S.T., then effectively if we do not continue to have growth in terms of income on funds, then they are decreasing in real terms. Whatever way we may couch it, it is still a raid of some form on the strategic reserve. The importance of maintaining the strategic reserve cannot be overestimated. I do not propose to repeat the arguments; they are very well-known. I would remind Members,

however, that the reserve is not as large as it appears because of the pre-1988 deficit on the Public Employees Pension Scheme. Having said that, the position will need to be carefully monitored. It will need to be carefully monitored by the Council of Ministers and particularly by the Minister for Treasury and Resources and his team; and if there is a radical change in the situation if necessary then they will have to bring a further proposition to the States if it is appropriate. But at this point in time it is, in my view, not appropriate and I shall therefore be opposing the amendment.

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

I will be brief. This amendment is asking that monies be transferred out of the strategic reserve. Members of this Assembly have the benefit of the advice of the Fiscal Policy Panel, and I would like to refer Members to their October update to their Annual Report, page 4, bullet point 4, and I quote: "There should be no transfers into or out of the strategic reserve." Therefore I will not be supporting this amendment.

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

Now I am in full flow: I am aware of Deputy Power's points made earlier and as such I am not sure whether he is right or he is wrong. But I am here and I want to say something on this proposition. I think we have been very prudent and it has been shown to be how prudent we are when you look around us at countries just over the water and throughout Europe, to have put money aside during the better times. We all know that we perhaps now should have tried to put more aside, but we have been very prudent to do so and to create a strategic reserve. The question is really, what is the strategic reserve for? I do take Deputy Montfort Tadier's point that this House approves of the fiscal stimulus initiative and as such he is saying: "Well, when we know what the strategic reserve is for, perhaps we could connect the 2." But I do not see it quite as simply as that. I think the fiscal reserve is there as a backstop at the Last Chance Saloon and we should avoid a raid on it unless we have absolutely nowhere else to go. We have in my opinion, at this time, somewhere else to go and it is a point that I think should occupy the new House, and that is when the States stop, baulk, intervene, prohibit private sector initiatives, private sector fiscal stimulus. When the private sector wants to get cracking in Jersey it is terribly difficult for them to do so. We have got listed buildings coming out of our ears that are damp, falling apart, nobody ... sites of special interest they are called, of which nobody has an interest in. Some are owned by the States, many are owned by the private sector and we do not allow them to do anything other than decay. We need to be more focused. We need to preserve the best of our historic-built heritage and ensure that it is preserved to the highest standard. But we need to move on. We cannot just hold Jersey in a moment of time and we should not be retaining buildings for no other reason than the fact that they are old. There are opportunities, and I just take Members up to Bath Street and how that poor Jersey company has been trying to develop up there, and for some reason we have got somebody with a clipboard in the Planning Department who prohibits them from progressing.

[14:30]

This is fiscal stimulus; this is the best sort of stimulus. It is private sector fiscal stimulus. We stop and we baulk them and we get in the way, let alone our own States properties that are historically important. I am a Jersey man and I am very proud of my built heritage; I am very proud of my heritage. But when it comes to maintaining signatories on walls or bits of wood that have been carved out by a schoolgirl 25 years ago, because it is significantly of historical interest, I think we have gone too far. The J.C.G. (Jersey College for Girls) building is a magnificent building, but nobody can do anything with it. It would have been ideal perhaps for the police had we been more relaxed as to how we could have used the building. Had we maintained the façade and allowed proper modern development behind the façade, the mass population that we serve would have been perfectly satisfied. But the few people with their clipboards in Planning of course would not have been. This House needs to look at its own business and its own methods and enabling private

sector money to unlock before we raid our strategic reserves. I will not be supporting the amendment.

**The Deputy Bailiff:**

May I say to Members? I nearly said something when Deputy Power spoke earlier today, but the fact Senator Perchard has just repeated his concern that perhaps we should not be talking. It needs me to say from the Chair that both the Bailiff and I take the view that Members have been elected for a full term. **[Approbation]** You are entitled to be here, to speak and of course to vote on the matters which are before you; and indeed, it would be our hope that Members did not feel that simply because they have not stood again for election or have not been re-elected, that that somehow disintitiled them to speak. That is not the Bailiff's view and it is not my view. **[Approbation]** Does any other Member wish to speak? Then I call on Deputy Southern to reply.

**2.4.11 Deputy G.P. Southern:**

I feel no qualms about speaking at all; in fact, I am tempted to filibuster until the Deputy of St. Mary gets here. But I will not. Do not encourage me.

**The Deputy Bailiff:**

You may find some opposition to that.

**Deputy G.P. Southern:**

From the Chair, Sir, I would imagine. Yes, where were we? Yes; the police station. The police station is going to be built, as it was in 2004 when we last discussed where it was going to go and we got to the position where we had decided where it was going to go on the Summerland site at Rouge Bouillon, and that is 7 years ago and I have not seen a single footing laid at all yet. So to the Minister for Home Affairs I say, despite this hurry-up over capital spending, do not hold your breath. Ditto Ann Court; Ann Court instantly. Next year we can just get rid of parking on Ann Court and we can start on that project as well - when of course we have found some parking spaces for the cars that are already there. If there was one thing, apart from the difficulty of surviving in Jersey nowadays for either middle earners or lower earners, there was one topic that I met on the doorsteps while going round getting elected, it was: "Where has the parking in town gone? We cannot park" from residents; and this is an issue that needs to be solved. So when that chain is sorted, yes, we might see Ann Court suddenly spring into some new creation with planning permission, et cetera, et cetera, but again I for one certainly, in No. 2 District, will not be holding my breath.

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

Will the Deputy give way?

**Deputy G.P. Southern:**

No, no, no. I am supposed to be helpful. The point about fiscal stimulus as we are told time and time again, is that it had to be timed, temporary and some other T - targeted, yes, and the phrase was wheeled out on a barrow. It has to be shovel-ready. Now I have not heard a thing today about shovel-ready projects that are going to manage to spend all this capital spending in 2012 and do and have the same effect as taking this money and using it specifically. To put it into context, yes, the £90 million worth of interest we are talking about: the £37 million of interest last year was £17 million of interest this year in the first 6 months, put the sum of £20 million into perspective. This might be described - and several have - as a raid on the strategic fund, but it is hardly a big raid. It is a tiny slither, and appropriately used will do something to stimulate the economy at a time when the economy, I am sorry, is going down a very negative route. I refer Members back to the projections for T.V.A. (*Taxe sur la Valeur Ajoutée*) over the last year issued by the Fiscal Policy Panel. It starts positive and it gets a bit flatter and then it comes down to negative downside. We are not going to see much growth if any in 2012. In fact, the projection is somewhere between plus

2 and minus 2 per cent, and that has changed from 4 per cent initially some time ago. I remind you where the middle point of plus 2 and minus 2 - I remind Members where the middle point, midpoint is: it is at zero. So this projection for growing revenues, growing tax revenues, throughout 2012 through to 2015 is not happening yet. We are due to carry on flat-lining for the foreseeable future, and that is what our advisers tell us. Yes; to turn on that note to Deputy Higgins and he points out, and I think he possibly suffers from the same curse as Cassandra - that Cassandra was never believed but always right - and I hope that is not the case in this case, but nonetheless his prognostications do not sound healthy. Indeed, we have on the front page of the paper today, another statement that it looks like, come the end of the year, the Budget in the U.K. will close down our fulfilment industry and his warning that we are talking about another 500, 700, perhaps 1,000 jobless may well be one of Cassandra's warnings that may well come true. I repeat the point of the Fiscal Policy Panel in its last report: "The global economic outlook has deteriorated markedly since the panel published its Annual Report in July. Future expectations for global economic growth have been revised downwards and the speed and extent of global recovery is now much more uncertain than before. This is likely to hold back Jersey's recovery although it is hard to quantify the effects." But the fact is they have quantified the effects and they are much worse than they were previously. It then says in its first bullet point of its recommendations: "Jersey should plan on the basis of a global recovery that will be more fragile and drawn-out than expected at the time of the July report" and yet these measures were made at the time of the July report and they have not been amended or ameliorated since. In fact, that is the reason for this particular amendment. Deputy Le Hérisier talked briefly about how seductive my proposition appeared on the surface, but then had a good walk up and down both sides of the fence and seemed to say that I appear to be spraying money at a problem and that I should have put much more detail into it, and it is one of the 2 tiered arguments when you want to be negative about a proposition that any Back-Bencher brings, you either say it has got too much detail and is wrong, or it has not got enough detail and it is wrong. But he also said: "I do not want to see a lost generation." Well, he must be a gambling man, because unless he votes for this particular proposition he may well see a lost generation, because we are making no precautions against that rising unemployment staying where it is and us losing a generation. That is the reality and I hope, if he is a gambling man, he is a good gambler. Senator Le Marquand as ever talked about careful monitoring but seemed to accept that some way down the line, whether it is next year or shortly thereafter, we were going to have to spend some more money anyway. I am saying what we should do is plan for that and plan for that now. Please vote for this proposition and I call for the appel.

**The Deputy Bailiff:**

The appel is called for. I invite Members to return to their seats. The vote is whether to adopt the second amendment of Deputy Southern to the Budget proposition. I ask the Greffier to open the voting.

<b>POUR: 5</b>		<b>CONTRE: 38</b>		<b>ABSTAIN: 0</b>
Senator A. Breckon		Senator T.A. Le Sueur		
Deputy G.P. Southern (H)		Senator P.F. Routier		
Deputy S. Pitman (H)		Senator P.F.C. Ozouf		
Deputy M. Tadier (B)		Senator T.J. Le Main		
Deputy M.R. Higgins (H)		Senator B.E. Shenton		
		Senator F.E. Cohen		
		Senator J.L. Perchard		
		Senator S.C. Ferguson		
		Senator A.J.H. Maclean		
		Senator B.I. Le Marquand		
		Senator F.du H. Le Gresley		
		Connétable of St. Ouen		

		Connétable of St. Helier		
		Connétable of Trinity		
		Connétable of Grouville		
		Connétable of St. Brelade		
		Connétable of St. Martin		
		Connétable of St. Peter		
		Connétable of St. Lawrence		
		Connétable of St. Mary		
		Deputy R.C. Duhamel (S)		
		Deputy of St. Martin		
		Deputy R.G. Le Hérisssier (S)		
		Deputy J.B. Fox (H)		
		Deputy of St. Ouen		
		Deputy of Grouville		
		Deputy of St. Peter		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy K.C. Lewis (S)		
		Deputy I.J. Gorst (C)		
		Deputy of St. John		
		Deputy A.E. Jeune (B)		
		Deputy A.T. Dupré (C)		
		Deputy E.J. Noel (L)		
		Deputy A.K.F. Green (H)		
		Deputy D.J. De Sousa (H)		
		Deputy J.M. Maçon (S)		

### **The Deputy Bailiff:**

Now, there is an amendment lodged by Deputy Vallois, who is *malade* today and as she has made no arrangements with the Greffier the amendment falls and, accordingly, we return to the debate on the main proposition, which is now open for Members. Does any Member wish to speak?

## **2.5 Draft Budget 2012 (P.159/2011) - as amended**

### **2.5.1 The Deputy of St. Ouen:**

I welcome the proposals in the Budget aimed at helping families with young children. The significant increase in childcare relief will be a substantial benefit for working parents struggling to meet the high costs of childcare in the period prior to their children starting primary school education. I have personally been keenly aware for some time that the high cost of childcare places a significant pressure on working parents with young families and, working closely with the Jersey Childcare Trust and the Minister for Treasury and Resources among others, I believe we have found a way to not only help working parents but ensure that their children get the best start in life. This latest initiative, coupled with the introduction of the nursery education fund which provides all parents with 20 hours' free early years education for all children in the year prior to them entering primary school will make a positive difference to working parents as they seek to provide for their young families. We must not forget that Jersey has the highest rate of working women in O.E.C.D. member countries. This Budget proposal, I believe, rightly recognises their contribution to our economy by providing meaningful financial assistance to lower and middle income families with young children and I support the Budget.

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

There are just 2 points that I wish to comment on. The first one is just to endorse comments made by my colleague, the Minister for Education, Sport and Culture regarding childcare relief in regard to the nurses. It will definitely make a big difference in helping the recruitment and retention of nurses. As you know, most of my nurses are women and most of them have got young families and this will make a difference. It will not solve the problem but it will go a long way to help it. The other point, which is perhaps in a bit more detail. As you expect, I will not miss the opportunity to talk about alcohol and tobacco. I totally support the Minister for Treasury and Resources in the proposed increase in impôts duty and I just want to draw Members' attention to some simple facts about alcohol and tobacco and the impact they have on population health and health services. Alcohol: the more a community drinks, the greater the harm that is caused by alcohol. As consumption goes up, then harm done by alcohol to individuals and society goes up in proportion.

[14:45]

As we know, there is a problem in this Island. There are groups which regularly drink in excess, binge drinkers, under age drinkers. Evidence has shown that these activities have an adverse health consequence such as liver damage but also to extended consequences to family relationships. Jersey's consumption per capita is one of the highest in Europe, 13.8 litres of pure alcohol per capita, and this is one league table that we should be ashamed to be at the top. Alcohol is not only impacting upon Islanders' health, it is also threatening our social wellbeing. Every year in Jersey, there are an estimated 42 premature deaths attributed to alcohol, while the cost estimated in annual hospital activity is conservatively estimated at £2 million. Approximately 4 dependent drinkers undergo alcohol detox every week of the year. Increasing impôts duty on alcohol is one such measure, others being strong educational programmes within our schools as well as community approaches to tackling to reduce the levels of harmful drinking in Jersey. While there is a downward trend in consumption that offers some comfort, we still lag behind our European colleagues in reducing alcohol consumption. Although prices have increased over the years due to taxation, alcohol is still becoming relatively more affordable in Jersey because of increases in average earnings. More needs to be done to ensure price continues to act as a barrier to vulnerable groups such as children and young people. Let me now turn to tobacco. Again, I simply give you the facts. Smoking kills around 150 people in Jersey each year. That is 20 per cent of all deaths in the Island. This makes smoking the biggest preventable cause of premature death and chronic ill health in Jersey. The Jersey Annual Social Survey in 2009 found that 21 per cent of adults still describe themselves as smokers. The Jersey Tobacco Strategy, as approved by this States in 2010, agreed to employ fiscal and legislative measures in order to address the demand for and the supply of tobacco products. Our target is to reach 10 per cent, which would put us ahead of all our near neighbours. Those fiscal measures explicitly included increasing impôts duties on tobacco products over and above the levels of inflation each year. This strategy is working. Now is the time to stick with it and please to save some more lives. Please, just remember those facts. When it comes to alcohol and tobacco consumption in Jersey, it is still too high. We must ensure that prices remain above inflation as it has been shown that this will help reduce consumption and associated avoidable harms. I urge Members to support the Budget of the Minister for Treasury and Resources if not for the health of the Budget then for the health of our Island.

### **2.5.3 Senator A. Breckon:**

Just a few points. In his opening speech, the Minister for Treasury and Resources mentioned event-led tourism and how it is something we should promote. Looking at the Constable of Trinity here, I am thinking of going camping in Trinity but there we are. Jersey Live and I think he mentioned that and the marathon, Branchage Festival, but the facts do not support event-led tourism. The Economic Development reports show that in 2008, we put £744,000 into events. In 2009, it was a very similar amount. In 2010, it was down by about £50,000 to £695,000 and in 2011, it was down by another £60,000 to £632,000 and the proposal for 2012 is £570,000 so that is a drop from 2008 of £744,000 to £570,000. Now, that is quite significant. If we are serious about getting economic

benefits from that, then we should be supporting people who are bringing bowls clubs to the Island, football teams and cricket but these are exactly the sorts of things that will bring people to the Island into hotel beds, into bars and restaurants and hairdressers and taxis and everything else. To reduce it, I think, is a no-go. Now, I will read from the transcript what the Minister for Treasury and Resources said but these are the sorts of things that I think Deputy Southern had in mind with economic stimulus. The person who is organising these things, we give them a few bob more and let them get on with it and the benefits are there. We are doing it the wrong way round, so that is one point. Perhaps the Minister for Treasury and Resources would like to respond to that and see where some money comes from perhaps to reverse this because the facts speak. The words that he said, in my view, do not. The other thing he mentioned in his opening speech is that we will not increase the impôts on road fuel. Well, in fact, we did in June last year when G.S.T. went up from 3 per cent to 5 per cent. We put 3 pence a litre on at that time on what was already an increasing market and in old money that is about half a pound a gallon. Not the cost of it, that is the increase in it. Over 12 pence a gallon we put on petrol in June last year. That is what we did so to say we are not putting up the impôts this time is a bit disingenuous when we did it in June. Of course, we did the same to other products, cigarettes, drink, spirits, wines, beers, whatever else, because we increased G.S.T. Now, this is a bit of a windfall to the Treasury because as the inflationary factor comes in, then, of course, it increases the amount of G.S.T. and what the increase in impôts is, it is a second bite of the cherry. It is not like it used to be where it stood alone. It does not stand alone any more. There are other opportunities to do this and I did not find any mention in the booklet attached saying a sort of admission of this. So that is something that is already there. The other thing that Members may have spotted, we are asked to approve a table on page 48 and if Members look at that, they will see how personal taxation again, the top line employees, the estimate on the actual for 2010 was just over £271 million. The revised estimate is £274 million for this year and the proposal from employees in 2012 is £296 million. Now, that is a significant jump. It is around about 10 per cent year on year for that figure so what does that do for things like economic growth and stimulus? It takes that money out of people's pockets so they cannot spend it so it is not their discretionary spend. We have taken that and a couple of lines under that shows the tax taken from companies and it is very similar in 2010 and 2011. Now, the Minister for Treasury and Resources has mentioned we must find another way of taxing the zero companies but I remember his predecessor saying that 5 years ago, that we must really do this, and we have not found a way of doing it. Now, we must do that because that is not fair. We have heard the argument used about the Voisins and De Gruchys. One pays tax and the other does not and they are side by side on the High Street and that is not fair. We have got local companies trading who are paying tax and we have got others, especially on the High Street, who are not and some of those are stretching the market about. So with those points, I would just ask Members to note that because that is what this Budget is about, and I think the papers that Deputy Southern put together a while ago show that the level of tax from wage and salary earners doubled from about 40 per cent to about 82 per cent. Now, we can only squeeze this particular orange so much and then we will be left with a husk and that, I think, is the stage that we are getting to. I think perhaps we might just need to back off a little bit and look at the spending because that is not part of this but this is why we need to raise the money and look at sensible savings, not some of the shroud-waving that we have. Then I think we need just to balance that a little bit because there is, in my opinion, a risk of overdoing it.

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

This is probably going to be my last speech after 6 years in the Chamber you will be pleased to hear **[Members: Oh!]** and the fact that I would like to congratulate Senator Ozouf on his Budget probably underlines the fact that it is probably time for me to take a break from politics. **[Laughter]** I think the lack of amendments demonstrates the fact that many Members must have been fairly happy with the Budget document as presented **[Approbation]** and certainly, as someone who was not faced with election, I had plenty of time to go through it and look for areas that may require amendment and certainly I could not find any. I would just like to make a couple of



observations. Firstly, the Minister for Treasury and Resources spoke during his opening address very much about the investment into Jersey Telecom and to Gigabit Jersey. I am not quite sure what this has to do with the Budget. The Budget is the form for raising revenue. The Business Plan is how you spend it and the Budget is for raising revenue. I would just like to make this observation for Members and for new Members that one of the things they need to look at under ministerial government is the fact that the Minister for Treasury and Resources can make the substantial investment in Jersey Telecom or through Jersey Telecom without coming back to the Assembly at all. It is within the Minister's power to divert the funding for this investment without the Assembly's approval and I think, as chairman of the P.A.C., we have pointed out over the years that the authority of the Assembly has been lessened through ministerial government and one would hope that the new Assembly and the new Ministers take that on board and perhaps do not use their powers to the full and adhere to the sanctity of the Assembly and take respect of Members when they are spending significant amounts of money that are not in the Business Plan. The only other observations I would like to make, I would like to congratulate him on the tax relief for childcare and making it easier for women to go out to work. As someone who is perhaps a little bit old-fashioned, I think it would be nice as a Government if, in future, we could also do something to make it a little easier for women to stay at home if they so wish to look after their children and not farm them out to surrogate parents to bring up because they have to go out to work. There are many women that I know in the workplace that would much prefer to be at home. There are many that would like to work but a lot of women do not have the choice and that is the sad thing. I think it would be a better policy or perhaps something for a future Government to look at is perhaps making it easier for women that would like to stay at home. This leads on very much to the housing situation because affordable housing is one of the reasons why women have to go out to work. It is a spiral because as we send more women out to work, the income of the unit increases and therefore houses can go up in price because people have more disposable income and therefore prices can be sold at higher levels. So when the Government does come up with ideas of moving stamp duty to £450 from £400 or subsidising deposits on properties and so on and so forth, I would like them just to make sure that they are not supporting the developers rather than the actual individuals out there because on an Island where average earnings are £30,000-odd, it is utterly ridiculous that housing is so expensive. I would just like to finish off by thanking everyone I have worked with during the past years. I am going off the point a little bit but it has been a pleasure, even those that I have not always agreed with politically. I think this is a very good Budget and I commend it. **[Approbation]**

[15:00]

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

Hopefully, the Minister for Treasury and Resources, whoever he may be in years to come, whether it is our current Minister for Treasury and Resources or another Member sitting alongside him or across the Chamber, when they are looking at tax increases shall we say on alcohol, for instance, they take into account it is not the cost of the tax increase that is the problem. It is the way that it is administered by the people who have to administer it, i.e., whether it is the brewery, because when you see the penny or 2p go on, shall we say, a pint of beer, by the time it gets to the customer, it is 10p which throws everything totally out of kilter because I think was it last year when we saw 2p on a pint and it went up by 10p a couple of months later and we had not had the additional 2 per cent increase on G.S.T. at that time, and you think what on earth is going on with these breweries. The House gets seen in a bad light because of some of these sharp practices. Talking about being seen in a bad light, you have got to thank the people who have to do all the calculations down at Customs and Excise. They do a fantastic job and a number of them are outside today listening in, I am sure, because they are advising on the Budget. We have got to make sure that we thank those people. The other thing is that I am pleased that over the last couple of years, the Minister, in fact, has listened when it comes to new business because only this week we have seen, I think it was in the *Jersey Evening Post* yesterday evening, we saw a super yacht although it looked like a

battleship or a battle cruiser whatever, the way it has been designed and the colour. In fact, it came here and it purchased 30 tonnes of fuel or 300,000 litres of boat fuel which, what with their mooring dues, the port taxes on fuel and other charges, i.e., the pilotage charges, et cetera, brings good revenue to this Island and to see that now operating is good. It is going to be hopefully another string to our bow which we have missed out on over a number of years and that should be good for the economy in that specific area. Whoever is, as I say, the new Minister for Treasury and Resources, and whoever is the new Chief Minister, would he please make sure that the liquid waste strategy which is stalled under this current ministry over the last 3 years, because my own department at Scrutiny were due to be reviewing this but as it was stalled we could not move forward. I would like to see that get on the way because we must look after our infrastructure and I know full well that our digesters at Bellozanne are at the end of their serviceable life and we do not want to find ourselves having big problems. I am aware in other areas that there are serious problems, whether it is at Health at the hospital or where else when it comes to the disposal of waste. Further to that, within that area, once again at T.T.S. (Transport and Technical Services) the infrastructure of the Island, the roads and sea defences, et cetera. It is important that we keep abreast of what is required because, at the end of the day, what we leave for another year or another 5 years is going to cost considerably more to put right. So whoever takes over, if it is not our current Minister for Treasury and Resources, will you please take that on board?

#### **2.5.6 Connétable K.P. Vibert of St. Ouen:**

I too would like to add my congratulations to the Minister for Treasury and Resources for what is a very good budget in the economic times in which we live and I would say that I am very pleased to see that he has addressed some assistance to young people. After all, this Assembly must, if they are going to invest, invest in our future. I think that there are 2 areas which need further addressing as far as investment in our future is concerned and here maybe Senator Shenton put his bifocals on and noticed my notes before he spoke because I think he has raised the 2 that I wished to raise. One of those is the fact that, some years ago, this Assembly, not this particular one, but the Assembly decided to do away with States loans in a time when the States itself on its investment raises a very low percentage of interest and yet young people attempting to get a loan for first-time buying have to pay in excess of 6 per cent. It seems to me a good investment in the Island if the States returned to something like a States loan scheme where there is every possibility of taking 2 or 3 per cent off what the banks are offering to assist young people on to that housing ladder. The other point that I wished to raise was the fact that the Island is increasingly suffering from dysfunctional young people and I think that we need to address that rather urgently before the matter gets out of hand. Senator Shenton raised the fact that we need to try and protect and enhance the family, that we need to put more into keeping the family together and I think that here we have gone some way this morning by raising the ability for people to have childcare. But the point which Senator Shenton raised about those young people who, having had children, would like to rear them themselves in the home and stay at home to do so, that also needs to be addressed because I think that we need to help those people as well to achieve that aim and I think ultimately to get a better society for this Island.

#### **2.5.7 Deputy M. Tadier:**

I will follow straight on about the idea of enabling mothers to stay at home. It seems like sometimes in the Assembly, I feel like I am living in the Victorian age when we talk about letting women stay at home to look after children. What we should be doing is providing a mechanism to enable either parent to stay at home or, indeed, both parents if necessary alternately to stay at home and look after the child or the children because, in fact, it is imperative at a young age that the child not only has contact with the mother, of course, at a very young age, probably more importantly with the mother for the physical contact, et cetera, but also with the father. I suspect that many of the problems that we have seen in the recent decades, probably the last 20 or 30 years, is due to an absence of parental influence, paternal influence and not simply maternal influence and that is

something which we need to get to grips with. We need to be looking towards statutory paternity leave, not simply maternity leave so that there is complete parity there and I am sure that that is something that the next Minister for Social Security hopefully and even the next Chief Minister will be mindful of. We need to be getting away from these anachronistic statements which are basically chauvinistic and sexist in this Assembly but thankfully I know that not all Members share the views of Senator Shenton. Now, we had some remarkable statements but first of all, before I talk about this, I think that the Budget is probably a moderate success. It may even be something which I can find myself able to support this time round which is probably the best compliment that the Senator is going to get from me at the moment, so I acknowledge that there are some very good things in this Budget. Nonetheless, there were some remarkable statements, in particular, around the Zero/Ten, saying that Zero/Ten is a success now. It is great, it is going to provide stability and what I would like to see is for the Minister for Treasury and Resources, whoever she may be in the future, is to be less concerned about what the U.K. and the E.U. (European Union) have to say about our tax regime and, in particular, Zero/Ten and to focus more on what the locals say, what do local companies say about Zero/Ten. What do local taxpayers say about the zero tax regime because the word on the street and the word in the elections and even the word from most of the candidates who were standing is that a solution has to be found to Zero/Ten. That was how the *J.E.P. (Jersey Evening Post)* put it. It was one of the questions a solution must be found to Zero/Ten so a solution has to be found, of course, because it is a problem. The problem is that it is fundamentally inequitable. We have companies and I know we like to dress it up and say: "Oh, no, nobody in Jersey pays tax. None of these companies pay tax." The reality of it is that those companies who are Jersey-based, the directors are based in Jersey, do pay 20 per cent of their tax as essentially 20 per cent corporation tax that they are paying is directed. Those who are not based in Jersey do not pay any tax in Jersey or anywhere else so there is a competitive disadvantage there which needs to be resolved and this has gone no way. So when we are talking about the success of Zero/Ten, it is a smack in the face to many local businesses that are seeing competition on a non level playing field. We are seeing businesses which have been registered and been moved to the U.K. or elsewhere for tax purposes and so before we blow our own trumpet too much and say: "We have found a solution to Zero/Ten", the fundamental problem with Zero/Ten is Zero/Ten. It is the zero rate. Another remarkable statement was: "Zero/Ten gives us an advantage over our competitors." In other words, where we say "us", read "foreign businesses" and when we say "our competitors", read "local businesses". What we are really saying is that Zero/Ten gives an advantage to foreign companies over local businesses. This is the fundamental perversity of Jersey when seen from the Minister's point of view is that Jersey is not Jersey but Jersey is foreign companies who use Jersey to evade taxation and to avoid having to pay tax which would otherwise be due in their own jurisdictions and our competitors in Jersey for this are our own local businesses who must pay 20 per cent. This is the fundamental problem because the Minister for Treasury and Resources has had to do a remarkable job here. He is not only having to set the budget for a small Island community, he is also having to set the fiscal plan and the Business Plan and the budget for running a small tax haven which, of course, takes priority. We should not be ashamed of the fact that Jersey is a tax haven, of course, because this is how we make our money. It is competitive. The reason we know we are a tax haven is in the clue Zero/Ten. It is the zero part of taxation which is so fundamental to our economic model that we cannot even tax companies here who use our Island and who use our infrastructure and who benefit from it. Now, it is a shame that I was not able to speak on the amendment of Deputy Southern earlier because I wanted to. I ran back to the Chamber but nobody else was speaking before and I think that highlights the fundamental aspect of it. Who is it that benefits most from Jersey being here in its geographic and economic position? It is those who use Jersey to make large amounts of money and pay zero tax. We wanted a very modest increase in their registration fees. Of course, they would not leave. Why would they leave? Jersey is a successful place where they can use the tax neutrality of the Island to make lots of money for their clients, provide stability, whatever the other rhetoric is we want to use in relation to that, and a small increase would not have made any difference apart from the fact that it would have

brought more money into the coffers to provide stability and security for those who most need it but, of course, we cannot even do that. So let us not be fooled. We are here basically to run a small Island for the interests first and foremost of those individuals and that is that. If we can do a little bit of good, if we can give a bit of tax relief to middle Jersey, people who have children, that will help the pill go down and give a spoonful of sugar which helps the medicine go down. Now, when it comes to cheap alcohol and to drinking, of course, there is a clamour to say that smoking is bad and alcohol is bad. I think this is probably an area where I will be able to get more consensus from Members is that I am very uneasy about taxing something which we all recognise fundamentally as behaviour which we want to avoid, which we want to discourage. The problem is this does not do what it says on the tin. Let us not fool ourselves. The reason we have increased duty on alcohol and tobacco is to make money for the States. It is not to discourage behaviour and the reason we know this is because if we wanted to be targeting the worst effects of binge drinking in Jersey, we would be looking at the fundamental minimum price per unit of alcohol because these amendments putting a few pence on a pint is going to stop people possibly from drinking in pubs.

[15:15]

It is not going to stop them from going to the newsagent which opens at 7.00 a.m. and buying a 4-pack of Skol or buying a 4-pack of 8.6 Bavaria which they can then drink at their homes because that is the cheapest thing to do. If you are an alcoholic, the cheapest way to get your alcohol is to do it from the shop, buy the highest percentage of alcohol per volume content. Then you go and sit in the park, you go and sit at home in front of your television or in front of Radio Jersey on 1026 AM, stick the States on, listen to the States debate and you crack open your can of 8.6 **[Laughter]** and you sink into oblivion. This does not address the fundamental problem. The other issue I am concerned about is that it links up with the Green Paper from Hell. It is interesting to see the different approach that Health has taken from the Education Department. Basically, Health has given us 3 models for a possible future of the Island's health system, 2 of which do not work so you have to opt for the third option. They have got very leading questions in it as well, one of which says things like: "Those who do not take care looking after their own health should have to wait longer for health care. Do you agree or disagree?" Of course, it is a very leading question because no one is going to say: "Oh, no, people who do not look after their health should be given priority, that is a nonsense" so there is a default position that most people would go for saying that those who do not look after their health should not be given priority. We read between the lines. What that means is that smokers and drinkers should be put to the back of the list when they go to hospital and the fundamental problem with that is that we are looking at double taxation again. We are using the duty, the excise, the impôts, from this in order to pay for general taxation whereas these people have paid G.S.T., they have paid direct taxation, and they have also paid for the duty on cigarettes and they have also paid for the duty on the drinks that they had. I would be much more comfortable with this proposal if it were ring-fenced so that we know that money was going to a pot which could only be used for health purposes because I am worried that we are going to have a whole generation who are being essentially, let us face it, encouraged to drink and smoke because we have got cheap alcohol and we have got cheap cigarettes relative to other jurisdictions. We have still got duty free loopholes which we encourage in the Island and they have paid into the system and then when they get to the age of 60, they are going to be told: "You cannot have a bed here because we have got somebody who has never smoked and drunk in their lives and they are going to get priority even though they perhaps have not paid for as much in healthcare." That is a warning against user pays. It is not encouraging drinking, it is not encouraging smoking, and it is not saying that those who do not do those things but end up ill should also not get prioritised but we do have fundamental issues, I think, when we are using duties in order to raise revenue on the back of pretending to do it to change behaviour. The other thing I would like to question is how much duty free gets drunk and smoked in the Island because I am sure there are individuals who this will not hit. I know that there are individuals in society who only smoke duty free cigarettes. Most of the duty free, I think, which gets bought at the airport from Islanders travelling from the U.K. to

Jersey or from France to Jersey probably are not even smokers themselves. We all do it because we are sent off with a shopping list and they say: "Oh, you are going to France, are you? Bring me 200 B. and H. (Benson and Hedges), will you? There are 2 of you going. Can you get me 10 packets of Golden Virginia or get me the Drum because that is slightly cheaper?" and then we do it and we are not solving the problem because the fundamental problem is cheap cigarettes, cheap fags and cheap booze and we are doing nothing to solve the problem of cheap fags and cheap booze. In fact, we are encouraging it and we will never shut down the duty free loophole. I am not saying we should do that either but there needs to be a cost benefit analysis to the Island and to the States of how much does it benefit the Island to keep on this duty free when we are having to pay for health and when we are trying to tie that in with a strategy for health damage reduction when it comes to smoking and drinking. So what I am saying is, of course, there are some good things in this Budget but let us not be naïve about the health aspects. We are simply doing these to raise money, to raise revenue for the States so that we can pay some money back to middle Jersey, which is okay but let us not pretend we are doing it to encourage any kind of behavioural change when it comes to smoking and drinking. Remember, it tends to be those in the lower quartiles of the socioeconomic model who will smoke and drink the heaviest, and it is also those who we are going to be hitting so we do need to be mindful of that when we vote for this proposition and I will leave it there.

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

I was sitting here listening to Deputy Tadier and thinking back to about this time last year when I was feeling quite deflated because I had brought 2 amendments to the Budget, both of which had failed. One was to raise tax thresholds by the cost of living as opposed to the Average Earnings Index and the other was to raise I.S.E. fees for banks, trust companies, fund managers, et cetera. So I suppose I could take some heart from this year's Budget because the Minister for Treasury and Resources has decided that raising tax thresholds by cost of living rather than average earnings index is the right way forward and he also has raised I.S.E. fees for banks by 65 per cent and has pledged to review the rates paid by the other intermediaries, so I am not despondent this year. In fact, I would like to join other Members in congratulating the Minister for this year's Budget. I am disappointed, though, that Deputy Vallois was not here to debate her amendment because when I read it when I first received it, I thought, yes, excellent, that is just the sort of thing I want to see, a complete long-term review of our Jersey's tax regime. I was particularly keen to see it debated today because the Minister, in his comments, had indicated that he was mindful perhaps to accept the first part of her proposition and to have brought back to the States a long-term tax policy by September 2013. Now I know we have lost the opportunity to debate that but I do hope that the current Minister, if he remains in office, or his successor, will try and adhere to that indication that we could have a complete long-term tax policy review for the reasons set out in Deputy Vallois' report if for no other reason. In particular, I would say to Members that I always find it difficult, and I hark back to my previous role at Citizens' Advice Bureau, to explain to people who came in with their tax bills in those days how the 27 per cent marginal rate works: "When everyone else is paying 20 per cent, how is it that my tax rate is 27 per cent and yet I am on one of the lowest incomes in the Island?" and it is very difficult to explain that to people. We have to do all the sums to make it seem possible and it is even harder now to explain when we have recently approved that new 1(1)(k)s only pay 1 per cent on their incomes over £625,000. So try telling somebody on a low income that their rate is 27 per cent and somebody else who has got in excess of £625,000 a year only pays 1 per cent. It is very difficult to explain that and that is why we do need simplification of our tax system. The other one that the Minister says he is going to review is the current tier taxation for all individuals. We do know that when the I.T.I.S. (Income Tax Instalment Scheme) was introduced, and I was a big supporter of I.T.I.S. and I still believe today that we have saved people from getting into considerable debt with finance companies because of I.T.I.S., however we still have a lot of people who are not on current tier taxation and that is a problem for people who lose their employment because they may have full earnings in the previous year and they are now trying to pay either on a reduced income or, in some cases, no income at all other than benefits. So

trying to move everybody to current tier taxation is something that we really need to address. I do not know how we do it but I am sure the Minister has got experts to tell him how we might achieve that. So those are really the only points I wanted to make about Deputy Vallois' proposition, and I hope she is listening because I like to think that her work was not in vain. Finally, my only point really, I think the best news I have heard today, which was news to me, is about possible loans for deposits from the dwelling house loan fund of which there is something in the order of, I think, £10 million or £9 million in there. I just think that is a fantastic idea. I wish I had come up with it while I was on the hustings; I might have got a few more votes. But is a very good idea and can we crack on with that, please, because there are a lot of people out there who really want to get into the market but they have not been able to save because of high rents, et cetera, so let us push on with that idea. It is a brilliant idea and I congratulate the Minister again.

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

Could we just get something straight; companies do not pay tax. There is a charge on companies, the effects of which are effectively paid by the shareholders in lower dividends, the customers in higher prices and the workers in lower wages. It is a known fact of economics and I think even our retired accountant from Wandsworth knows about it, so can we get it straight please. Neither Voisins nor De Gruchy, I am sorry to use names but it is an example, neither company will pay tax next year. The only difference is that the shareholders of De Gruchy will pay tax in their home jurisdiction and the shareholders of Voisins will pay tax on their dividend income here. In fact, I think we could be looking at some form of property tax which is allowable against shareholder returns or we perhaps require foreign-owned companies to have a substantial local shareholder or local director. These are all ideas which need to be looked at. This is effectively a holding budget but there are a number of things that the new Council of Ministers and Assembly will need to consider. Can we carry on with our twin policies of low taxes and good services? Now, the Auditor General has raised these points in his address to the Institute of Directors. He gave no advice as to which we should choose, which is perfectly correct, but pointed out that these are matters which the whole Island must discuss. I commend his speech to Members for their consideration. In the meantime, this is effectively a holding neutral budget with a number of things which I think are good for the population and the economy and I will be supporting it.

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

I have no difficulty in standing as a Member leaving the Chamber at the end of this term and commenting on the Budget and, as you mentioned earlier, Sir, I think it is my duty to do so in fairness to the public. To comment on the words of the Deputy of St. John, who unfortunately is not here just at the moment, well, I know the liquid waste strategy has not stalled but, as such, the reality is that we simply have not got the money to implement it so maybe that will come in future years. The Deputy may have missed it but the digesters in Bellozanne are being replaced and if he chooses to pass that way he will see the work in progress. Notwithstanding that, I agree wholeheartedly with the Deputy with regard to his comments, particularly regarding investment infrastructure. I would also endorse the comments of fellow Ministers regarding behavioural change as a result of impôts alterations and I am inclined to agree with Deputy Tadier regarding the linkage between impôts and alcohol content, and members of the Council of Ministers will know that I have been banging on about this for some time. I am aware that Customs have investigated this but, like everything in the States, it is not as straightforward as you might think. I would also like to comment regarding, and perhaps a warning regarding, the duty increases on vehicle emissions. In commercial terms, last year the budget figures for sales of new vehicles were not achieved and consequently I am apprehensive as to whether the proposed 5 per cent increase will be achieved. Efforts towards behavioural changes in moving people in the direction of low emission vehicles have not worked as we would have hoped and I think this is regrettable. So I would urge the Treasury and perhaps the future Minister for Transport and Technical Services to work more closely with the industry so that there can be a better understanding of the market for

low emission vehicles and perhaps incentivise the trade to get more low emission vehicles on to the Island. Finally, I am pleased as a member of the Council of Ministers to have been associated with this Budget and wish Members of the future House good luck in implementing it. **[Approbation]**

[15:30]

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

I just want to comment on and I share the remarks of the Constable of St. Brelade. I am an outgoing Member but nevertheless I thought it was important to get off and be here to make a comment about the Budget, especially in that we have not debated Deputy Vallois' amendment because she is ill. The point I want to make is about fuel duty and I note that there is to be no increase in fuel duty for 2012. There are just a number of observations that need to be made about that. The first is that the Minister for Treasury and Resources on page 37 of his Budget report says that a reason for not raising it is as follows: "Due to the current high cost of fuel" and he goes into the non competitive nature of the market in Jersey and how it is very odd that fuel is so expensive in Jersey when you strip out the duties and the tax and so on that are among the highest in Europe but he still says: "Due to the current high cost of fuel and to encourage competition, the Minister proposes to defer an increase in the rate of duty on fuel by maintaining current duty rates for 2012." That to me is counter-intuitive. If the Minister had stuck with, for example, a 5 per cent increase, then the garage owners would have gone: "Crumbs" and the consumer would have gone: "Crumbs" and looked around for somewhere that swallowed up that 5 per cent in efficiencies or just made a little bit less profit. So I think that is a slightly odd argument and maybe the Minister for Treasury and Resources would revisit that in future budgets because it does not seem to me to hold water. The second point I want to make is that the argument for raising tobacco and alcohol duties is the familiar one of the States strategies on alcohol and tobacco, which are obviously to discourage use of those 2 things. Now, leaving aside Deputy Tadier's points on the matter, and I think they are valid, if we really want to tackle alcohol, you would go for some form of unit taxation and thereby catch all forms of alcohol and the issue of the boats and so on so there are issues there. But just on the principle, the principle of increasing duties year on year on tobacco and alcohol is that that is in line with States strategies in order to promote Islanders' health, and I contrast that with not increasing fuel duty, even though that would help the health of the environment. It is odd that we promote Islanders' health in one sense and then we do not do the necessary to protect the health of the environment in the very next breath. I just want to quote to Members from R.126, which is the long-awaited report of the Department of the Environment. On the environment, I think we have waited for this 2 and a half years but here it is and on page 6 of that report, they write about energy and climate change, which is what I am talking about when I talk about the desirability of having a tax on carbon in the form of fuel duty. The States of Jersey Report 2005 made the following observation in identifying climate change of the first of Jersey's 5 environmental priorities encompassing energy issues significantly within that scope. "Jersey has a high reliance on private cars for local transport and a dependence on fossil fuels for industrial and domestic uses contributing to local emissions of greenhouse gases. In order to address this, we must (1) reduce our dependence on fossil fuels and introduce energy efficiency measures." Now, you do not do that by leaving the tax on fuel as it is and you do not do that by having the cheapest road fuel in Europe, I think it is, or certainly very near to that, if you want to incentivise people to go electric, for example, or if you want to incentivise them to go by bus or by bike or by walking or incentivise them to choose a more efficient vehicle. Then you put the pressure on through fuel duty. Now, I know the Minister has not done that this time round but the reason that I rose really to make this comment was that he has promised to all of us on page 43 of his Budget report: "an ongoing and future review of all tax policy." I read through the bullets of the specific areas of focus and I saw nothing about carbon tax, nothing about the environmental benefits, nothing about the potential for changing behaviour, that is what we are talking about, changing behaviour. As with alcohol and tobacco, what is the difference between seeking to change behaviour in this area? Of course, the money could go into home insulation. Of course, it could go into promotion of sustainable

transport if the House wished to go that way as it did with V.E.D. So that is just the point I want to make and in the absence of the debate on Deputy Vallois' amendment, of course, there has been no chance to air comments on this future review of tax policy, and so I leave that with the Minister and I hope his ears have been wide open and that he has been taking on board what I have said and also other Members.

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

I can be very brief because the points I was going to raise have been touched on by the Connétable of St. Brelade. It was just I also would like to urge the next Minister for Treasury and Resources to rethink the vehicle emissions duty process. I know that the draft Budget Statement makes reference to the fact that the model that was used when calculating how to bring in the duty originally has not performed as it was expected but, having asked for the various figures on registrations, I can see and it is very difficult. I am looking at it on the surface to understand what is wrong because, of course, we have moved into a place where people are simply spending less on vehicles anyway. But we have seen it has under-performed greatly. The estimates of vehicles to be registered with a CO2 emission of 120 grams of carbon dioxide per kilometre or less was nearly 1,000. Not one single registration took place and I just think that obviously this is something that needs to be looked at. I was concerned about it when it came in and I have always been of the opinion that you are better to deal with these changes in behaviour with a carrot rather than a stick, and I would welcome future work being done on this to see if we can achieve what is required and to really get our heads round whether we really want to raise revenue from it or whether we really want to change behaviour because sometimes I think it may be a question of the middle ground, which will not give you much of either. You have to choose one or the other so that is my only comment. Otherwise I commend the Minister for Treasury and Resources for the work he and his department have put into this.

#### **2.5.13 Deputy G.P. Southern:**

I will not disappoint anybody who, in the past, has called me "half empty Southern" because once again when I look at this Budget, I see a good attempt but the pot is half empty and not half full, unlike Senator Le Gresley who sees pots as half full. Perhaps I will start with the remarkable statement that companies do not pay taxes. When I look at the table of my amendment that I reproduced again today and look at the difference between 2009 and 2010 where taxes charged to companies on their profits went from £214 million to £79 million from one year to the next, I wonder just where the shareholders are that are completely delirious and excited, where the employees are for their massive bonuses they must have got that year or where the prices were that came down through the floor from 2009 to 2010. I did not notice any of those happen but the reality was there is £140 million less taxes charged on company profits. Now, I do not care how you define the statement "companies do not pay tax, somebody else does", but, nonetheless, that is what we did 2 years ago. What it brings me to is this remarkable statement that the Minister for Treasury and Resources made that he did not have to raise taxes this time, that it was a good news budget, when, in fact, if you look at the figures, you can see that personal income tax on employees has gone up by £22 million or 8 per cent of the total whereas tax on companies has gone up by £2 million or 3 per cent of their particular total. So, in fact, we are again this time once again moving the tax burden on to personal taxpayers. That is the reality and, even in this good news budget, that is what we are doing. Individuals are paying more personal tax proportionately than anyone else in our community is. Why is that important? That is important because individuals are the ones who are trying to manage to survive in what is becoming an increasingly expensive Island. I just want to talk briefly about the extent to which standards of living and disposable incomes have been reduced over the last few years and months. This material comes directly from the Fiscal Policy Panel review in July and it starts off by saying that: "As a result of 20 means 20, middle earners have had their disposable income reduced by 0.4 to 0.5 per cent a year for 5 years." Middle earners are at least 2.5 per cent worse off now than they were 5 years ago. That is the reality, disposable



income going down. It then goes on to look at all households from the fourth quarter 2009 to the first quarter 2011, i.e., what happened in 2010, and it comes up with the figure: “Disposable income has fallen because price rises went up by £1,900 for the average family whereas income only went up by £700 to suggest that disposable incomes all families worse off due to price rises in 2010 by 3.5 per cent”, 2.5, 3.5, where it is 6 per cent already worse off. Then it examines the figures for 2011 and suggests, not surprisingly, G.S.T. we imposed in 2011 and that would have knocked off 1.5 per cent from people’s disposable income, and this is coming from our Fiscal Policy Panel and price rises during 2011 also took 2 per cent off so we are now at 6 per cent, possibly 9.5 per cent. That is still continuing. In the Business Plan, we set aside 2 per cent for pay rises and we know the R.P.I. (Retail Price Index) has already hit 5.4 per cent. That is again going to cause a squeeze, possibly another 2 per cent. We are looking at for the average household in Jersey their standard of living, their disposable income, has gone down by around, rough and ready, but by around 10 per cent. Let us look at what the Minister for Treasury and Resources will give back when he indexes the exemptions by 4.5 per cent, the full whack, 4.5 per cent. That will reduce tax bills for households from between £150 and £250 a year or 0.2 per cent of their disposable income. So a 0.2 per cent sop in this good news budget to all those families who are suffering by seeing their standard of living reduced by a full 10 per cent over recent years because of the policies of this particular Chamber and this particular Minister for Treasury and Resources. So what is being given back today is a mere bagatelle; 10 per cent loss in the standard of living of most people in Jersey over this period and 0.2 per cent given back today.

[15:45]

Now, I do not think that is what we should be doing to people struggling to survive in this increasingly expensive Island so I cannot support this Budget. It does not do enough for the people it needs to reach.

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

Well, my glass is half full. This is a good Budget and I congratulate the Minister for Treasury and Resources. This is a budget for those middle earning Jersey families that have struggled. Because of prudence in the past they are not struggling like we see in Greece, like we will see in Italy and other European countries. This is a budget for stability and a budget for controlled infrastructure investment. The reallocation of the existing capital will enable investment in new homes and it is that that I am going to concentrate on particularly, new homes, new homes to rent, new homes to buy, new homes for first-time buyers, new affordable homes, however we do it, through Homebuy or similar schemes. The change in stamp duty will, without doubt, help those middle families and I have perhaps a slightly different view to Senator Shenton that the level at which it is set, I think, could drive down the price of the higher first-time buyer houses. People will be skilfully, I think, negotiating the price down to keep it below the stamp duty level so I think it could have a very positive effect. This Budget will help families who have that dream. There is much work to do in between but this Budget will help families who have that dream to buy their own home and we have a very simple choice as a States. Do we want to continue to help people be dependent or do we want to help people become independent and fulfil their dream? I think this Budget will help us to move that forward at a very difficult time. In addition to the stamp duty initiative, work has commenced, and work needs to continue to commence, on finding a deposit scheme. The Constable of St. Ouen mentioned the States loan scheme. That is probably a little bit too fast at the moment but some sort of scheme that will allow people to borrow the deposit at low rates of interest and yet giving the Treasury perhaps more interest than they would be getting is a win-win situation and work has commenced on that and we have got to get on with it. We have to get on with providing more affordable homes. People are stuck sometimes in social housing, which was essential when they first entered into social housing but they cannot afford to get out. Stamp duty initiatives will help; deposit initiatives will help; affordable home schemes will help and that will release social rented housing for the very purpose that it should be, for those that are really in need.

I think this is a very positive Budget at a very difficult time and for that reason I will be supporting it.

**2.5.15 Senator F.E. Cohen:**

I concur with the comments of the Minister for Housing who previously spoke. This is a remarkable Budget in the context of the current worldwide economic climate. The Minister for Treasury and Resources has delivered a budget that combines increasing family benefits, reducing stamp duty, engaging in fiscal stimulus and, incredibly, all without borrowing. I cannot think of any other non oil producing jurisdiction that could deliver such a budget. We must all take great pride in our financial situation and in the security upon which we are able to build. We must not be complacent, however, as while the bank balance is good and there are plenty of assets, there are dark clouds and they are on the immediate horizon. Fiscal prudence, however, has given us the latitude to stimulate the economy today and, again, I say, remarkably, without borrowing. We can even contemplate a multi-million pound investment to make us one of the first gigabit economies, again, without borrowing. Many other jurisdictions are struggling to try and work out how they are going to be able to join the superfast highway. While we may not all agree on every aspect of every element of fiscal policy, I am sure we are all grateful for the financial strength that lies behind today's decisions and today's Budget. I wholeheartedly congratulate the Minister for Treasury and Resources and those who preceded him, including Senator Le Sueur, and I will be enthusiastically supporting this Budget. **[Approbation]**

**The Deputy Bailiff:**

Before I call on anyone else to speak, can I mention again for the benefit of those outside the Assembly that we are at the absolute minimum and it would be desirable if the debate could be listened to inside the Chamber and not outside.

**2.5.16 Deputy E.J. Noel:**

I believe this Budget is well balanced, given the current global economic climate. It is supporting Island families, protecting jobs, and stimulating the local economy by using up cash balances that have already been allocated. Over the past 3 years, much has been achieved within Treasury and Resources but there is still much more to be done. I would like to take this opportunity to sincerely thank Senator Ozouf for his leadership, his energy and his tireless hard work that has given so much service to the people of Jersey over the past 3 years. I have witnessed firsthand on a day to day basis his commitment and passion to serve the people of Jersey. It has been a privilege to serve as one of his assistants. **[Approbation]**

**The Deputy Bailiff:**

Does any other Member wish to speak? If not, then I call on the Minister for Treasury and Resources to reply.

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

The Deputy of Trinity, the Minister for Health and Social Services, spoke about the importance of alcohol and tobacco duties and the linked issue that duties have on consumption. I agree that they have a role to play but, of course, licensing reform does too and also, if I may say, the main driver, I think, that needs to happen in both tobacco and alcohol is increased competition. I would like to see the margins on alcohol and tobacco be reduced by competition so that we can bring forward further increases in duty in subsequent years to pay for the offsetting cost. I know that that sounds like a difficult argument and I know that her own officials were critical when there were some actual cuts in a packet of 20 cigarettes. One retailer was competing. In a bizarre sense, I think we should be welcoming that because all that it will mean ... I do not want to put them off becoming more competitive but it means that we will be able to get the duty. There are still unexplained gaps in terms of the margin on a packet of cigarettes which I would like to deal with in further measures in terms of increasing duty but this certainly goes some way and I do accept that increased price for

tobacco does lead to reduced consumption and we have got a lot to deal with in terms of alcohol. Senator Breckon gave me a bit of a scolding, not for the first time. He spoke of the increased - as did Deputy Southern and Deputy Tadier - burden on Islanders as a result of Zero/Ten and the increased rates of personal tax that have been collected. I understand this and I understand the very difficult rebalancing that we have had to carry out in terms of our taxation system. This has not been easy. It has been enormously difficult in terms of normalising our economy and normalising our tax revenues. One of the reasons why we are now more stable is because we have diversified our tax base and I do wish that Members would not... and I do not want to be critical, but I think it is really important that we do not give the impression to Islanders that there is somehow some alternative way in terms of not remaining competitive and not having to be responsible in terms of our tax raising measures. The positive message that I would say to this Assembly is that we have rebalanced now. I am very nervous, and have been extremely nervous as I look across the Assembly to see Deputy De Sousa, of making promises in terms of tax because I faced an extremely difficult situation. I looked at the estimates for future revenue before I stood for Minister for Treasury and Resources 3 years ago and, on the basis of that, I stood in this Assembly when I stood to be Minister for Treasury and Resources and said that I would vigorously oppose the increase in G.S.T. I am sorry that when I looked at the figures, when we updated our revenue forecasts, we saw a gap and there was a need to put in place proper arrangements, taking on board the advice of the P.A.C. and Corporate Services to put contingencies in place and we had to act. But we now have done this and the biggest measure of confidence - the biggest signal of confidence that we can give our Island community - is to show our figures in a fully transparent way and show that forward projections now, which are more fulsome, more transparent, more detailed than ever before, do not indicate a yawning deficit in terms of either unrealistic spending estimates, lack of contingencies or other matters. We have done the difficult job and I repeat again that I believe that future Assemblies will thank us, but I do recognise the fact that undertakings were not stuck to because of the situation and I am sorry about that and it has been, for me personally and for many other Members of which I am going to mention just a couple in a second, extremely difficult but we have done it and we can stand up, we can leave this Assembly after this debate and say that this Assembly has rebalanced and we are much more secure and we can look to the future with a much higher level of confidence. Where I agree with Senator Breckon to some extent is on his remarks on fuel duty. There has been an increase in fuel duty as a result of G.S.T. but I would say that there is the important issue of petrol literally going further in people's tanks and the overall issue of fuel duty has, to some extent, been offset by fuel efficiency and it is one of the things that we look at in Treasury. We do look at the issue of fuel duty and the whole cost of cars. This Assembly - as we all do sometimes - if I may say, makes interesting decisions sometimes and one Member spoke about V.E.D.: the Constable of St. Mary. The removal of V.R.D. (Vehicle Registration Duty) put a hole in our public finances. I think it lost in the region of in excess of £5 million and the schedule Part A will remind Members that next year we will just simply have fuel emissions duty of £1.2 million. I do not think in hindsight that this Assembly should make big decisions in terms of removing large amounts of tax. It is enormously difficult to introduce tax. It is easy to let go but it is jolly difficult to reintroduce them and we are facing the very difficult issue of having to reintroduce V.E.D., but I accept the Constable of St. Mary's observations. It does need to be looked at and that is why we have effectively proposed a standstill in terms of duty. This Assembly can also make very well-intentioned decisions about duty rates across the board but it does not help consumers and the previous years' alcohol duty remission was a good example of that. The benevolence of this Assembly is not always passed through at the benevolence of the retail counter and that is a lesson that this Assembly, I hope, will send to the next one in the whole area of duty policy. I was grateful for Senator Shenton's remarks. He has been an important contributor to the whole Comprehensive Spending Review and the P.A.C. has done valiant work in the whole area of comprehensive spending and holding our officials to account, so I suppose if we had a House of Lords, then we might be looking forward to a Lord Shenton because perhaps he would be called to serve in another place in another capacity. I should say that the P.A.C. which he has ably led over

the last 3 years does have non-States Members as part of the P.A.C. and perhaps he would be willing to serve and Senator Perchard too would be willing to serve on the P.A.C. because they have done a lot of very good work and their talents and the talents of other Islanders who serve in such honorary capacities do need to be enhanced to improve the quality of our decision-making and to hold us to account and to hold the public sector to account.

[16:00]

He spoke a little negatively about Gigabit Jersey. This statement is, and the Budget is, about the general financial policy of the Island and that is why that I have mentioned it. I have mentioned Gigabit Jersey because we are, as Senator Cohen who I will refer to in a few moments ... we do have some difficult dark clouds which are beginning to emerge on the global international situation and certainly we are awaiting news of L.V.C.R. (Low Value Consignment Relief) and I think that we should be doing everything possible we can to diversify the economy and to stimulate activities that otherwise would not be the case that otherwise would not happen. I think that this Assembly took the right decision not to sell Jersey Telecom. We have a unique opportunity in order to use our investment in Jersey Telecom and make decisions to increase the attractiveness of Jersey for I.C.T. businesses and that is why I have mentioned it. Yes, it is a decision of the Minister for Treasury and Resources in terms of the Gigabit Jersey project and I have been very nervous about not making that decision and the decision is not made, but I was greatly comforted by the remarks I had from those Members who were able to attend yesterday of the fact that there is widespread support for this and, indeed, both of the declared candidates for Chief Minister said that they supported it and they thought that we should be getting on with it and a number of other Members have said that. I am going to be thinking very carefully about that without in any way disrespecting this Assembly and making decisions but I think that the decision should be made and I think that it should be made quickly and I think it will make a real substantial difference to the I.C.T. sector in Jersey. The Constable of St. Ouen has been a strong supporter of fiscal prudence and budgets over many years. He was a member of the Finance and Economics Committee that made difficult decisions and his support for the budgets of the last 3 years has been extremely welcome. He has been a wise source of counsel on the Council of Ministers and his departure from this Assembly is going to be missed. He is right that we have to do more for families. We have done something for working families but there is a whole debate about female participation - to take Deputy Tadier's point, parental participation - we do need to do more on that. I am not sure how we do use the fiscal system to deal with that but that is something that we should look at and his comments I will take on board. Deputy Tadier spoke of Zero/Ten and he said ignore Europe and think about effectively the views on the doorstep and I understand the difficulty. This whole issue of Zero/Ten has not been easy and the solution ...

**Deputy M. Tadier:**

On a point of order there, Sir, because I certainly did not say "ignore Europe" and the Senator is attributing words which never came out of my mouth and which certainly would not either.

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

In the speed of debate, I do accept that he did not say "ignore Europe". He said that we should be listening more to the people of Jersey as opposed to the people in Europe and I take the point and withdraw. I did misrepresent him. I do understand this issue of non-finance and non-local businesses and I have stood here in the last few years and been scolded constantly by Members on this issue. It is not easy. We have, on the one hand, to remain competitive. We have, on the other hand, to find a way forward in relation to the Code of Conduct group and it has been a huge success that we have been proven right that the Zero/Ten scheme with the removal of deemed distribution is not harmful. I think that we have been right to protect the constitutional position of Jersey by being consistent. I note with interest that Guernsey do appear potentially now to be following the same course as ours and I hope that now that perhaps all the 3 Crown Dependencies will be

maintaining Zero/Ten. We can together use our collective endeavours to find a solution to this issue of non-finance non-local businesses. As a number of candidates in the election said, it is the move to 10 per cent, the competitive rate that the Isle of Man set, which lost us the majority of the money - about the £100 million loss - and it is the competitive issue that is at play. Both Guernsey and the Isle of Man have very real challenges in terms of their public finances, as all jurisdictions do, and I hope that we can work together to find a solution. I certainly think that the world has now changed and it may well be that the reconsideration of the Blampied proposals on property charges could now be looked at as the situation has changed in a number of different respects but those things need to be looked at. Again, by the comments that Members have made, there is one side telling me that it is not possible and the other side telling me it is and perhaps that is the situation. This is jolly difficult but we recommit ourselves to finding a solution but we should not give an impression that this situation can easily be resolved. Professor Devereux from Oxford University also made the point recently in a speech that, in fact, as Senator Ferguson has rightly said, increases in tax on businesses feed through to jobs to a great extent and introducing tax at this stage of the economic situation could also do the very opposite that those Members who want to find a solution in terms of jobs. Senator Le Gresley said that we have listened and things in this year's Budget have changed. Because we made the difficult decisions last year, we do have a little more latitude in order to make proposals in terms of exemptions. I do want to comment, if I may, on the amendment that Deputy Vallois was due to make because I was going to accept one part of that proposition and certainly she was looking for a commitment not to introduce new taxes, and I have already said that I understand that call. I have hesitated from making a commitment because of the previous trouble that I caused with the response that I gave to Deputy De Sousa but the real facts are, if you look at our public finances there should be no need to introduce taxes because we have now put in place balanced budgets and we have put things like contingencies and realistic spending and we have got realistic spending increases for Health for the next 3 years and we have got a 25-year capital programme. There are challenges but certainly it is the transparency of our public finances that should give people confidence that the new Assembly will not have to introduce taxes as we have had to do over the last 3 years. One of the issues that has been raised is this issue of a long-term tax policy. I think this Assembly bequeaths to the next a very clear policy on tax. We have had a debate about 20 per cent. We have had a debate about corporate tax. In fact, we have got a very strong sense of stability and certainty about tax and if it is just simply documenting what this Assembly has done in terms of tax, and if that is the long-term taxation policy or to a great extent, then that is something that clearly we can do in terms of a long-term policy and that is perhaps what we should do. We should document exactly what that means. This Assembly has made a commitment for a medium-term financial plan and I will not go on any more about that but Deputy Vallois, certainly we could have made some acceptance of the proposal but those remarks perhaps indicate the commitment that has been given.

**Deputy R.G. Le Hérisier:**

Can I interrupt? Would the Minister for Treasury and Resources not accept the issue is not about we have pushed through numerous taxes. It is about the inter-connectedness of those taxes and it is about the feeling of inequality around items like land property tax and 1(1)(k) taxation?

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

I think that is a slightly different point but if we are to set out a whole series of the way that the interaction of the tax goes, then we can do it and I understand what Members are saying. There are always tradeoffs in difficult decisions. The new 1(1)(k) regime, as the Deputy of St. Martin indicated in questions 2 weeks ago, had unintended consequences potentially for inward investments and new 1(1)(k)s and we need to deal with that but there is always a trade-off. We need to do everything we can to bring wealth, to bring finance, and to bring entrepreneurship to the Island. I do think that there are more things that can be done on property tax. We have done a great deal to close loopholes about property tax and Senator Le Marquand has reminded me

constantly, quite rightly, that I need to remind Members that we do collect tax on the development profits of property speculation and property development already at 20 per cent and that is tax. I do not know the individual tax details of individual assessors, I never do, but I jolly well know that the Comptroller is very tough on property development and we get 20 per cent regardless of the ownership. The Constable of St. Brelade spoke earlier and I will just respond to this now about the court service stamp. He is absolutely right. We need to modernise that. I am not sure that we need to design a lovely new £100 stamp for that but certainly we need a modern system ... that will not make money and it will not have a hologram on it but we certainly need a much more modern system in terms of collection. The court service does a great job but certainly we need to move away from the traditional application of stamps. It is a very simple system. It does not cost the court service anything but I accept that it is a bit antiquated. I also thank the Constable of St. Brelade for being a really strong supporter of fiscal prudence during his term of office and I, for one, will miss him and his wise counsel on the Council of Ministers in relation to the decisions. He has really helped when he has been at the Council of Ministers' table. He has questioned but he has made the debates more easy and we shall miss him. Senator Ferguson, I am grateful for her remarks and I do accept that it is people that pay tax and not businesses and she is right. The Deputy of St. John spoke about the sewage network. This Assembly and the Deputy of St. John have called for investment in infrastructure for many years, as long as I have been here, and I hope that the Deputy of St. John will accept that this Assembly has done a huge amount in terms of investing in infrastructure - not enough but quite a lot - and the fiscal stimulus plan has made a real difference. Of course, we have got to do the long-term project of the liquid waste strategy and the Constable of St. Brelade's department has done a great deal of work on that, as the Minister for Housing's Department under the 2 previous Ministers for Housing has done a great deal on the housing transformation and it is going to be one of the big projects that we have to do. I leave and finish this term of office with a capital programme that deals with all of the infrastructure that is required. It will bring a shine to the Deputy of St. John's heart when he sees the long-term capital project because for the first time we know what capital has got to be spent for each and every one of the next 25 years. It will change but it is the first time it has been done and it deals with all of these issues and, of course, we need to deal with the liquid waste strategy. I have dealt with the Constable of St. Mary and her comments about V.E.D. and I am grateful for Deputy Green in his capacity as the Minister for Housing. We have been working hard together and we have 3 projects which are shovel-ready to cause the other Member who raised that earlier... 3 shovel-ready projects: Le Squez Phase 2C, La Collette high rise, Journeaux Street - all projects that are now in the pipeline and if we can find the money, we can get on with them and those are refurbishment projects. They are exciting projects. They can make a real difference. We can get good value for money. We can improve people's homes. We can keep people in work and we can also do Le Squez 2 and, with a slight relaxing of the rules that we have got, we can make a difference next year. I will also respond to the question about Ann Court. I realise that Ann Court is not going to be built next year but if I can just explain. We have got that money sitting in the States bank account. If we can find a project that has future capital allocated to it, perhaps St. Martin's school that is ready to go, then I would be prepared, or hopefully my successor if that is somebody different, to switch those projects. Let us get on with the projects that are shovel-ready and then allocate that project funding that we would switch to other projects. We can be innovative, we can flex our rules and we can get the economy going by being more flexible, and that is because we have done a great deal of work in terms of much better capital programme planning than we have ever had before. Fiscal stimulus has kept local people in work. Senator Cohen, I was grateful for his contributions. He is right about dark clouds but one of the clouds that is no longer a dark cloud is Zero/Ten and that was to a great extent responsible for his endeavours that he has carried out with the U.K. Government and I want to record again **[Approbation]** my personal stamp. It is all very well having the right strategy but if you do not communicate it, if you do not go and talk to people, that strategy is no good at all and he made the difference in relation to Zero/Ten and the

Island will thank him for keeping the finance industry, which is on the back of it. I think that I have responded to most Members who have spoken.

[16:15]

I was grateful for Deputy Noel. It has certainly been fun at the Treasury in the last 3 years. It has had its ups and downs. It has been difficult but we have together achieved a great deal under very trying circumstances and I publicly record my thanks to the previous Assistant Minister who was part of the team, but also to the Constable of St. Peter who has joined the team and to Deputy Noel. They have been absolutely fantastic people to work with and I am grateful for their support. Finally, there are Members who have spoken and who have not spoken in this Budget debate but have spoken and have supported previous Budget debates, which this debate is about. Members have been very kind about this debate being a good Budget and I hope that that is true but there are Members like Deputy Fox, Senator Le Main, Deputy Jeune, Deputy Dupre, the Constable of St. Brelade, the Constable of St. Saviour, Senator Perchard, Senator Shenton, the Constable of St. Martin, the Constables of St. John and St. Ouen who have all made contributions that have brought the Island to the fiscal stability that we have had. Deputy De Sousa has also asked some very pertinent questions on Corporate Services. She has been courteous and she has been searching; and also the Deputy of St. Martin, he has given me a hard time about land transaction tax but that is a good thing to do for the Minister for Treasury and Resources from time to time. Also the Deputy of St. Mary has asked some jolly difficult questions; and the Deputy of St. Peter too, and I thank all those departing Members for their support. I am not responsible for the fiscal prudence; I only propose. I need Members' support and I thank all of those departing Members whose vote will be taken in this Budget debate for their help and their support. I move for the principles of the Budget.

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

The appel is called for on the proposition as amended. Members will have before them an amended Summary Table A, which is referred to in the proposition, which takes account of the amendments which have been adopted. I ask Members to return to their seats and the Greffier to open the voting.

<b>POUR: 37</b>		<b>CONTRE: 5</b>		<b>ABSTAIN: 0</b>
Senator T.A. Le Sueur		Senator A. Breckon		
Senator P.F. Routier		Deputy G.P. Southern (H)		
Senator P.F.C. Ozouf		Deputy S. Pitman (H)		
Senator T.J. Le Main		Deputy of St. Mary		
Senator F.E. Cohen		Deputy M.R. Higgins (H)		
Senator J.L. Perchard				
Senator S.C. Ferguson				
Senator A.J.H. Maclean				
Senator B.I. Le Marquand				
Senator F.du H. Le Gresley				
Connétable of St. Ouen				
Connétable of St. Helier				
Connétable of Trinity				
Connétable of Grouville				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of St. Peter				
Connétable of St. Lawrence				
Connétable of St. Mary				
Deputy R.C. Duhamel (S)				
Deputy of St. Martin				
Deputy R.G. Le Hérisier (S)				
Deputy J.B. Fox (H)				

Deputy of St. Ouen				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy K.C. Lewis (S)				
Deputy I.J. Gorst (C)				
Deputy of St. John				
Deputy M. Tadier (B)				
Deputy A.E. Jeune (B)				
Deputy A.T. Dupré (C)				
Deputy E.J. Noel (L)				
Deputy A.K.F. Green (H)				
Deputy D.J. De Sousa (H)				
Deputy J.M. Maçon (S)				

### 3. Draft Finance (2012 Budget) (Jersey) Law (P.160/2011)

#### The Deputy Bailiff:

We now come to the enabling legislation. The first is the Draft Finance (2012 Budget) (Jersey) Law 201-, and I ask the Greffier to read the citation of the draft.

#### The Greffier of the States:

Draft Finance (2012 Budget) (Jersey) Law. A Law to set the rate of income tax for 2012 and to amend the Customs and Excise (Jersey) Law 1999, the Taxation (Land Transactions) (Jersey) Law 2009 and the Stamp Duties and Fees (Jersey) Law 1998. The States, subject to the sanction of Her Most Excellent Majesty in Council, have adopted the following Law.

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

This is the law that proposes the level of income tax, income tax exemption thresholds, impôts, duty, stamp duty and land transaction tax. I move the principles.

#### The Deputy Bailiff:

Are the principles seconded? **[Seconded]** Does any Member wish to speak on the principles? All those Members in favour of adopting the principles, kindly show? The principles are adopted. Minister, you are wishing now, with the States' leave, to move the law as amended, I take it?

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

Yes, please, Sir, *en bloc*.

#### The Deputy Bailiff:

Is that seconded? **[Seconded]** Members should have on their seats the second and third amendments to the 2012 Budget law reflecting the changes which have been adopted to the Budget in the course of the debate and also the amendment which was lodged in due time and which was with Members' papers. The Articles are proposed *en bloc*. Are they seconded? **[Seconded]** Does any Member wish to speak?

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

I was just going to briefly run through them but if Members are moving fast, then I will just answer any questions.

#### The Deputy Bailiff:



Very well. Does any Member wish to speak on the Articles? Those Members in favour of adopting the Articles, kindly show? Those against? The Articles are adopted. Do you move the Bill in Third Reading, Minister?

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

Yes, please, Sir.

**The Deputy Bailiff:**

Is that seconded? [**Seconded**] Does any Member wish to speak on the Bill in Third Reading? Those Members in favour of adopting the Bill, kindly show? The appel is called for. The vote is on the Third Reading of the Draft Finance 2012 Budget (Jersey) Law and I ask Members to return to their seats and the Greffier to open the voting.

<b>POUR: 35</b>		<b>CONTRE: 1</b>		<b>ABSTAIN: 0</b>
Senator T.A. Le Sueur		Deputy S. Pitman (H)		
Senator P.F. Routier				
Senator P.F.C. Ozouf				
Senator T.J. Le Main				
Senator F.E. Cohen				
Senator J.L. Perchard				
Senator A. Breckon				
Senator S.C. Ferguson				
Senator A.J.H. Maclean				
Senator B.I. Le Marquand				
Senator F.du H. Le Gresley				
Connétable of St. Ouen				
Connétable of St. Helier				
Connétable of Trinity				
Connétable of Grouville				
Connétable of St. Brelade				
Connétable of St. Peter				
Connétable of St. Lawrence				
Connétable of St. Mary				
Deputy R.C. Duhamel (S)				
Deputy of St. Martin				
Deputy R.G. Le Hérisssier (S)				
Deputy J.B. Fox (H)				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy K.C. Lewis (S)				
Deputy I.J. Gorst (C)				
Deputy of St. John				
Deputy A.E. Jeune (B)				
Deputy of St. Mary				
Deputy A.T. Dupré (C)				
Deputy E.J. Noel (L)				
Deputy A.K.F. Green (H)				
Deputy J.M. Maçon (S)				

**The Deputy Bailiff:**

Minister, you wish to move an Acte Opératoire?

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

The ability of this Assembly is unique in terms of being able to bring an Income Tax Finance Act into immediate effect and I propose the proposition.

**The Deputy Bailiff:**

There should have been circulated to Members the Act declaring that the Finance Law shall have immediate effect. Is that seconded? **[Seconded]** Does any Member wish to speak? Those Members in favour of adopting the Act, kindly show? Those against? The Act is adopted.

**4. Draft Income Tax (Amendment No. 40) (Jersey) Law (P.161/2011)**

**The Deputy Bailiff:**

We now come to the Draft Income Tax (Amendment No. 40) (Jersey) Law and I ask the Greffier to read the citation of the draft.

**The Greffier of the States:**

Draft Income Tax (Amendment No. 40) (Jersey) Law. A law to amend 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.

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

This Bill gives effect to the income tax provisions proposed in the Budget and I can run through the provisions but I imagine that Members will want me to take it *en bloc* so I will probably just ask if any Members have any questions.

**The Deputy Bailiff:**

The principles are proposed. Are they seconded? **[Seconded]** Does any Member wish to speak on the principles? All Members in favour of adopting the principles, kindly show? Those against? The principles are adopted.

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

I will propose all of the Articles *en bloc*. They relate to the international business companies. They are the important and welcome provisions in relation to childcare and all of the other matters in relation to the Budget that we have already discussed, including the pension arrangements for incomes over £150,000 and the provisions for the Minister for Social Security to remit information about insolvency and other matters.

**The Deputy Bailiff:**

Are the Articles seconded? **[Seconded]** Does any Member wish to speak on any of the Articles? Those Members in favour of adopting the Articles, kindly show? Those against? The Articles are adopted. Do you wish to propose the Bill in Third Reading, Minister?

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

Yes, Sir.

**The Deputy Bailiff:**

Is that seconded? **[Seconded]** Does any Member wish to speak on the Bill in Third Reading? All Members in favour of adopting the Bill in Third Reading, kindly show? Those against? The Bill is adopted. Minister do you wish to propose an Acte Opératoire?

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

Yes, Sir.

**The Deputy Bailiff:**

Is that seconded? **[Seconded]** It has been circulated to Members already. Does any Member wish to speak on the proposed Acte Opératoire? All those Members in favour of adopting the Act, kindly show? Those against? The Act is adopted.

## **5. Draft Goods and Services Tax (Miscellaneous Amendments No. 2) (Jersey) Regulations (P.162/2011)**

### **The Deputy Bailiff:**

We now come to the Draft Goods and Services Tax (Miscellaneous Amendments No. 2) (Jersey) Regulations and I ask the Greffier to read the citation of the draft.

### **The Greffier of the States:**

Draft Goods and Services Tax (Miscellaneous Amendments No. 2) (Jersey) Regulations. The States, in pursuance of Articles 59 and 100 of the Goods and Services Tax (Jersey) Law 2007, have made the following Regulations.

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

“Miscellaneous” is a word that this Assembly has struggled with in other matters. I am pleased to say that there are no miscellaneous or massively controversial issues in relation to G.S.T. These are the G.S.T. arrangements that give the exemption for States Nursery Schools and classes and the other matters that I addressed in the Budget, together with the I.O.C. Regulations and the fee increases of £30,000 to £50,000 among other changes. I move the principles.

### **The Deputy Bailiff:**

Is that seconded? **[Seconded]** Does any Member wish to speak on the principles? All Members in favour of adopting the principles, kindly show? Those against? The principles are adopted. Do you wish to propose the regulations, Minister?

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

The regulations *en bloc*, Sir.

### **The Deputy Bailiff:**

Is that seconded? **[Seconded]** Does any Member wish to speak on the regulations? All Members in favour of adopting the regulations, kindly show? Those against? The regulations are adopted. Do you propose the regulations in Third Reading?

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

Yes, Sir.

### **The Deputy Bailiff:**

Is that seconded? **[Seconded]** Does any Member wish to speak on the regulations in Third Reading?

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

Not strictly on the regulations but it is the only chance I will get before we finish the Budget speech to say a few words. I think in my years in the States, I have never previously known us to achieve an entire budget debate in less than one day so I think that is something that the present Minister for Treasury and Resources can be proud of. He has achieved something which none of his predecessors have ever managed to do. In the course of my time in the States, I myself have presented 6 budgets to the States so Members appreciate that I speak from experience and I have watched the present Minister for Treasury and Resources as over the past 3 years he has presented his budgets for approval by this Assembly. Whereas I was President and then Minister for Treasury

and Resources in times of economic plenty, Senator Ozouf has been presented with a challenging economic backdrop. He has risen to that challenge with enthusiasm and commitment and with attention to detail. When I say that his speech today was the outcome of 25 previous versions which were revised over and over again until he felt that it was exactly right, that is an indication of his commitment and that was just the tip of the iceberg. The real hard work started a long time earlier. Today marks the end of 3 years' hard work and vision by the Minister for Treasury and Resources and although he has already referred to the contribution made by fellow Ministers and others, I cannot let the occasion pass by without saying that really he has masterminded and coordinated all of this with his usual enthusiasm. Indeed, I can think of no other States Member who could have undertaken this task so ably and I hope that all Members appreciate and value his efforts and hope that he will continue to serve so successfully and diligently for many a year to come.

**[Approbation]**

**The Deputy Bailiff:**

Does any other Member wish to speak? I call on the Minister for Treasury and Resources to reply.

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

I am very grateful for the remarks of the Chief Minister.

**The Deputy Bailiff:**

The appel is called for. The vote is on P.162, the Draft Goods and Services Tax (Miscellaneous Amendments No. 2) (Jersey) Regulations. I ask Members to return to their seats and invite the Greffier to open the voting.

<b>POUR: 35</b>	<b>CONTRE: 1</b>	<b>ABSTAIN: 0</b>
Senator T.A. Le Sueur	Deputy S. Pitman (H)	
Senator P.F. Routier		
Senator P.F.C. Ozouf		
Senator T.J. Le Main		
Senator F.E. Cohen		
Senator J.L. Perchard		
Senator A. Breckon		
Senator S.C. Ferguson		
Senator A.J.H. Maclean		
Senator B.I. Le Marquand		
Senator F.du H. Le Gresley		
Connétable of St. Ouen		
Connétable of St. Helier		
Connétable of Trinity		
Connétable of Grouville		
Connétable of St. Brelade		
Connétable of St. Peter		
Connétable of St. Lawrence		
Connétable of St. Mary		
Deputy R.C. Duhamel (S)		
Deputy of St. Martin		
Deputy R.G. Le Hérisier (S)		
Deputy J.B. Fox (H)		
Deputy J.A. Hilton (H)		
Deputy J.A.N. Le Fondré (L)		
Deputy of Trinity		
Deputy K.C. Lewis (S)		
Deputy I.J. Gorst (C)		
Deputy of St. John		

Deputy A.E. Jeune (B)				
Deputy of St. Mary				
Deputy A.T. Dupré (C)				
Deputy E.J. Noel (L)				
Deputy A.K.F. Green (H)				
Deputy J.M. Maçon (S)				

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

Sir, may I just offer my own thanks to the team at the Treasury, both the Agent of the Impôts, the Comptroller of Income Tax, the Head of Tax Policy, her team and all other members of the Treasury staff who worked so hard in order to put together the Budget. **[Approbation]** Also the Law Draftsman who is tested on an annual basis with sometimes some very last minute adjustments and amendments to the Budget for her work. For the Law Officers for their assistance and, of course, the Greffe for their, as usual, diligent information about the whole budget process. They all share in the successful resolution of the Budget in this record time and I am grateful for their help and the Assembly should show its appreciation to all of them. **[Approbation]**

**6. Procedures of the States: misleading information and selection of Scrutiny Chairmen and members (P.169/2011) - proposal by Deputy of St. Mary to reduce minimum lodging period under S.O.26(7)**

**The Deputy Bailiff:**

Very well. P.168 has been withdrawn. P.169 we cannot debate until tomorrow so we appear to be...

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

Sir, may I make a brief comment on that? I remember well the process that led to this and there was a substantial delay which was slightly difficult because it went to yourself, Sir, to have a look at the report because the proposition, of course, was uncontroversial.

[16:30]

There were no legal implications and then there was a delay. In fact, this would have been lodged in the normal course of events, 3rd or 4th November. So I do not know what the Standing Order is or the procedure but I think it would be sensible if this is not to come back in another form by somebody else if this was to be debated now within what would have been the lodging period. People are whispering into my ear that I should just ask for this Standing Order so we can debate this and put it to bed.

**The Deputy Bailiff:**

Deputy, the relevant Standing Order is Standing Order 26(7): “The States may reduce the minimum lodging period if they are of the opinion that the proposition relates to a matter of such urgency and importance that it would be prejudicial to Jersey to delay its debate.” If you wish to propose that that Standing Order should be applied in this case, you will have to show to the States that it would be prejudicial to Jersey to delay its debate. I am not prepared to agree that you should move for the lifting of Standing Orders generally because there would be no ability to control what is said in debate if there were to be no Standing Orders applicable to the debate. So that is not possible but if you wish to address the Assembly on Standing Order 26(7), then please do so.

**The Deputy of St. Mary:**

I will do so, Sir. The point of this proposition is effectively a summary in a way of what I have observed in the 3 years I have been in here and it is about standards. Standards have implications.

They have implications for the way we do our business. There are implications for the amount of time we waste in here re-asking questions or fighting each other when we should be working together and obviously there are many quotes for people's desire that we work together. It is indeed and, if I were to speak, I would show just how prejudicial this matter of standards or the failure to address this issue of standards, and in particular misleading information, is. I think it does have a very harmful and damaging effect on the Island as a whole. It damages the relationship between this Assembly and the people who we represent and there is considerable unease and mistrust out there. In fact, a well qualified observer of the local scene wrote in a report of his, and I am afraid I have not got the actual words but he said words to the effect that he had never seen before a degree of day-to-day mistrust and cynicism between the population and the Government. I think we should be very concerned about that because there are costs in there as well as emotional costs of people not feeling right. There are practical costs if the public do not trust us. There are costs they will not trust what we say. They will argue points that do not need arguing. There are savings to be made where people get round a table and trust each other and trust each other's figures and are prepared to do that. So that is one issue and the other issue, of course, is ... well, there are several other issues. One is the way it impacts on the staff and our staff relations and in my report there are 2 examples of staff, one of whom resigned on this sort of issue, and the other I feel has been put under political pressure and I cannot see any other way of reading the information. So those are serious issues and they are day to day issues. They are immediate issues and our ability to recruit the best staff is at stake. So those are just 2 consequences and then, of course, the division within this House and we go on and on about how serious that is only last week. My Constable was referring to it in the debate on secrecy in electing the Chief Minister. She said: "We should all shut up and get behind the Chief Minister." In other words, we should all be together. How can we be together in this atmosphere whereby misleading statements and seriously misleading statements are too often made? So I think that is enough to make the case that this is an important debate and it has important consequences for the Island and if it is put off, then it is just so much longer that we do not tackle this issue.

### **The Deputy Bailiff:**

Is the proposition seconded? **[Seconded]** Very well, does any Member wish to speak on that proposition to reduce the minimum lodging period?

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

The main point I would make is that the proposition is phrased in terms of the Privileges and Procedures Committee taking the matter forward and it strikes me that the currency of the office of that committee is about to come to an end, despite the yeoman work they were doing this morning, for example. It is about to come to an end and surely one way out of this might be for the Chairman of the P.P.C. to say that she will take this forward and express to the successor committee the sentiments and convey to the new committee that this could well be a subject that they would wish to take on board in the early stages of their office.

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

Could I just ask the Deputy, when he is summing-up, to explain why this is urgent. Is it not the case that this is an issue which needs to be dealt with but that should be dealt with by the new Assembly and at this last hour of this Assembly, why is there an urgency in dealing with this? He needs to persuade me and other Members that we need to get on and deal with this right now as opposed to leaving issues such as this for the new Assembly and the new P.P.C. to deal with.

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

I think the House is being unkind: totally unfair to the Deputy of St. Mary. It is very unusual, I think it is the first time that I can ever remember, that we have had a budget all over inside a day and again it is just the peculiarities, I think. I forget who mentioned how few amendments there

were and one of the reasons there were so few amendments was bearing in mind it was an election year and there may well have been a lot more and, in fairness to the Minister for Treasury and Resources, it was a good budget. There was not a lot to argue about. At the same time, it was a very short budget and also the issue of that under normal circumstances, 2 weeks' provision would have been sufficient for lodging. However, due to a change of rules, we now have a 4-week lodging. I gather this was lodged on 12th October so ordinarily until about recently, the Deputy of St. Mary would have been able to debate this. Indeed, the House would have. But I just feel that also being unkind and unfair to the Deputy if this is not agreed to today, or even discussed today, I think this will be just swept under the carpet. It will never come to fruition and I think there is certainly sufficient evidence again today that would come out that would really I think would be in the House's best interests and the States best interests, in fact, the Island's interests that these issues were locked-up. While I can understand what Deputy Le Hérisssier is saying and his sentiments, but really just having a loose commitment is not this. I think it needs to be debated and thrashed out. Also bearing in mind that we are supposed to be here at 9.00 a.m. tomorrow morning for a photograph. Now, I do not know how long this debate will go but under normal circumstances, this would have been debated tomorrow and all we are asking for is 50 minutes to be brought forward by 50 minutes and I do not think that is asking too much and I would ask that Members support the proposition, that we debate it today.

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

There is a general presumption against amending or lifting Standing Orders unless there is a very good reason and we have occasionally had this serious debate on Standing Order 26(7) and the wording to me is very clear indeed. It has to be of such urgency and such importance that it would be prejudicial to delay its debate. In other words, it must be a highly critical matter. Now, this debate relates to a request to a committee, a committee which, in fact, will no longer be in existence after this week and until a new committee is formed, they cannot start acting. It is a request which is of such urgency and importance. It is to carry out a review. Now, that review, I do not know how long it will take. It may take a few weeks, it may take a couple of months but it strikes me that the urgency in that respect is such that it does not fall within the remit of Standing Order 26(7). The second area is that of importance. Now, if the matter is as important as the Deputy of St. Mary has us believe, then I have every faith in the membership of this Assembly to think that one of the 51 Members in the new Assembly will bring that sort of proposition back to the House at a very early stage and then it can be debated in the proper way but for us to lift the Standing Order for this event does not, to my mind, meet the criteria of urgency and importance or prejudicial for Jersey to delay.

#### **6.1.5 Deputy M. Tadier:**

I could stand up here and make a tenuous speech about why I think this is of such urgency that it would be prejudicial to the interests of Jersey if it were not to be debated today. I think if I were to make that speech, I could make a speech and I could make it relatively convincing but I think it would be slightly disingenuous. I think we need to look at the pragmatic approach here, that I could stand here and speak for 20 minutes, 30 minutes, if we had been better organised earlier in the day. If we could have made sure that we had spoken a bit longer, we could have made sure that allies of the Deputy of St. Mary [Aside] ... please bear with me - if one listens instead of interrupting - allies of the Deputy of St. Mary, for example, myself, Deputy Southern and a number of other people could have made sure they had made longer speeches so when the Deputy of St. Mary phoned me earlier and said: "I am worried that my proposition will not be able to be taken today and I am going to come back in even though I am sick, I could come back in tomorrow," we could have all made long speeches and kept us here unnecessarily long. So what I am going to propose to do... and I would hope that every Member would act in a fair-minded way considering that we have finished early today, considering that it is the last proposition that the Deputy of St. Mary is going to be bringing to the Assembly, considering that although we may not agree with all

of the policies and the ideas that the Deputy of St. Mary has, he has been a hardworking Member of the Assembly. I know that. I have been here at weekends and I have seen him already in the afternoon being here all day with a table full of papers doing very hard work not just for his constituents but for the whole Island for things that he thinks are genuinely desirable. Personally, I do think that honesty is something which is fundamental and if that is being questioned, if there is a proposition on the table which is seeking to remedy that, it is of utmost importance to the Island but what I would be suggesting now, if I may have the indulgence of the Assembly, is to propose the adjournment. We are back here tomorrow morning anyway and I think I am sure the Deputy of St. Mary will not speak a moment longer than he needs to tomorrow morning and we are here anyway. Let us debate this proposition. Let us send the Deputy of St. Mary off and let us have a proper debate on the policy which underlies the arguments which underlie his proposition and vote for it or vote against it as we see fit. But let us not play games. It is not really fitting for an Assembly to do that. Sir, if I can propose the adjournment.

**The Deputy Bailiff:**

Very well. The adjournment is proposed. Is it seconded? **[Seconded]** Members in favour of adjourning at this stage? The appel is called for as to whether we should adjourn at this stage.

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

I think we need to have clarity about the word “adjournment”.

**The Deputy Bailiff:**

The proposal is that we adjourn until tomorrow at 9.30 a.m. I invite Members to return to their seats. I ask the Greffier to open the voting.

<b>POUR: 20</b>		<b>CONTRE: 21</b>		<b>ABSTAIN: 0</b>
Senator P.F. Routier		Senator T.A. Le Sueur		
Senator B.E. Shenton		Senator P.F.C. Ozouf		
Senator A. Breckon		Senator T.J. Le Main		
Senator S.C. Ferguson		Senator J.L. Perchard		
Senator A.J.H. Maclean		Senator B.I. Le Marquand		
Senator F.du H. Le Gresley		Connétable of St. Ouen		
Connétable of St. Helier		Connétable of Grouville		
Connétable of Trinity		Connétable of St. Peter		
Connétable of St. Brelade		Connétable of St. Lawrence		
Connétable of St. Martin		Connétable of St. Mary		
Deputy R.C. Duhamel (S)		Deputy J.B. Fox (H)		
Deputy of St. Martin		Deputy J.A.N. Le Fondré (L)		
Deputy R.G. Le Hérisier (S)		Deputy of Trinity		
Deputy G.P. Southern (H)		Deputy S. Pitman (H)		
Deputy J.A. Hilton (H)		Deputy I.J. Gorst (C)		
Deputy K.C. Lewis (S)		Deputy of St. John		
Deputy M. Tadier (B)		Deputy A.E. Jeune (B)		
Deputy of St. Mary		Deputy A.T. Dupré (C)		
Deputy M.R. Higgins (H)		Deputy E.J. Noel (L)		
Deputy D.J. De Sousa (H)		Deputy A.K.F. Green (H)		
		Deputy J.M. Maçon (S)		

[16:45]

**The Deputy Bailiff:**

Very well. We go back to the proposition of the Deputy of St. Mary that the States reduce the minimum lodging period under Standing Order 26(7).



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

Yes, most of what I was going to say has been said by the Chief Minister and I am not going to repeat all he said but in all the years that I have sat in this Assembly, this is probably one of the worst cases of lifting of the Standing Orders and I think that this is a misuse of that privilege and I would honestly say that this is only a review of the policies of the Assembly of this House and the workings of this House and quite honestly I concur wholly with what the Chief Minister said. I am not going to repeat it but I think it is an abuse of that privilege and I shall certainly not be supporting it.

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

Very well, Chairman of Privileges and Procedures.

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

Procedurally, I concur with the speech of the Chief Minister. I think he said what I wanted to say very ably. I just think I needed to rise to address the point that Deputy Le Hérissier made about could I just push this on to the next P.P.C. I am afraid I do not feel I can for the simple reason that obviously our committee terminates in a few days' time and this is not a matter that is currently on our work programme so therefore I am not able to include it in the legacy report. I have no knowledge whether the Assembly would endorse it or not today if we were able to debate it so I cannot do that. But, of course, it is open to any future committee to consider whatever they think is germane and so it may well be that they pick this up or choose not to accordingly. But, of course, the reason it is not on the current work programme, it must be borne in mind, is that the Deputy of St. Mary did not come to P.P.C. with any particular concerns about this, did not raise it with us in due time, has not ever mentioned it to us. If he had, then I might have been able to take it forward. For that reason, I certainly cannot support the motion to lift Standing Orders.

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

Can I seek clarification from the previous speaker about something she said? **[Aside]** Well, I have spoken. I am asking if I can seek clarification. I would like to note she has mentioned about how one can get stuff to put on the agenda. Now, I found it very easy to put things on the agenda. I just emailed the Greffier and said: "I would like P.P.C. to put this on the agenda" and he has done that for me. So surely if this decision was taken today, and it is something perhaps the Chair can advise on, surely if the States made a decision today and it indicated that this was something we wished to carry forward, that would automatically go on to the agenda of whoever the next P.P.C. were. Is that not the case?

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

The Chair certainly does not give directions as to what goes on the agenda of the Privileges and Procedures Committee. Chairman, do you wish to answer that?

#### **The Connétable of St. Mary:**

Simply that I was asked a question by Deputy Le Hérissier and I have answered it, I think, fully.

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

Very well. Does any other Member wish to speak? If not, then, Deputy of St. Mary, would you like to reply?

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

Yes, indeed. I am tempted to look at the clock but I will not because I think somebody talked about playing games and I do not propose to do that. I do propose, however, to deal with the points raised. Firstly, the last point about sending it, if you like, to P.P.C. The whole document... there it is laid out and to say that I could have gone to discuss it with P.P.C: well, I could have. I thought

that it was a matter of great public importance and I thought it was right to bring it here and have the issues aired publicly rather than going quietly to P.P.C. But I do accept that Deputy Le Hérisier's proposal is a way out, that this entire report and the way the proposition is phrased, it asks P.P.C. to find a way of doing this in an independent, prompt, fair way. That is what my proposition asks for in a sense so it would be a way forward.

**Deputy R.G. Le Hérisier:**

On a point of clarity, without wishing to unduly pressurise the Deputy, I would be prepared to take the matter up and refer it to the new P.P.C. [Approbation]

**The Deputy of St. Mary:**

Fine, I thank the Deputy for that and I will bear it in mind [Laughter] until I get to the end and it has time to go round a couple of times. Now, I remember this matter of how urgent it is and how we have this, was it the last hour of this Assembly, general presumption against lifting Standing Orders, request of such urgency and importance and I take the point. It is difficult to say that this is urgent. The tsunami is not there coming towards us. We have so many minutes to deal with it. Not even like the Budget which we debate in spite of the fact that all the new Members have been elected. So it is not quite in that category but my goodness, it is an important issue. The point I want to make is I well remember P.P.C. coming to this House and saying: "Please, can we debate this addition to Standing Orders. It is way out of time but we have to do it because, oops, we forgot to make the arrangements for the General Election make any sense at all and it was just a slip-up" and we took that in the right spirit. We all said: "Well, of course, of course, you can change Standing Orders outside the lodging time," well outside, I think it was, because we believe in the good running of the House and the good running of the elections. I remember also another proposition and it was a Ministerial proposition and they were out of time and they said: "Please" and we said: "All right, then." In fact, we have just done it with the Budget. We have done it twice, I think, 3 times, but I remember this other proposition and I have not made a note of it which is a pity because then I could say it was that proposition but I do remember the Assembly ...

**Deputy J.M. Maçon of St. Saviour:**

If the Deputy would give way. I made a similar request a long time ago when Deputy Shona Pitman brought her amendment. I brought an amendment to that and the Assembly did waive that. I believe it was in a very, very similar situation where there was half an hour in the lodging period and that is why I will be supporting the Deputy of St. Mary.

**The Deputy of St. Mary:**

Thank you for that and I think that shows that we can just act in a fair way and say: "Okay, it was a few hours" and I will come to the issue of why this is lodged apparently late because that will be my closing point but I well remember that and Deputy Maçon has given an example of something that was half an hour or an hour out of time, that the Assembly said: "Well, of course, in the interests of a good debate, we want to look at that amendment and then kick it out or accept it," whichever it was but that seems to me to be good and fair practice. I just remember and I hope someone else could remember that case because we did say: "All right, Minister, in the interests of good government, you can bring this even though it is a day or 2 late." Finally, the issue of why this proposition is lodged for tomorrow. Now, I did the work and so on in conjunction with the Greffe. As usual, the Greffier and the department were brilliant and on 6th October, I am sending it to the Deputy Bailiff I am sending it to the Deputy Bailiff this afternoon, 6th October. Now, if you go 4 weeks, you come to 3rd November. Add a day, of course, because the afternoon would be issued that evening, 4th November. Even if it took the Deputy Bailiff a day, 5th November. That is last week. But no, for some reason - I throw no brickbats or bouquets - but on the 10th, the Greffier was still asking the Deputy Bailiff to... and I am sorry it just happens to be the Deputy Bailiff in the Chair, but so maybe there is a conflict but we will ride with that, we will live with

that, will we not? On the 10th, the Deputy Bailiff was being reminded or being asked to go through the report because he has to be satisfied that the contents of the report and proposition comply with Standing Orders. So, in a sense, not my fault, and I think that in the spirit of that, this was presented to the Greffe completely done and dusted in time. There were amendments made to the text of the report, minor amendments were asked for and I agreed to them and so that is why we are sitting here for half an hour going on about whether Deputy Wimberley's last proposition can be debated even though it is quite an important one. So I would ask Members just to remember that, to remember whether they are committed to fairness and openness and all those other nice words and I hope that we can debate a proposition on honesty and also on scrutiny panels and the way that they are set up.

**The Deputy Bailiff:**

The appel is called for and the vote is on whether to reduce the lodging period for P.169. I invite Members to return to their seats at any rate to enable P.169 to be debated. I invite Members to return to their seats and ask the Greffier to open the voting.

<b>POUR: 19</b>		<b>CONTRE: 21</b>		<b>ABSTAIN: 0</b>
Senator F.E. Cohen		Senator T.A. Le Sueur		
Senator A. Breckon		Senator P.F. Routier		
Senator S.C. Ferguson		Senator T.J. Le Main		
Senator A.J.H. Maclean		Senator B.E. Shenton		
Senator F.du H. Le Gresley		Senator J.L. Perchard		
Deputy R.C. Duhamel (S)		Senator B.I. Le Marquand		
Deputy of St. Martin		Connétable of St. Ouen		
Deputy R.G. Le Hérisssier (S)		Connétable of St. Helier		
Deputy G.P. Southern (H)		Connétable of Trinity		
Deputy J.A.N. Le Fondré (L)		Connétable of Grouville		
Deputy S. Pitman (H)		Connétable of St. Brelade		
Deputy I.J. Gorst (C)		Connétable of St. Martin		
Deputy M. Tadier (B)		Connétable of St. Peter		
Deputy A.E. Jeune (B)		Connétable of St. Lawrence		
Deputy of St. Mary		Connétable of St. Mary		
Deputy A.T. Dupré (C)		Deputy J.B. Fox (H)		
Deputy M.R. Higgins (H)		Deputy J.A. Hilton (H)		
Deputy D.J. De Sousa (H)		Deputy of Trinity		
Deputy J.M. Maçon (S)		Deputy K.C. Lewis (S)		
		Deputy E.J. Noel (L)		
		Deputy A.K.F. Green (H)		

**ARRANGEMENT OF PUBLIC BUSINESS FOR FUTURE MEETINGS**

**The Deputy Bailiff:**

Very well. The last item is the arrangement of Public Business for 6th December. Chairman?

**7. The Connétable of St. Mary (Chairman, Privileges and Procedures Committee):**

We have had one first today when the Budget was concluded in one day and I think another first because I have no amendments to the Public Business displayed under M in the Order Paper.

**7.1 Senator A. Breckon:**

P.150, I am in discussions with the Minister for Economic Development and I should be able to inform Members in the next day or so whether that will proceed on their desks to reply to so it could well be that it is not debated on that day but I will inform Members in the next day or so.

**The Deputy Bailiff:**

Chairman, is there anything that I have missed because I was distracted as you were speaking?

**The Connétable of St. Mary:**

No, Sir, I do not believe there is because apart from the possible change that Senator Breckon has just alluded to, I have no changes to make to the Order Paper.

**The Deputy Bailiff:**

Very well. The Public Business is as proposed for 6th December. Before we close, then, this evening, this takes me somewhat by surprise because I was not expecting to close the business of the States tonight either. But this is the last occasion for the present Assembly and it seems to me that it would be remiss if I did not say something, albeit briefly, about those Members who will not be returning. The Chief Minister, Senators Le Main, Cohen, Shenton and Perchard, the Connétables of St. Ouen, St. Martin, St. Brelade, St. John, the Deputy of St. Martin - and this is in no particular order - Deputy Fox, Deputy Jeune, Deputy Dupre and the Deputy of St. Mary. I hope I have not missed anybody out. I have mentioned Deputy De Sousa, at least she is down on my list, I certainly intended to and the Deputy of St. Mary. Have I missed anybody else? The Connétable of St. Saviour, indeed, thank you. It goes to show how thoroughly unprepared I am for making this brief statement **[Aside]** and I would not have been presiding tomorrow. But what I think I would like to say from the Chair is that the contribution of each of those Members has been very much appreciated, I am quite sure, by the entire Assembly. **[Approbation]**

[17:00]

It is perfectly apparent that they do not all necessarily come with the same ideas but nonetheless it is the vibrancy of debate in this Chamber which is the proper protection for democracy and it would be wrong if we did not recognise that and thank them - the retiring Members - very much for all that they have done and contributed to in this Assembly over the last 3 years. Of course, some of them, one never knows, we may see back again at some point in the future. Very well. **[Approbation]** The Greffier reminds me I should also have mentioned Deputy Le Claire who just happens not to be here.

**The Connétable of St. Ouen:**

Can I seek your indulgence to just maybe say a few words of my own. I have been in the Assembly for 17½ years and I have enjoyed most of that time. **[Laughter]** I cannot truthfully say I have enjoyed it all but can I take this opportunity of thanking not only all the Members of this present House but all the Members who have served in past Houses that I have been with and add to those our Greffier and his staff, the Assistant Greffier and yourself and the Bailiff and the former Bailiff for their indulgence during that time. **[Approbation]**

**The Deputy Bailiff:**

Finally, can I remind Members that the photograph is due to be taken tomorrow morning at 9.00 a.m. so if you could please attend for the photograph or you may be in danger of not having yourselves recorded for posterity which would be terrible. The States now stand adjourned.

**ADJOURNMENT**

[17:01]